Glossary

This glossary contains some useful terms in the area of veterinary business and enterprise. They have been, where appropriate, adjusted to be more specific to the practice of veterinary medicine, surgery and/or consultancy. Acknowledgment and thanks for the initial content of this glossary is to the website [http://www.bizvet.com/](http://www.bizvet.com/Resources.html#Glossary) .

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| Acid-Test Ratio | Sum of cash, receivables, and marketable securities divided by current liabilities. The acid test provides a quick measure of the practice’s ability to pay its near-term liabilities out of liquid assets. |
|  Accounting | **Accounting Meaning:**In accounting terminology, the term ‘accounting’ refers to the practice of recording and analysing the financial transactions of a business. Accounting also generally involves reporting of this information. **Accounting Example:**For example, accounting for a business involves standard methods for recording financial transactions, keeping accurate financial records, giving an accurate analysis of the company’s finances to the company’s management and being able to perform internal audits. The Accounting department of a company can provide additional information about the company’s available resources, how those resources can be financed and the results of how those resources are employed. Accounting sums up the pluses and minuses in running a business and allows management to make decisions based on how the numbers are interpreted. This can be extremely beneficial in cutting costs and optimizing production for businesses. Source: http://www.financialadvisory.com/dictionary/term/accounting/ |
| Accounts Payable | Amounts owed to suppliers that are payable in the future. |
| Accounts Receivable | Money owned to a practice for services rendered or products sold that is not paid at the time of service or when the product is dispensed. |
| Accounts Receivable Turnover | The relationship between sales made through credit and accounts receivable, computed by dividing sales on account by average net accounts receivable. The higher the A/R turnover number, the quicker collections occur (and the higher the probability of successful collection). |
| Advertising | Paid communication using various forms of media to influence or persuade an audience |
| Aged Payables |  Categorisation of accounts receivables into those that are recently incurred (e.g. < 30 days), those overdue but incurred 30 – 60 days ago, those overdue but incurred 60 – 90 days ago, and those overdue but incurred > 90 days ago.Overdues are commonly known as 30,60,90 day accounts |
| **Amortization** | A periodic expense attributed to the decline in usefulness of an intangible asset over its estimated useful life. |
| **Assets** | Things of value on a balance sheet, such as cash, equipment, inventory, buildings, etc. |
| **Average Client Transaction (ACT)** | Revenue per client visit, calculated by dividing the income by the number of clients or patients seen. Also called per-patient transaction. |
| **Average Patient Charge (APC)** | This is the total practice revenue divided by the number of patients seen. It is an economic indicator of services provided based on the patients seen rather than the invoices written.  |
| **Average Transaction Charge (ATC)** | The total revenue for a time period divided by the total number of transactions during that period. |
| **Average Transaction Fee (ATF)** | This is an economic measure of the average dollar amount of services provided on each invoice in a practice.  It is the total practice revenue divided by the total number of invoices.   |
| **Balance Sheet** | A financial report detailing a practice’s assets, liabilities, and owner’s equity (Net Assets in a non-profit organisation) at a specific point in time. Also known as the Statement of Financial Position |
| **Benchmarking** | This is a process by which a practice compares itself to others (especially those known for outstanding performance) in an attempt to improve performance. |
| **Book Value** | The dollar amount at which assets and liabilities are recorded in financial statements. |
| **Bottom line** | A colloquial term for profits after all expenses and taxes have been considered. |
| **Brand** | An identifying symbol, words, or mark that distinguishes a product or company from its competitors. The brand value reflects how a product's name, or company name, is perceived by the marketplace. |
| **Brand Identity** | A unique set of associations that the brand strategist aspires to create or maintain |
| **Brand Promise** | The spoken or unspoken expression of the continuing, important and specific benefits clients connect with a firm, service or product. |
| **Breakeven Point** | The point at which the initial money spent is recovered through cash inflows. The level of sales that will just cover all costs, both fixed and variable. |
| **Budget** | An estimate of income and expenses for a specified period. |
| **Burnout** | Physical or emotional exhaustion, especially as a result of long-term stress or dissipation. An expression used to describe what might be better defined as depression for those who are simply disenchanted with practice or extreme exhaustion for those who have not taken reasonable time off. |
| **Business Plan** | A written document that details a proposed or existing venture. It seeks to define the objective, vision, current status, expected needs, strategies, defined markets, and projected results of the business. |
| **Capital** | The rights (equity) of the owners in a business enterprise. |
| **Capital Asset** | An asset that has utility over more than one accounting period, such as a surgical table. |
| **Capital Budgeting** | This involves the analysis of all the financial plans associated with the acquisition of all capital assets for a business. |
| **Capital Gains** | The increase in value of a property above investment costs. The difference between an asset's purchase price and selling price, when the selling price is greater |
| **Capital Lease** | A lease which includes contract provisions that result in treating the leased asset as a purchased asset. It generally covers the economically useful life of the property in question which is typically longer than the period of time an operating lease covers. |
| **Capital Reinvestment** | The periodic capital outlay required to maintain operations at existing levels; also referred to as sustaining capital reinvestment |
| **Capitalization rate** | The rate of return needed to attract capital to the practice.  This is essentially the rate of return a buyer would expect for investing in the practice. The rate is a reflection of the risks associated with the business with emphasis on the practice’s ability to maintain its net income. |
| **Cash flow statement** | A financial report on the sources of cash (like profit, increased debt, and collections on client accounts) and uses of cash (like reducing debt or buying more drug and supply inventory) during a period of time |
| **Cash Payback (CP)** | The amount of time necessary between the capital expenditure and the complete recovery in cash (net after expenses) of the amount invested. |
| **Cash Payback Period** |  The estimated period of time that will elapse between the date of a capital expenditure and the complete recovery of the amount invested. |
| **Catchment Area** | Also known as Trade Area. The area from which a business draws its clientele. |
| **Chart of Accounts** | A systematic listing of all account names and numbers used by a company. |
| **Charitable Corporation** | A corporation that has been organized under law as a not-for-profit corporation and meets the countries Internal Revenue Code Section to have its income exempted from federal income taxes and its donations tax deductible by the donors. |
| **Client** | An individual or group who engages in a professional working relationship with a veterinarian or veterinary practice for the delivery of veterinary services. |
| **Client satisfaction** | Meeting and/or exceeding client expectations by the customer’s standards or perception. |
| **Client service** | Refers to meeting the needs of individuals with whom the doctor or practice hopes to maintain a long-standing relationship.  |
| **Commodity** | An item that is considered interchangeable, and whose price is a reflection of supply and demand. |
| **Compassion fatigue** | A progressive loss of idealism, energy, and purpose experienced by people in the helping professions |
| **Compensation** | All income due to employees for their work during a given period. In addition to wages, salaries, bonuses, and stock options, compensation includes fringe benefits and employers' share of contributions to insurance programs, such as Social Security. |
| **Compensatory Time** | Time off given to an employee to compensate for extra time worked in a single workweek. Also known as time off in lieu (TOIL). |
| **Compliance** | The measure of whether pets actually receive the care that has been recommended by their veterinarians. |
| **Community Relations** | Continuing, planned and active participation with and within a community to maintain and enhance its environment to the benefit of both an organization and the community. |
| **Conflict Resolution** | A process of resolving a dispute or disagreement |
| **Consumer report** | A report of a consumer's credit worthiness, credit standing, credit capacity, character, general reputation, personal characteristics, or mode of living |
| **Continuous quality improvement (CQI)** | An  ongoing process of seeking small improvements in processes that have an overall effect of improving efficiency and productivity while reducing waste within an organization |
| **Cost Driver** | A quantifiable measure that is used to assign costs to activities; reflects the consumption of costs by activities, such as labor, supplies, equipment and associated depreciation, etc. |
| **Cost Object** | Any activity for which a separate measurement of costs is desired, such as services, service lines, products, product lines, processes and responsibility centres (surgery, pharmacy, etc.). |
| **Cost of Goods Sold (COGS)** | The expense incurred to purchase merchandise sold during a period. It can include any variable cost items that are sold by a veterinary business as a marked up item e.g. actual drug costs, diet product costs, external mortuary service costs, pathology test kits or external laboratory fees. |
| **Cost of Professional Services (COPS)** | The direct costs associated with delivering a service. It reflects the direct costs of patient care and product retailing, including non marked up item drug and pharmacy costs, professional and hospital supplies costs, radiology and imaging supply costs, surgery and anaesthesia supply costs, etc. It does not include any variable cost items that are sold by a veterinary business as a marked up item e.g. actual drug costs, diet product costs, external mortuary service costs, pathology test kits or external laboratory fees. |
| **Costs, Fixed** | Fixed costs are those that do not fluctuate with revenue.  For example, the rent paid to lease the building in which the veterinary practice is located is a fixed cost.  Even if no clients come in the door and no revenue is generated by the practice, the business still has to pay rent. |
| **Costs, Semi-variable** | Expenses that don’t fluctuate directly with revenue but still don’t stay fixed in the sense that rent does. They encompass some fixed and some variable expense components. For example, telephone service is typically a semi-variable expense in that there is typically a base cost (fixed expense) and then an additional cost (variable expense) depending on the amount of telephone service features used (e.g., long distance costs). |
| **Costs, Variable** | Those costs that fluctuate directly with revenue. For example, variable costs in a veterinary practice would include anesthesia, drugs and supplies.  If no patients are seen, none of these items is used and there is no procedure-associated cost (other than the original cost of the existing supplies).  |
| **Credit Policy** | Written guidelines to assist in deciding to extend credit to a customer. Formulating a standard credit policy helps to avoid extending credit to pet owners who are unable to pay their accounts. A good credit policy should help retain good relationships, without jeopardizing cash flow. |
| **Credit Report** | A listing of all the outstanding debt and history of payments on that debt.  |
| **Credit Terms** | Time limits set for customers' promise to pay for merchandise or services purchased from a practice. |
| **Culture** | The personality of the practice.  It tells the history and beliefs of the practice and sets the tone for giving the practice a competitive advantage. |
| **Current Assets** | Cash or another assets that may reasonably be expected to be realized in cash, sold, or consumed, within a year or less, through normal practice operations. |
| **Current Liability** | Amounts owed to outside parties that are due and must be paid within the next twelve months. |
| **Current Ratio** | Current assets divided by current liabilities. It indicates how much there is in assets, cash, and items of value, versus how much is owed on those assets. |
| **Curriculum vitae** | A special type of resume traditionally used within the academic community that includes earned degrees, teaching and research experience, publications, presentations, and related activities. |
| **Customer** | Someone who pays for goods or services.  |
| **Customer service** |  Refers to assistance to individuals who are purchasing a product or service.     |
| **Demographics** | Description of the vital statistics or objective and quantifiable characteristics of an audience or population. A few of the demographic designators include age, marital status, income, family size, occupation, and personal or household characteristics such as age, sex, income, or educational level. |
| **Depreciation** | A systematic allocation of the cost of a tangible asset (i.e. radiographic unit) over time. It is the monetary amount of estimated annual normal wear and tear on property improvements. |
| **Direct expense (cost)** | An expense (cost) that can be directly traced to a client, to a profit center, or to some specific entity. |
| **Direct Labor** | Direct labor or hard labor includes any actions that directly contribute to the delivery of patient care or customer service |
| **Direct labor hours** | The costs associated with providing staffing for a service. |
| **Discount** | A reduction in price for services and/or products. This can be a partial or total reduction of fees. |
| **Discount Plans** | This is a service by which pet owners pay a fee to receive discounted services from participating veterinarians. It is not, by definition, insurance. |
| **Doctor’s Manual** | A manual that helps ensure that all doctors in a multi-doctor practice are following the same basic protocols so as to avoid client confusion that will undermine client trust in the practice. In addition to outlining such routine protocols as vaccination guidelines, these manuals also include narrative on how to interpret the practice’s fee structure. For example, if a practice offers a Level One, Level Two and Level Three Nursing Care fee, the manual will outline the criteria used to define each level (this type of information may also be included in the Reception Manual) |
| **Due Diligence** | The process by which persons conduct inquiries for the purposes of timely, sufficient and accurate disclosure of all material statements/information or documents which may influence the outcome of the transaction. |
| **Economic Life** | The number of years over which cash is expected to be returned from an investment in property. |
| **Economic Order Quantity** | The most economical quantity of a product to order, factoring in both holding and ordering costs |
| **Economic value-added** | The monetary value of an entity at the end of a time period minus the monetary value of that same entity at the beginning of that time period. The after-tax earnings minus the opportunity cost of capital. |
| **Economy of Scale** | The reduction in cost per unit that results when operational efficiencies allow increased production. There is thus savings because as production increases, the cost of producing each additional unit decreases. |
| **Economy of Scope** | The reduction in costs of operations when a company enters two or more markets where the operations in one market can be used to make operations in another market more efficient. |
| **Emotional Intelligence (EQ)** | A kind of intelligence or skill that involves the ability to perceive, assess and positively influence one's own and other people's emotions. |
| **Employee** | The common law definition of "employee" is anyone who performs services subject to an employer’s will and control as to what shall be done and how. Veterinary employees are workers contracted by practice owners to perform specified job tasks during delineated time periods, subject to the authority and control of their employers. |
| **Employee Manuals** | These are manuals explaining the terms and conditions employees must operate under while working for a given business. |
| **Employer** | A person or firm that employs workers and pays wages. |
| **Endowment** | A fund, usually in the form of an income-generating investment, established to provide long-term support for an organization. |
| **Equity** | The owner(s)’ claim on the practice’s assets (i.e., the portion of the practice’s assets that belongs to the owner, not the creditors). |
| **Excess Earnings** | The amount of earnings expected over and above the return on tangible assets; includes earnings as a result of intangible assets such as goodwill |
| **Expense** | A measured outflow of monies for services and/or goods required for business operations. If using Activity Centres in the chart of accounts, an expense may be entered in the same activity centre as the revenue generated for that expense outflow. |
| **Expense, Fixed** | An expense that stays the same regardless of the amount of work the practice performs, such as rent. |
| **Expense, Step** | An expense that increases or decreases in distinctive amounts, rather than in a linear fashion. Any staff member with a guaranteed work schedule is a step expense |
| **Expense, Variable** | An expense that increases as the amount of work the practice performs increases. For example, the busier a practice becomes, the more drugs and supplies it requires |
| **External marketing** | Written or verbal communication that is aimed at attracting new clients.  Examples include exterior appearance of the hospital, yellow page ads, mailings, PR events, speaking engagements, signage, web site, and phone conversations. |
| **Fair Market Value** | The price at which an asset would change hands between a willing buyer and a willing seller, both having the means to complete the transaction and neither acting under duress. |
| **Finance Charges** | Money charged for payments that extend beyond an agreed upon time limit.  The amount charged is governed by the usury laws in the State within which you practice.  The amount of finance fee charged must be clearly reflected on the invoices rendered. |
| **Fixed Costs**  | All expenses of a business except the purchase costs of marked-up items.  |
| **Frequency** | In advertising, the number of times an individual is exposed to an advertisement |
| **Full-time Equivalent** | A method of comparing practices based on a full-time schedule of 38\* hours a week. If a practice has two veterinarians, one working 47.5 hours a week and one working 19 hours a week, that practice has 1.75 full time equivalent veterinary positions [i.e., (47.5 + 19)/38]\*the hours per week for a full-time schedule may differ depending on the country e.g. 40 hours in the United States |
| **Future Value** | The monetary value of some defined investment at some point in the future, given a specified rate of return |
| **General and Administrative Expenses** | All executive, organizational, and clerical expenses associated with the general management and operation of a practice, rather than with delivery of patient care, ancillary services such as pet boarding and grooming, or product/pharmacy sales. |
| **General Ledger** | The collection of all Asset, Liability, Equity, Revenue, and expense accounts from which the financial statements are derived.  |
| **General Liability Insurance** | Insurance that protects against accidents and injury that might happen on its premises, as well as exposures related to its products |
| Generally accepted accounting principles (GAAP) | A philosophy that broadly includes the body of principles that governs the accounting for financial transactions underlying the preparation of a set of financial statements. GAAP are derived from such sources as the financial accounting standards board and the institute or association of Certified Public Accountants for the country the business is situated in. |
| **Going Concern Assumption** | The assumption that the business will remain in operation for the foreseeable future (as opposed to a liquidation assumption) |
| **Goodwill** | An intangible asset resulting from a business’s reputation, name, location, products, services, customer base, etc. |
| **Gross Income** | Income resulting from all veterinary operations before any cost/expense deductions and excluding interest income, service charge income, rebates, sales tax collected, or any other income resulting from other than veterinary professional services and pharmacy/product retail income. |
| **Gross Profit** | A monetary amount, commonly computed by subtracting total Cost of Good Sold from Gross Income. This is quite useful in businesses engaging only in retailing sales of goods. It is not a particularly useful figure for veterinary businesses whose main business is the selling of knowledge and skills i.e. the sale of services. |
| **Hazardous Waste** | By-products of society that can pose a substantial or potential hazard to human health or the environment when improperly managed. Possess at least one of four characteristics (ignitability, corrosivity, reactivity, or toxicity) or appears on EPA lists. Require special handling for detoxification or safe disposal. |
| **Holding costs** | All of the costs associated with maintaining inventory on the premises. |
| **Hospital Safety Manual (HSM)** | A collection of all the safety rules, regulations, and policies of the facility. It should have the set training schedule for the staff, a written safety plan, Material Safety Data Sheets (MSDS), and evacuation plans for emergencies. It must be stored in an easily accessible location. |
| **Human Resources** | Also known as human capital, the skills that people can use to produce goods and services. The four main areas of human resources as a discipline include: Employment Practices; Organizational Development; Compensation and Benefits, and Employee Relations. |
| **Income Statement** | Also known as a profit and loss statement (P & L), a report on financial performance that covers a period of time and reports income and expenses during that period. |
| **Independent Contractor** | An individual hired to do a specific job and paid a fee or a lump sum at its conclusion. Workers who are contracted by veterinary practice owners (called *clients*) to perform certain jobs independent of control by their clients. |
| **Indirect Work**  | Indirect work or indirect labour or soft labour includes all work-related actions that do not directly result in patient care or customer service. This includes attending staff meetings, participating in continuing education, training new staff members, bookkeeping, inventory management, creating client education or marketing materials, computer maintenance, etc. |
| **Industry Norms** | Values derived from the analysis of a large number of practices. Most of the national groups that represent organized veterinary medicine publish some variety of industry norms. |
| **Incremental Cash Flow (ICF)** | The change in the practice’s net cash flow attributable to capital investment. |
| **Informed Consent** | Person's agreement to allow something to happen, such as a medical procedure that is based on full disclosure of the facts necessary to make an informed decision |
| **Interest** | The cost of borrowing money, assessed by the lender over time, usually expressed as a percentage of the principal amount of borrowing. The percentage is expressed as a rate over a time period, and can change (variable rate) or stay the same over the term of the loan (fixed rate). |
| **Intellectual Capital** | Value of know-how accumulated within the organization.  |
| **Internal Accounting Controls** | Processes in place to provide management reasonable assurance that no practice resources are being lost, that financial reporting is reasonably accurate and that profitability targets are achieved. |
| **Internal marketing** | In veterinary medicine, this usually refers to efforts to increase utilization of services by existing clients. Internal marketing also refers to efforts by the practice to train and motivate staff to work together as a team to better meet client needs |
| **Internal Rate of Return (IRR)** | The calculated rate of return, given the cost and future value of an investment |
| **Inventory** | Extra merchandise or supplies the practice keeps on hand to meet the demands of customers. Goods ready to be sold. |
| **Inventory Turnover** | The relationship between expense of total items sold and inventory value, computed by dividing the cost of drugs and dispensed items by the average inventory value. The higher the number, the more often inventory turns over, resulting in less outdating, less damage, and less inventory on hand at any one time.  |
| **Job Enlargement** | The assignment of additional similar tasks that the employee is already trained to accomplish. For example, asking an employee who is trained to do call backs for one doctor to begin doing call backs for all of the doctors |
| **Job Enrichment** | Training an employee to be able to complete new tasks in addition to his/her regular responsibilities. Cross training technicians and receptionists so they are able to cover for each other is an example of job enrichment It is a method of making work more satisfying by expanding the tasks to increase not only their variety but also the employee’s responsibility and accountability. |
| **Just-in-Time Inventory** | Receiving product as it is needed, rather than storing product as inventory. |
| **Key Performance Indicators** | Statistics that can be generated from client transaction data that have predictive value for success, from a practice management standpoint |
| **Labour Ratio** | The ratio that defines the relationship between direct labour and indirect labour in the workplace. In veterinary medicine, the rule of thumb is a one-to-one (1: 1) ratio.  One hour of direct labour is expended, for each hour of indirect labour |
| **Leadership** | The art of guiding people in a manner that commands their respect, confidence and wholehearted cooperation. |
| **Leasing** | A contractual agreement granting the use of some capital asset for a specified time in exchange for an agreed upon payment amount. |
| **Lessee** | The party to a lease agreement who is obligated to pay the rentals to the lessor and is entitled to use and possess the leased equipment during the lease term. |
| **Lessor** | The person or company who owns the property that is the subject of the lease or rental agreement. |
| **Leveraging** | Using creditor funds to purchase assets, based on the prediction that the rates of return on purchased assets will exceed the costs of borrowing. |
| **Liabilities** | The practice’s debts, (i.e. money owed to creditors). |
| **Liquidation Value** | The value of individual business assets if they were to be sold. |
| **Loan** | A sum of borrowed money (principal) that is generally repaid with interest. |
| **Loan Terms** | Exact requirements of how a loan will be made to and repaid by the borrower. |
| **Logo** | A unique symbol or design that represents a company. |
| **Long Term Portion of Loan** | The principal portion of a loan that is due to be repaid in greater than twelve months. |
| **Market** | The potential customers for a particular product or service. |
| **Marketing** | A business discipline that studies the demographics and psychographics of target consumers, as well as the development of positioning strategy and messages. Marketing strategy affects everything that touches customers, prospects, employees, investors, vendors, and essential business processes. |
| **Market Development** | Promoting existing products to new markets. |
| **Market Penetration** | The extent of sales of existing products and services to existing clients. |
| **Market Plan** | The course of action that creates a decision plan as to how a business is to proceed to best compete in the market it elects to serve. |
| **Marketing Communications** | Combination of activities designed to sell a product, service or idea, including advertising, collateral (printed) materials, publicity, promotion, packaging, point-of-sale display, trade shows and special events. |
| **Marketing Mix** | The unique blend of product, pricing, promotion, and place (distribution channel) designed to reach a specific group of consumers. |
| **Marketing planning** | Establishing marketing objectives, defining target markets and deciding on the marketing mix. |
| **Market Segment** | A group of consumers who respond in a similar way to a given set of marketing efforts. |
| **Market Segmentation** | The process of dividing the total market for a product or service into smaller, more manageable subsets or groups of customers. Market segmentation.  Dividing markets into specific groups based on specific criteria. |
| **Market Value** | The highest price that a buyer would pay and the lowest price the seller would accept on a property.  |
| **Market Viability** | Determination of the probable success of a business venture based on an evaluation of demand, price, and quality of goods or services. |
| **Material Safety Data Sheets (MSDS)** | Detailed explanations about each drug or chemical providing all important information regarding use of the substance. It is the facility’s responsibility to maintain a current MSDS for each chemical. |
| **Materials** | The costs associated with providing products used for a service, including both direct and indirect costs. |
| **Media Relations** | Relating with news media in seeking publicity or responding to their interest in an organization. |
| **Mentoring** | An informal relationship where, on an ongoing basis, a more experienced individual offers guidance and/or career advice to a less experienced colleague. |
| **Merger** | The act of several practices combining operations to create an economy of scale (reducing expenses) and improving the growth potential of the new entity. |
| **Meta-Tag** | Pieces of HTML code that are embedded in a web site, but not visible with web browsers. The Meta-Tags contain information about the site, its description, keywords, and creator, and are used by search engines and directories. |
| **Mindshare** | The presence a product or service occupies in the mind of a client or potential client. |
| **Minimum Order Point** | The level below which stock should be re-ordered.  |
| **Mission Statement** | A statement of the role, or purpose, by which a practice intends to serve its stakeholders. It clarifies the way the organization plans on achieving its goals. |
| **Money Factor** | A term used in leasing that is similar to but not the same as interest on a loan.  It determines how much is paid in finance charges over the life of the lease. To convert the money factor amount into an equivalent interest rate, simply multiply the Money Factor number by 2400. |
| **Mortgage** | Debt associated with the purchase of real property. A type of loan made on real property (real estate) in which the collateral for the loan is the real property. |
| **Myers-Briggs Type Indicator (MBTI)** | An assessment tool to help understand behaviour preferences. The MBTI enjoys widespread use in business as a screening tool for potential employees.  |
| **Mystery shoppers** | **I**ndividuals unknown to the staff who call or visit the practice and report back about their experience. Also known as secret shoppers. |
| **Negotiation** | The act of discussing an issue between two or more parties with competing interests with an aim of coming to an agreement. |
| **Net book value** | The historical asset cost less accumulated depreciation since the purchase date. |
| **Net Cash Flow (NCF)** | Net Cash Flow is the difference between an entities cash inflows and cash outflows in a given period. It can be calculated as the difference between closing and opening cash balance on the balance sheet for a given period.  |
| **Net Present Value** | The net return on a project, given all costs and revenues, in terms of current monetary value. |
| **Net Profit** | The funds available to an owner after all expense obligations are met. |
| **Niche market** |  A narrowly defined group within your market. |
| **Non-Operating Assets** | Assets not necessary to ongoing operations of the business enterprise; if the assets were eliminated from the business, the resulting earnings would be unchanged. Also referred to as redundant assets. |
| **Non profit** | An entity that is not conceived for the purposes of earning a profit, but rather to serve a public good. |
| **Not-for-Profit** | Any activity that is conducted without purposes of earning a profit. Often used interchangeably with nonprofit. |
| **Note/loan** | A promise to pay a debt.  The debt can be secured, which means there is property used as collateral against which a lien has been filed. If there is no collateral, the note/loan is unsecured and is the equivalent of a “handshake” loan. |
| **Operating Budget** | An operating budget typically includes those operating items found on a profit and loss statement. It does not usually include items found on a balance sheet or cash-flow statement. The most common budget format encompasses a 12-month period of operations. |
| **Operating lease** | A true lease.  Generally for a short term and ownership of the asset (the object being leased) remains with the lessor at the end of the lease. |
| **Operating expenses** | The expenses of a business not directly associated with the making of a product or providing of a service, such as administrative, technical or selling expenses.  These are a subset of fixed costs.  |
| **Operational revenues** | Revenue realized from the day-to-day operations of the entity, such as veterinary professional activities and sales. |
| **Opportunity Cost (OC)** | The amount of income forgone from a next-best alternative project in favour of the currently proposed use of cash or its equivalent. |
| **Ordering costs** | The costs associated with employee time shopping for, ordering, receiving and documenting purchased products. |
| **Organizational Chart** | An overview of who reports to whom within an organization. |
| **Outsourcing** | Work that can be done more effectively by individuals or services outside the organization |
| **Overcapacity** | The situation in which there is capacity available to perform services, but inadequate demand to perform those services at capacity. |
| **Overhead** | The costs of operating a business, even if no clients avail themselves of any service. |
| **Partnership** | An association of two or more persons to carry on as co-owners of a business for profit. |
| **Pay Period** | The length of time covered by each payroll session. |
| **Payroll** | The financial record of employees' salaries, wages, bonuses, net pay, and deductions. |
| **Performance Appraisal** | A system of determining how well an individual employee has performed during a period of time. |
| **Perquisite (Perk)** | An incidental or “fringe” benefit. |
| **Personal Protective Equipment (PPE)** | Item(s) that can and must be worn to protect the individual from direct or indirect contact with hazardous substances. Examples include eyewash stations, safety goggles, and lead aprons for radiology. |
| **Picture Archiving and Communication System (PACS)** | A system that allows operators to store radiology, ultrasonic and CT images in the central data system and enables authorized members to retrieve the images at different locations simultaneously. |
| **Present Value** | The current monetary value of some defined investment return, given a specified rate of return. |
| **Presenteeism** | A term that refers to those employees that wish to work a large number of hours each workweek, or those employees that refuse to take sick or personal time when they are ill. |
| **Principal** | Borrowed amount of money, excluding any interest on the outstanding amount. |
| **Private Foundation** | All Charitable Corporations are deemed to be Private Foundations unless they meet the requirements of one of the statutory exceptions. |
| **Pro Forma** | A projection or estimate of what may result in the future, given current assumptions and predictions. This is the financial estimate of how the business will do if certain assumptions are achieved. |
| **Pro-Forma Budget** | This budget charts a course of future action for the practice by outlining and defining the plans of the practice in financial terms. |
| **Product Development** | The process of creating new products or services for sale to existing clients. |
| **Professional Liability Insurance** | Insurance that protects against claims arising from acts, errors or omissions in rendering services of a professional nature, also known as Professional Indemnity Insurance. |
| **Professional Indemnity Insurance** | Insurance that protects against claims arising from acts, errors or omissions in rendering services of a professional nature, also known as Professional Liability Insurance. |
| **Profit and Loss Statement** | Summary of practice income, expenses, and resulting profit or loss for a specified period. Also known as the income statement. |
| **Profit Centre** | A section of a practice that can be assessed in terms of its revenues and expenses (e.g., surgery, imaging, laboratory). |
| **Profit Margin** | In cost-plus pricing, the profit margin is the difference between the total costs to the practice of delivering a product or service, and the final cost to the client. |
| **Projected Value** | An estimate of anticipated future performance. |
| **Public Relations** | The art of developing reciprocal understanding and good will between a business and the public. |
| **Publicity** | The act of delivering information of news value as a means of gaining public attention or support. |
| **Rate of Return** | Often expressed as a decimal (e.g., 0.06) or a percentage (6%), the amount an investment appreciates or depreciates over time. |
| **Reach** | The size of an audience that will be exposed to the advertisement |
| **Remuneration** | All monies received for time worked in a pay period, whether deemed wages, commissions, non-discretionary bonuses, tips or any other form of compensation for services rendered. |
| **Reorder point** | The inventory level at which additional product is ordered. |
| **Residual value (salvage)** | The estimated value of an asset at the end of its useful (fully depreciated) life. |
| **Return on Equity (ROE)** | Net income after all expenses and taxes divided by stockholders' equity (book value). This is an indication of how well the firm used reinvested earnings to generate additional earnings. |
| **Return on Investment (ROI)** | The income that an investment generates, return on investment is a measure of how effectively a firm uses its capital to generate profit. It is the annual financial benefit of an investment minus the cost of the investment. |
| **Revenues** | All sales of the practice for goods and services. Also known as Sales. |
| **Safety Manual** | This manual is required by OSHA for virtually all veterinary practices. It identifies hazards within the practice and delineates procedures for dealing with them. |
| **Safety stock** | The inventory remaining past the reorder point. |
| **Sales**  | Sales or revenue realized from the day-to-day operations of the entity, such as veterinary professional activities and sales. |
| **Safety Supervisor (SS)** | Individual entrusted with overseeing the safety plan for the entire facility. The person who is in charge of defining and implementing the safety plan. |
| **Search Engine Optimization** | Manipulation of web site content and meta-tags to make the site more likely to be preferentially indexed on search engines. |
| **Secret shoppers** | **I**ndividuals unknown to the staff who call or visit the practice and report back about their experience. Also known as mystery shoppers. |
| **Shortage costs** | The costs of not maintaining sufficient inventory so that the sale is lost when consumers go elsewhere. |
| **Shrinkage** | The loss of product from inventory not resulting from sale, including product lost to employee theft, shoplifting, administrative and paperwork errors, and vendor errors/issues. Also known as wastage. |
| **Short-Term (or Current) Portion of Loan** | The amount of a loan’s principal balance that is due within the next 12 months. |
| **Skills-Based Compensation** | A system of wages and raises based on achievement in different skill blocks as determined by the individual practice’s needs. |
| **SOAP** | An acronym (Subjective, Objective, Assessment, Plan) that identifies the most common data entry format used by veterinary practices. This data is generally located in the progress notes portion of a problem-oriented medical record. |
| **Stakeholder** | An individual or a group with an interest in a particular business; the individual or group has something at risk (at stake). |
| **Standard Operating Procedures (SOP)** | The preferred methods of doing a procedure or protocol in the practice. |
| **Standards of Care** | Statements of what a practice believes in and recommends for its patients for wellness testing, pain management, nutrition, senior pet care and other aspects of patient care. In law, the duty to exercise the care and diligence that is ordinarily exercised by a reasonably competent veterinarian under similar circumstances. |
| **Standards of Performance** | Written protocols regarding patient care, customer service, and team professionalism. |
| **Statement of Cash Flows** | A financial report on the sources of cash (profit, increased debt, and collections on client accounts, etc.) and uses of cash (like reducing debt or buying more drug and supply inventory) during a period of time. |
| Statement of Financial Position | A financial report detailing a practice’s assets, liabilities, and owner’s equity (Net Assets in a non-profit organisation) at a specific point in time. Also known as the Balance Sheet. |
| **Strategic Planning** | Long-range planning that includes setting goals, strategies, and objectives. |
| **Succession** | The legal transfer of real estate and/or business entities. |
| **SWOT Analysis** | SWOT stands for Strengths, Weaknesses, Opportunities and Threats. For any plan being considered, a SWOT analysis is a basic tool of marketing. |
| **Tactical Planning** | A review of opportunities and proposed strategies, typically for a one- to four-year period. |
| **Tangible Assets** | Physical assets such as cash, accounts receivable, inventory, property, plant and equipment, etc. |
| **Target Audience** | The people most likely to buy a product or service, or most interested in the information provided about it.  |
| **Target Market** | A specific group of customers to which a business wishes to sell their products or services. The segment of potential buyers available to an enterprise that is the focus of a defined market plan. |
| **Target Marketing** | Selecting and developing offerings to meet the needs of a specific market segment The process of pursuing a particular segment of a given market. |
| Tax bracket | The marginal federal tax rate assessed on taxable income. It is the tax rate applied to each additional dollar of income. |
| **Taxes** | All involuntary fees paid to federal, state and local governments on the profits of the practice. |
| **Third-party Payment** | The monetary reimbursement for medical services from someone other than the client/patient. |
| TOIL | Time off in lieu (TOIL) - time off given to an employee to compensate for extra time worked in a single workweek. Also known as Compensatory Time. |
| **Top Line** | Total revenues or Total sales, literally found at the top of the income statement. |
| **Traditional Lender** | Banks, brokerage houses or other sources that lend money.  Collateral for the loan, down payment, and ability to service the debt from cash flow are deciding factors in willingness to loan money for a purchase. |
| **Valuation Approach** | An overall theoretical way of approaching the valuation of a business— the three general ways used to determine value for a going concern are the Asset-based, Earnings based and Market based approaches |
| **Value** | A quality that is determined by what is important, desirable and useful to clients. |
| **Value-added** | The increase in real or perceived value of a product or service is the value to the client after intervention less the value before the intervention. |
| **Value Chain** | Work process to enhance the value of the raw material either tangibly or intangibly. The end result is increased value due to the efforts of the staff. |
| **Value Disciplines** | Three ways businesses deliver superior value to their customers-operational excellence, customer intimacy and product leadership.  |
| **Value Proposition** | A description of the value that a product, service or process will provide to the pet owner, hospital and staff. |
| **Veterinary Time Equivalent** | A method of assigning labour expenses on the basis of veterinary staffing expense. This allows a practice to calculate labour expenses for procedures using veterinary expense as a standard. |
| **Vision Statement** | A statement that defines and clarifies the direction in which an organization needs to move. |
| **Wastage** | The loss of product from inventory not resulting from sale, including product lost to employee theft, shoplifting, administrative and paperwork errors, and vendor errors/issues. Also known as shrinkage. |
| **Waiver** | A client may sign a form explaining that they have declined to accept (or waived) the doctor’s recommendations or advice. |
| **Working Capital** | Current assets minus current liabilities. |