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INTA Finance for Non-Finance Legal Professionals Certificate Program
Glossary of Terms, Acronyms and Abbreviations

Term	Definition
Accounts Payable (A/P)	Money owed by a business to its suppliers shown as a liability on a company's balance sheet.
Accounts Receivable (A/R)	Legally enforceable claims for payment held by a business for goods supplied or services rendered, shown as an asset on a company's balance sheet.
Accrual Method	Accrual accounting is an accounting method where revenue or expenses are recorded when a transaction occurs vs. when payment is received or made. The method follows the matching principle, which says that revenues and expenses should be recognized in the same period.
Acquisition costs	Cost borne by an entity to acquire an asset and bring it to an operational state. Acquisition costs usually equal the initial book value of an asset
Annuity	A form of insurance or investment entitling the investor to a series of annual sums.
Apportionment	For IP valuation, the process of parsing the economic benefits achieved by a business entity amongst the assets used to develop the economic benefits.
Arm's length principle (ALP)	The arm's length principle is one of the key principles of international taxation and transfer pricing, i.e., that transactions between associated enterprises should be valued as if such transactions had been entered into by independent entities. If these conditions are not satisfied, usually an adjustment is made for tax purposes to ensure there is no profit shifting via transfer pricing (see below for a definition of Transfer Pricing).
Audit	An independent examination of financial information.
Assets	The legal right or organizational resource which is controllable by an entity and can generate economic benefits
Balance Sheet (B/S)	A statement of the assets, liabilities, and capital of a business or other organization at a particular point in time, detailing the balance of income and expenditure over the preceding period.
Base Erosion & Profit Shifting Action 8 (BEPS)	Base erosion and profit shifting (BEPS) refers to tax planning strategies used by multinational enterprises that exploit gaps and mismatches in tax rules to avoid paying tax.
Beneficial ownership (economic ownership)	Beneficial ownership (also called economic ownership) is a concept recognized in selected tax jurisdictions, resulting in an allocation of an asset or liability and income or expenses linked to such assets or

	liabilities to the beneficial owner (usually an entity entitled to the benefits of ownership without being the legal owner). A split of legal and beneficial ownership is not unusual for taxation purposes.
Brand Equity	The commercial value that derives from consumer perception of the brand name of a particular product or service, rather than from the product or service itself.
Brand Evaluation	A measurement of brand strength, brand performance, and financial results using relevant elements and dimensions. – *ISO 20671*
Brand Value	Economic value of a brand in transferrable monetary units – ISO 10668. Brand Valuation is the measurement of monetary brand value at a point in time. – *ISO 20671*.
Build-up Method	A method of preparing a discount rate in which the risk-free rate, market risk, and security specific risk premiums are added together in arriving at a rate to be used in determining the time value of money
Business Valuation	Act or process of determining the value of business enterprise or ownership interest therein – *American Society of Appraisers (ASA), Business Valuation Standards, 2022*
Capital Asset Pricing Model (CAPM)	a model in which the cost of capital for any stock or portfolio of stocks equals a risk-free rate plus a risk premium that is proportionate to the systematic risk of the stock or portfolio.
Capital Gain	A capital gain is an increase in an asset's value. When realized (e.g., via an asset sale), capital gain is usually the difference between the sales price and the book value of the asset at the level of the selling entity.
Capital Structure	The composition of the invested capital of a business enterprise, the mix of debt and equity financing
Capitalization	Capitalization is a method applied in accounting, whereby a cost (e.g., an acquisition cost) is included in the value of an asset and expensed over the asset's useful life (i.e., amortized). Such cost is not immediately recorded as an expense when incurred. Conversion of a single period of economic benefits into value.
Cash Flow	Cash generated over a period by an asset, group of assets, or business enterprise.
CIT	The acronym for corporate income tax.
Common Size Statements	Financial statements in which each line is expressed as a percentage of the total. On the balance sheet, each line item is shown as a percentage of total assets, and on the income statement, each item is expressed as a percentage of sales.
Contingent Payment	Future payment or obligation that depends on a future event.
Cost Approach	Way of determining a value indication of a business, business ownership interest, security, or intangible asset using one or more methods based on the value of the assets net of liabilities. *American Society of Appraisers (ASA), Business Valuation Standards, 2022*

Cost of Goods Sold	The carrying value of goods sold during a particular period, the direct costs of producing the goods sold by a company. Typically reported on an Income Statement.
Corrective Advertising	Refers to the Federal Trade commission's order to rectify the misleading impression that has been created by a false advertisement. The main aim of the corrective advertising is to correct the consumer's mistaken impressions.
Depreciation	Depreciation is a process of expensing a fixed, tangible asset over its useful life. In principle, it is similar to amortization (see above), which applied to intangible assets, but depreciation applies to tangible assets.
Discount Rate	A rate of return used to convert a future monetary amount to a present amount.
Discounted Cash Flows (DCF)	A valuation method that estimates the value of an investment using its expected future cash flows. DCF analysis attempts to determine the value of an investment today, based on projections of how much money that investment will generate in the future.
Disgorgement	A remedy requiring a party who profits from illegal or wrongful acts to give up any profits they made as a result of that illegal or wrongful conduct.
Due Diligence	The investigation or exercise of care that a reasonable business or person is normally expected to take before entering into an agreement or contract with another party or an act with a certain standard of care.
EBIT / EBITDA	EBIT: Earnings before interest and tax. EBITDA: Earnings before interest, tax, depreciation, and amortization. Both are often used as measures of economic benefit.
Economic Life	The period over which property may generate economic benefits.
Enterprise / Business Enterprise	A commercial, industrial, service, or investment entity (or combination thereof) pursuing an economic activity.
Equity	The owner's interest in property after deduction of all liabilities.
Excess Earnings	The amount of anticipated economic benefits that exceeds an appropriate rate of return on the value of a selected asset base (often net tangible assets) used to generate those anticipated economic benefits.
Fair Value	In valuation applications, there are two commonly used definitions for fair value: (1) For financial reporting purposes only, the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. (2) For state legal matters only, some states have laws that use the term fair value in shareholder and partner matters. For state legal matters only, therefore, the term may be defined by statute or case law in a particular jurisdiction.

Fair Market Value (FMV)	The price, expressed in terms of cash equivalents, at which property would change hands between a hypothetical willing and able buyer and a hypothetical willing and able seller, acting at arm's length in an open and unrestricted market, when neither is under compulsion to buy or sell and when both have reasonable knowledge of the relevant facts. – *American Society of Appraisers*
Future Value (FV)	Future value (FV) is the value of a current asset at a future date based on an assumed rate of growth.
Generally Accepted Accounting Principles (GAAP)	Generally Accepted Accounting Principles (GAAP) are the general local accounting standards and principles of a jurisdiction and are applied to the financial accounting determined by the local accounting laws.
Going Concern Value	A value that assumes the company will remain in business indefinitely and continue to be profitable. Going concern value is also known as total value.
Goodwill	Upon a purchase of a company or business unit, goodwill is the portion of the purchase price that exceeds the sum of the fair market value (See FMV above) of the net assets acquired. Accordingly, goodwill represents the value of all assets that cannot be recognized in a balance sheet or are not separately identifiable (e.g., brand reputation; customer base and good relations with suppliers, customers, and employees). That intangible asset arising because of name, reputation, customer loyalty, location, products, and similar factors not separately identified – *American Society of Appraisers*
Gross Profit	The profit a company makes after deducting the costs associated with making and selling its products, or the costs associated with providing its services. Gross profit will appear on a company's income statement and can be calculated by subtracting the cost of goods sold (COGS) from revenue (sales).
Gross Sales	Revenue received for Licensee sales based on the gross invoice amount of Licensed Products/Services sold using Licensee's standard wholesale prices
Income Approach	A way of determining a value indication of a business, business ownership interest, security, or intangible asset by using one or more methods through which anticipated (future) benefits are converted into value. – *American Society of Appraisers (ASA), Business Valuation Standards, 2022*
Income Statement (P&L)	An income statement or profit and loss account is one of the financial statements of a company and shows the company's revenues and expenses during a particular period. It indicates how the revenues are transformed into the net income or net profit.
Incremental Profit	The profit gain or loss associated with a given managerial decision or business activity.

Internal Rate of Return	A discount rate at which the present value of the future cash flows of the investment equals the cost of the investment.
International Financial Reporting Standards (IFRS)	The International Financial Reporting Standards (IFRS) are often applied for consolidated financial reporting purposes. In many jurisdictions the IFRS are not accepted for tax purposes.
IP holding company	An IP holding company is an entity that (centrally) owns a group's IP portfolio. This entity is usually specialized in IP management, including setting up, and maintaining the licensing structure.
Invested Capital	The sum of equity and debt in a business enterprise. Debt is typically (a) all interest-bearing debt or (b) long-term, interest-bearing debt. When the term is used, it should be supplemented by a specific definition in the given valuation context.
Letter of Credit	A letter of credit, or a credit letter, is a letter from a bank guaranteeing that a buyer's payment to a seller will be received on time and for the correct amount. If the buyer is unable to make a payment on the purchase, the bank will be required to cover the full or remaining amount of the purchase.
Leveraged Buyout (LBO)	The acquisition of another company using a significant amount of borrowed money (bonds or loans) to meet the cost of acquisition. The assets of the company being acquired are often used as collateral for the loans, along with the assets of the acquiring company.
Lost Profits	Damages for the loss of net income to a business. The claim is for income from lost business activity, less expenses that would have been attributable to that activity.
M&A	Acronym for merger & acquisition
Market Approach	A way of determining a value indication of a business, business ownership interest, security or intangible asset by using one or more methods that compare the subject to similar businesses, business ownership interests, securities or intangible assets that have been sold. *American Society of Appraisers (ASA), Business Valuation Standards, 2022*
Market Multiple	The market value of a company's stock or invested capital divided by a company measure (such as economic benefits, number of customers).
Marketing Intangibles	The term "marketing intangibles" refers to marketing activities that aid in the commercial exploitation of a product or service and/or have an important promotional value for the product concerned. Examples of marketing intangibles include trademarks, trade names, customer lists, customer relationships, and proprietary market and customer data that are used or aid in marketing and selling goods or services to customers.
Minimum Guarantee	The minimum amount of sales and/or royalties required

Net Present Value (NPV)	The value, as of a specified date, of future cash inflows less all cash outflows (including the cost of investment) calculated using an appropriate discount rate.
Net Profit	An amount equal to Gross Profit, less additional unallocated costs associated with sales of Licensed Products/Services, e.g., advertising, marketing, promotion, labor.
Net Sales	Gross Sales, less: Bona fide returns/credits, discounts/markdowns, taxes and other deductions, e.g., freight charges, duties.
PP&E	Acronym for Property, Plant & Equipment. An asset typically reported on the Balance Sheet.
P&L	Acronym for Profit & Loss, referring to the Profit & Loss statement or Income Statement.
Present Value (PV)	The value, as of a specified date, of future economic benefits and/or proceeds from sale, calculated using an appropriate discount rate.
Price / Earnings Multiple (PE Ratio)	The price of a share of stock divided by its earnings per share.
Purchase Price Allocation (PPA)	Purchase price allocation is the process of allocating the purchase price into various assets and liabilities acquired as part of a specific transaction. As a result of the purchase price allocation, the allocation of goodwill is usually crystallized.
Reasonable Royalty	The amount a licensor and a licensee would have agreed upon if both had been reasonably and voluntarily trying to reach an agreement. The amount which a prudent licensee, who desired as a business proposition, to obtain a license to manufacture and sell a particular article embodying the claimed asset would have been willing to pay as a royalty and yet be able to make a reasonable profit and which amount would have been acceptable by a prudent asset owner who was willing to grant a license – *From Georgia Pacific, Cited in CRA Slides for Chapter 5*
Relief from Royalty Method	A valuation method used to value certain intangible assets (for example, trademarks and trade names) based on the premise that the only value that a purchaser of the assets receives is the exemption from paying a royalty for its use. Application of this method usually involves estimating the fair market value of an intangible asset by quantifying the present value of the stream of market–derived royalty payments that the owner of the intangible asset is exempted from or relieved from paying.
Remuneration	the pay or other financial compensation provided in exchange for an employee's services performed. A number of complementary benefits in addition to pay are increasingly popular remuneration mechanisms.
Retail Prices	Prices for the Licensed Products/Services sold from the retailer to the end user customer.
Return on Equity	The amount, expressed as a percentage, earned on a company's common equity for a given period.

ROI	Acronym for Return on Investment.
SG&A	Acronym for Selling, General and Administrative expenses. A line item typically reported on the P&L or Income Statement.
Suggested Retail Price	A suggested price range, or a minimum/maximum price for Licensed Products/Services
Tangible Assets	Physical assets (such as cash, accounts receivable, inventory, property, plant, and equipment, etc.).
Terminal Value	Also “Residual Value” the value as of the end of the discrete projection period in a discounted future earnings model.
Transfer Pricing (TP)	Transfer pricing (TP) is the process of identifying the remuneration for intra-group transactions. Considering that tax laws usually require intra-company transactions to be carried out at arm’s length, the transfer price usually should not differ from the market price.
Valuation	The act or process of determining the value of a business, business ownership interest, security, or intangible asset.
Valuation Date	The specific point in time as of which the valuator's opinion of value applies (also referred to as "Effective Date" or "Appraisal Date").
Weighted Average Cost of Capital (WACC)	The cost of capital (discount rate) determined by the weighted average, at market value, of the cost of all financing sources in the business enterprise's capital structure.
Wholesale Price	Prices for Licensed Products/Services sold from the manufacturer (licensee) to licensor/retailer/customer.
Working Capital	Often calculated as Current Assets less Current Liabilities.