GLOSSARY OF BUSINESS FINANCIAL TERMS

Accrual Basis Accounting: recognizes revenues when earned and expenses are matched with the related revenues and/or are reported when the expense occurs, not when the cash is paid deducts expenses when incurred.

Adjusted Net Worth: Post disaster fair market value of tangible assets, less liabilities, within certain restrictions.

Affiliate: Business concerns are affiliates if one concern controls or has the power to control another, or if a third party controls or has the power to control both. Generally, an affiliate may be any concern of which the applicant, or its principals, owns greater than 50 percent or more.

Affiliated Group: When two or more distinct legal entities are affiliated.

Amortization: A non-cash operating expense that reduces the value of intangible assets (such as patents, trademarks or goodwill) in a systematic manner. Amortization is recorded in the financial statements of an entity as a reduction in the carrying value of the intangible asset in the balance sheet and as an expense in the income statement.

Applicant Entity: The LLC, Partnership, Trust or Corporation requesting disaster loan assistance.

Applicant Individual: Individual requesting disaster loan assistance.

Applicant/Co-Applicant: The individual(s) or legal entity requesting disaster loan assistance.

Assets: Any item of economic value owned by an individual or corporation, especially that which could be converted to cash. Examples are cash, securities, accounts receivable, inventory, office equipment, a house, a car, and other property.

Available Asset Test: Part of the CET that determines if an applicant(s) has sufficient assets to borrow private sector funds to repair/replace uncompensated disaster damages without incurring undue hardship. (Certain exclusions apply.)

B/E (Business EIDL) Loan: A business loan that incorporates physical losses and economic injury for the same legal entity or individual.

Balance Sheet or Statement of Financial Position: Reports an entity’s Assets, Liabilities and Equity (net worth) at a specific time. Assets = Liabilities + Equity.

Break-even Analysis: A calculation of the approximate sales volume required to just cover costs, below which production would be unprofitable and above which it would be profitable. Break-even analysis focuses on the relationship between fixed cost, variable cost and profit.

Business Activity: The business (or loss) activity of the applicant business prior to any consideration of affiliation.

Capital Leases: are for the purchase of fixed assets (machinery/equipment) and these assets are shown on the company’s balance sheet and represent a fixed debt. If the lease is a capital lease, the debt should be shown as a Note Payable.
Cash Available to Service Additional Debt (CASAD): The cash flow determined that should be available to service a disaster loan. The target payment is generally 1/3 of CASAD.

Cash Flow Test: Part of the CET that determines if an applicant(s) has sufficient cash flow to borrow private sector funds to repair/replace uncompensated disaster damages without incurring undue hardship.

Cash-basis Accounting: records revenue when cash is received, and expenses when they are paid in cash

Coastal Barrier Resource Area (COBRA): A flood prone area in which the government prohibits financial disaster assistance.

Collateral: Assets pledged by a borrower to secure a loan or other credit, and subject to seizure in the event of default. The preferred collateral for an SBA disaster loan is real estate

Companion File: When an applicant, affiliate, and/or principal has another application filed for the same disaster for separate damages.

Comparative Analysis: Is designed to point out significant trends that occur from year to year by using more than one set of financial statements of comparable dates and time periods. A comparative analysis allows you to arrive at a more complete evaluation of the applicant’s financial position.

Corporation (C-corp.): The most common form of business organization, and one, which is chartered by a state and given many legal rights as an entity separate from its owners. Characterized by the limited liability of its owners, the issuance of shares of easily transferable stock, and existence as a going concern.

Credit Elsewhere Test (CET): The test to determine the application’s disaster loan interest rate. This test analyzes the applicant’s available cash flow and net worth that may be used to overcome the disaster damage. The Business loan CET consists of two tests; 1) Cash Flow Test and 2) Available Assets Test. And, the Home loan CET consists of three tests; 1) Credit Score Test, 2) Cash Flow Test and 3) Available Assets Test.

Credit Score Test: Part of the home loan CET show a credit score of 700 or higher may enable applicants to borrow money at reasonable rates and terms. As such, an application may qualify for the higher disaster loan interest rate if the primary wage earner’s credit score is equal to or greater than 700.

Current Assets: A balance sheet item which equals the sum of cash and cash equivalents, accounts receivable, inventory, marketable securities, prepaid expenses, and other assets that could be converted to cash in less than one year.

Current Liabilities: A balance sheet item, which equals the sum of all money owed by a company and due within one year.

Days Payable: A measure of the average time a company takes to pay vendors, equal to accounts payable divided by annual credit purchases times 365.

Days Receivable: A measure of the average time a company's customers take to pay for
purchases, equal to accounts receivable divided by annual sales on credit times 365.

**DBA:** Doing Business As - generally a trade name such as “Bob’s Burgers” is used, instead of the legal name of Blocker & Sons LLC.

**Depreciation:** A non-cash operating expense that reduces the value of a tangible asset as a result of wear and tear, age, or obsolescence. Depreciation is recorded in the financial statements of an entity as a reduction in the carrying value of the asset in the balance sheet and as an expense in the income statement.

**Duplicated Interest:** The amount of interest expensed that is added back to cash flow to prevent understating CASAD.

**Economic Injury Disaster Loan (EIDL):** a working capital loan that provides necessary operating funds to enable eligible businesses to overcome the financial impact of a declared disaster. This loan may not be used to purchase long-term assets.

**Extraordinary Items:** Additional expenses that are outside “normal” operations and caused directly by the disaster.

**GPM%:** Gross Profit (GP) ÷ Net Sales (NS). The measure of every sales dollar left after paying for the product; what percent of the sales dollar is left to cover operating costs and to create a profit.

**Guarantor:** The legal entity and/or person who guarantees an obligation and has a legal duty to fulfill it.

**Hardship Waiver:** Method used to approve a lower interest rate, when one of the CET test conclusions results in a high rate determination.

**Income Statement:** Shows the entity’s income and expenses. (similar to a Profit & Loss Statement)

**Injury Analysis:** Measures the effects of the disaster on the overall financial condition of the business.

**Injury Period:** The time period during which the business feels the adverse effects of the disaster.

**Liabilities:** A financial obligation, debt, or claim, i.e. notes payable and accounts payable.

**Lien:** A legal claim against an asset which is used to secure a loan and which must be paid when the property is sold.

**Limited Liability Entities (company/partnership):** An LLE provides business owners with the favorable liability protection of corporations with the informality and tax advantages available to partnerships. It is a pass-through entity, like a partnership where the taxable income or loss is reported on the tax returns of the owners.

**Limited Partnership:** A business organization with one or more general partners, who manage the business and assume legal debts and obligations, and one or more limited partners, who do not participate in day-to-day operations and are liable only to the extent of their investments.
Loan Authorization and Agreement (LA&A): A contract between SBA and the borrower that spells out the terms and conditions of the loan.

NAICS: North American Industrial Classification System.

Normal Annual Sales: Those sales that would have been attained had the disaster not occurred. To determine this figure, you must first review historical sales figures and identify the trends.

Normal Gross Margin: The margin that would have been attained had the disaster not occurred. To determine this figure, you must first review historical sales figures and identify the trends.

Operating Leases: are deducted on the company’s operating expenses. If the lease is an operating lease, then the amount is already accounted for in total expenses and should not be shown as a scheduled debt.

P&L (Profit and Loss Statement): also considered as Income Statement or Statement of Earnings. Measures Net Income or Loss over a defined period of time. In addition, having the simple formula of Revenues – Expenses = Net Income/Loss.

Partnership: A type of unincorporated business organization in which multiple individuals, called general partners, manage the business and are equally liable for its debts; other individuals called limited partners may invest but not be directly involved in management and are liable only to the extent of their investments.

Phase I: Process used to determine the amount of economic injury for a business in operation for at least a year prior to the disaster that had physical damage.

Phase II: Process to be used to determine economic injury for a business either in operation less than one year or not satisfied with result of Phase I analysis or submitted a Stand Alone EIDL request.

Physical Loans: Funds to repair/replace disaster damaged or destroyed business assets such as real estate, inventory, machinery and equipment, etc.

Primary Activity: The major business activity of the single legal entity or affiliated group, which is their predominant field of operation. (Commonly known as the Main Activity)

Principal: the owner(s) of the Applicant Entity that have a controlling financial interest in the business. SBA defines controlling interest as an owner who owns 20% or more of the Applicant Entity or are a General Partner or Managing Member regardless of ownership percentage.


SAE (Stand Alone Economic Injury Disaster Loan): provide necessary working capital to enable eligible businesses to overcome the financial impact of a declared disaster without providing assistance for physical disaster loss.

Schedule of Liabilities: A business debt schedule that lists all of the debts the business currently owes, including creditor name; original amount due; original due date; current balance; repayment status; maturity date; payment amount and frequency; and how debt is secured.
**S-Corporation:** A form of corporation, allowed by the IRS for most companies with 35 or fewer shareholders, which enables the company to enjoy the benefits of incorporation but be taxed as if it were a partnership.

**Sole Proprietor:** an individual who owns an unincorporated business by himself/ or herself.

**Subsidiary:** A company for which a majority of the voting stock is owned by a holding company. For SBA’s purposes, a subsidiary is an affiliate; a company owned or controlled by the applicant business.

**Substantial Damage:** means uninsured or otherwise uncompensated disaster damages:

a) For homes is either:

   (1) 40 percent or more of the home's pre-disaster fair market value (FMV) or replacement cost including the value of any land, whichever is less; or

   (2) 50 percent or more of the structure’s pre-disaster fair market value or replacement cost, (excluding the value of any land) whichever is less.

b) For businesses is either:

   (1) 40 percent or more of the aggregate value (lesser of market value or replacement cost at the time of the disaster) of the damaged real property (including the value of any land) and damaged machinery and equipment; or

   (2) 50 percent or more of the aggregate value (lesser of market value or replacement cost at the time of the disaster) of the damaged real property (excluding the value of any land) and damaged machinery and equipment.

**Trend Analysis:** A comparative analysis of a company's financial ratios over time.

**Working Capital (WC):** The amount of current assets that is left after all current debts are paid.