Chamber of Eco Commerce (CEC)

Financial Glossary

A

ABS
see Asset-Backed-Securities.

ACE
Accounting and Controlling Engine.

Amortization
Scheduled reduction of long-term debt/liability or depreciation of the same.

Annuity
Sum of annual interest and redemption payments on a loan. Level debt service means that redemption is carried out by equal periodic payments of interest and capital over the term of the loan, while the redemption share increases annually in the amount of the interest saved.

Application Service Providing (ASP)
Application Service Providing is the central providing and implementation of pre-configured, server-based software solutions and related services for a multitude of customers via a Global Electronic Data Interchange (GEDI) network based on usage-based prices.

Asset securitization & placement
In asset securitization, cash flows from specific assets are used directly for interest and redemption payments of a financing arrangement. Assets are bundled and sold to a non-consolidated special purpose vehicle, which refinances the purchase price of the asset-backed securities. The more precisely future cash flows can be estimated, the more favorable the asset-backed financing based on these cash flows.

Asset-backed securities (ABS)
A collection of similar receivables (receivables portfolio). The sale of ABS serves to create liquidity. Receivables with maturities of between 30-90 days are the rule. ABS is a modern form of corporate financing and can be viewed as a substitute for the traditional loan. This form of financing not only increases a company's liquidity, generally at more favorable financing costs, its off-balance sheet status as well as the diversification of funds are also decisive aspects. To collateralize the securitized loans, financing instruments, which are described as securities backed by assets, are constructed.

B

Benchmark
Also: comparative index, comparative standard. A benchmark is an important reference value that is used to compare own investments or to measure the performance of investment funds (e.g. Dax).

Business to business (B2B) marketplace
Electronic trade of goods and services between companies via the Internet. B2B platforms are, for example, commodities markets and wholesale offers on the Internet. In this context, Siemens Financial Services offers a comprehensive financing solution, capaxx, for electronic marketplaces.

C

Calculatory maturity
The calculatory maturity is the period of time in which the full or partial return (full or partial amortization) of the leasing object is effected.

Call option
An options contract which gives the purchaser the right to buy a certain number of underlying instruments at a predetermined price up to or at a certain time in the future (physical delivery) or receive the difference between the daily closing price of the underlying instrument and the strike price up to a predetermined time (cash equivalent).

Capitalize
In standard contracts of leasing companies, the leased object is the property of the lessor in economic, legal and tax respects. The lessor capitalizes it as an asset so it will be subject to depreciation and amortization for tax purposes. The lessee (renter) does not capitalize the object. If, however, the leasing object is attributed to the lessee, i.e. barring the existence of criteria in the corresponding leasing remission in the leasing contract, the lessee capitalizes the object. The lessor must then enter the corresponding sales price in his accounts.

Carve Out
See Spin Off.

Cash flow
Sales surplus, financial surplus: is interpreted as net inflow of liquid funds from sales activity and other current operations within a defined period of time. Cash flow is a common, expressive key figure used to evaluate the financial situation of a company and its stock value. The cash flow is deduced from a company's annual accounts.

Cash value
The current value of a future cash flow (maturing receivables etc.). The cash value is determined by discounting the interest accruing until the maturity date, i.e. of a receivable, the redemption amount (cash flow) and the refinancing costs. The cash value amount can be transposed to any point in time. This can occur both by adding on interest (future cash value date) or discounting (past cash value date).

Collection
See receivables financing.

Commercial paper (CP)
Bearer debentures with a maturity of seven days to two years (generally 30-90 days), which are not publicly quoted. The minimum volume is EUR 0.5 mn. Their tradability in comparison to other money market investments makes them attractive.

Computer leasing
Is characterized by the rapid pace of innovation and the corresponding decrease in value, also known as downsizing, as well as by the continuing increase in the software ratio.

Cost of acquisition
Cost of acquisition, accounting: actual expenditure made to acquire an economic asset. The cost of acquisition is the basis for capitalizing / preparing accounts at a leasing company.

Credit portfolio management (CPM)
The purchase of short, medium and long-term receivables. As the seller of his products and services, the customer retains complete contact to his own customers while simultaneously transferring the credit risk to CPM.

Credit standing
Creditworthiness and ability to pay of a debtor / security of a cash receivable.

Cross border models
Leasing contracts, in which the lessor and the lessee are residents of different countries.

D

DCF (Discounted Cash Flow)
A method of evaluating a company by estimating future free cash flows that are available for disbursement or investment.

Default
The debtor is in default when he fails to pay after maturity despite reminders. If a specific calendar date is fixed for payment, he is in default even without a reminder if he does not pay by this date.

Duration of leasing contract
The duration of the leasing contract must be in line with leasing law, which stipulates that the basic leasing duration may not be more than 90% or less than 40% of the general operation time of the leasing object in accordance with official straight-line depreciation. An exception are terminable leasing contracts. There are no calculatory upper limits to the maturity of such contracts, although creditworthiness criteria do impose certain restrictions.

E

Economic Value Added (EVA)
EVA describes a value margin (key figure) that is multiplied with the capital a company invests during a defined period.

Equity investments
The development and financing of infrastructure projects for which the company also uses its own capital. The goal of such investments is to earn annual dividends and participate in the long-term value growth of the investment.

F

Factoring
Ongoing purchase of short-term trade accounts receivable by a factoring company. Factoring is a form of financing, which allows companies to increase their liquidity. To do this, a company or customer signs over trade accounts receivable to the factoring company in exchange for an advance on the amount receivable.

Fast Close
The aim of a company to minimize the time span between the accounting close in one accounting period and the publication of the accounts, profit-and-loss statement and cash flow statement.

Financial Enterprising
Financial enterprising is a service method - not only binds own strengths and areas of competence into the service provided, it also makes partners of customers, customers' customers, other banks, international financial institutions and specialists.

Financial Value Chain
A company's financial flows from data entry through to accounts (balance sheet, profit-and-loss statement, cash flow statement), reports (controlling) and company evaluations (DCF) to peer group comparisons (rating).

I

IAS (International Accounting Standards)
Regulations governing the submission of accounts with a numerical designation (IAS 1 to IAS 32) that were issued by the IASC (International Accounting Standards Committee). The key aim of these accounting regulations is to provide decision-related information for a large circle of parties involved in the submission of annual accounts while maintaining the basic principles of comprehensibility, relevance to decision-making, comparability and reliability.

Inability to pay
Insolvency: The recognizable, presumably sustained inability of a debtor to pay a major share of his maturing debt because of a lack of funds.

Initial Public Offering (IPO)
First-time public offering of a company (a broad public has the opportunity to invest in the company by buying shares).

Insolvency
see inability to pay.

L

LBO (Leveraged Buy Out)
Takeover of a company by external or internal investors. This type of corporate acquisition is characterized by the fact that little equity is used. The largest share of the capital required for the acquisition comes from bank loans and / or the issuance of bonds (due to occasionally high risk, these bonds generally have high-yield or junk bond status).

Leasability

Objects that can be leased are independent and material economic goods, are fungible and can be employed by third parties.

Lease purchase
Lease purchases correspond to installment purchases from an economic perspective. With every installment, the lessee has a greater claim on the property. The lease purchase object is capitalized in the accounts of the lease purchaser.

Leasing rate
Comprises a redemption and an interest component as well as the corresponding value-added tax.

Lessee
The lessee uses the leasing object in return for paying the lessor a fixed fee.

Lessor
The leasing company. It purchases the leasing object from the supplier and puts it at the disposal of the customer in return for a fee.

M

M&A (Mergers and Acquisitions)
Brokerage of acquisitions and divestments of companies or company divisions. The phrase describes a division of banks that, among other things, consults companies on mergers and takeovers.

Maturing leasing contracts
The leasing company normally informs the lessee (in the case of sales leasing also the supplier) of the imminent contract termination several months before expiration of the leasing contract. This allows plenty of time to reach an agreement with the lessor or the sales partner (sales leasing) on the subsequent use of the leasing object. There are several possibilities: The contract can be extended, a purchase option can be exercised, the lessee can purchase the object (i.e. the lessor exercises his right to tender), the object can be returned (obligation to return) and used by the lessor / supplier on the market.

MBI (Management Buy In)
Takeover of a company by external managers.

MBO (Management Buy Out)
Takeover of a company by own managers.

Multiples
Sector and company-specific key figures that are closely related to the company value. A sales multiple of 4, for example, means that the company value is four times as high as its annual sales volume.

Municipal leasing
The essential characteristic of municipal leasing is that the public sector (federal, state and city governments, municipalities and their companies) takes the part of the lessee. The idea of using leasing to make public-sector investments is gaining popularity, especially because of the tight public budgets.

N

Non-recourse financing
Non-recourse financing is a form of financing in which receivables with maturity dates in the future are sold to a bank or financial institution without recourse. In this context, "à forfait" means that the forfeiter assumes the economic and political risk without recourse to the exporter. The seller is only liable for the due existence of the receivables. With non-recourse financing, the agreed credit period is immediately mobilized, which improves liquidity and the balance sheet.

O

Off-balance-sheet
Leasing contracts in which the lessee holds the right to capitalize principally have an off-balance-sheet status and thus do not appear in the accounts of the lessee. The lessee only must enter as operating expenses leasing related expenditure in his profit and loss account.

Operating leasing
With this variation, the aspect of renting is at the forefront, meaning that the lessee does not intend to purchase the object. Maintenance and service are often included.

P

PAD
PAD stands for Planning and Analyzing Data Warehouse.

Peer Group Benchmarking
Comparison of a company with the group of most relevant competitors based on sector-specific key figures and averages.

Plant leasing
Plant leasing refers to the financing of movable capital goods.

Private Equity
In contrast to public equity, private equity denotes a participation in a private – that is, not publicly listed – established company.

Project and export financing
The Project & Export Financial Services supplies everything needed to finance a project or offer advice as part of an order.

R

Ratio Analysis
Description of the company's success over time by means of selected key figures from the balance sheet, the profit-and-loss account and the cash flow statement.

Receivables financing
The purchase of short, medium and long-term receivables. As the seller of his products and services, the customer retains complete contact to his own customers while simultaneously transferring the credit risk to credit portfolio management.

Residual value
The residual value refers to the actual or calculated value of the leasing object after expiration or upon premature termination of the leasing contract.

Risk and provisioning management
Company-financed insurance solutions that form part of human resources management. Risk coverage for employees focuses on insurance on business trips, in the case of secondment and transfers, for example, in cases of accidents, illness or the damage / loss of private travel luggage.

Risk of default
The risk of the partial or complete loss of receivables in general as well as of receivables and share prices losses for securities subsequent to the insolvency or danger of insolvency on the part of the debtor.

S

Sales financing
A manufacturer or salesperson offers a customer a suitable means of financing for his products and services. This can take the form of a sales leasing partnership with an external service provider (leasing company) or an in-house service provider.

Sales leasing
Sales leasing (vendor programs) is one of several types of partnerships between leasing companies and manufacturers / suppliers. This form of cooperation is a good means of sales promotion for manufacturers / suppliers. For the leasing company, it is a "multiplier" for the development of new markets and customer groups.

Sales proceeds
The sales proceeds from the leasing object principally go to the lessor as owner. Agreements deviating from this general rule can be made, especially when the lessee concludes a follow-up contract.

SEC (Securities and Exchange Commission)
The SEC is the United States' highest securities and exchange commission. It supervises the entire U.S. securities market.

Software leasing
In contrast to leasing contracts for material objects, the leasing company does not purchase from the supplier or licenser the property but the right to use the software.

Spin Off
A company sells a division or turns it into a subsidiary. Often companies also list spun-off subsidiaries on the exchange.

T

Treasury & Financing Services
Acts as a global in-house bank in all issues pertaining to corporate finance/treasury management for a group. This includes consulting group divisions on issues pertaining to financing, interest and currency, liquidity management and all other issues concerning corporate financial management.

Treasury Consulting & Applications.
US-GAAP
Companies that are listed on a U.S. exchange have to publish their accounts according to US-GAAP (Generally Accepted Accounting Principles) regulations. German companies that are internationally active or depend on U.S. capital now also publish their accounts according to US-GAAP.

V

Vendor programs
See sales financing.

Venture Capital
Investment capital for generally small and medium-sized companies with high growth potential that invest in innovative technologies, such as environmental protection and computer systems. Venture capital financings are frequently conducted by a lending institution and accompanied by management consulting services.

W

Weighted Average Capital Costs (WACC)
An average representing the expected return on all of a company's securities. Each source of capital is weighted according to its prominence in the company's capital structure.