Chapter Title: Glossary

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GLOSSARY

THE principal technical terms employed in this volume are briefly
defined below. The list is not complete, but will be helpful to
readers who do not examine carefully the first few chapters of
Books I, II and III. Ch. 1 and 47 employ several of the terms in
their general economic and accounting senses; but the other chapters
use them in their technical senses chiefly. For further definitions the
reader is referred both to the several chapters of this volume and to
pages 2–3 of the *Source-Book for the Study of Industrial Profits,* by
R. C. Epstein in collaboration with F. M. Clark (Washington,
Department of Commerce, 1932).

INCOME ACCOUNT ITEMS

Income, net income or total net income. The net earnings of a corpo-
ration after the payment of all business expenses and fixed charges
including interest on funded debt, but unless otherwise specified,
before the payment of Federal income taxes. If the amount of
funded debt is small, as is the case with most of the corporations
and industries treated, then *net income* is not very different from
profit or *total profit* as defined immediately below.

Profit or *total profit. Net income* plus interest payments on funded
debt, estimated as explained in Appendix A. In Chapter 1 *net in-
come* and *profit* are used synonymously, since in all instances there
the two figures virtually coincide.

Earnings. A general term used to signify either *net income* or *total
profits,* when the two terms are practically the same in amount.

BALANCE SHEET ITEMS

Capitalization. The invested capital of a corporation as measured by
the sum of its preferred stock, common stock, surplus and undi-
vided profits. Special reserves are in most instances excluded. For

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qualifications as to the time of the year for which the figure is taken, and for other discussion, see Ch. 45 and 46.

Total capital. Capitalization plus *funded debt.*

Investment or *invested capital.* A general term used to signify either *total capital* or *capitalization* when the two terms are virtually the same in amount.

RATIOS

Earnings rate. The percentage of *net income* to *capitalization;* or, where the two ratios are not very different, either that percentage or the percentage of *total profit* to *total capital.* When a distinction between the two is necessary, the context makes clear which meaning is intended.

Earnings rate, or *return, on sales.* The percentage of *net income* for the year to the dollar volume of output or merchandise stock disposed of during the year. The figure for dollar volume of business is after sales returns and allowances, but before the deduction of cost of goods sold or of any other element of business expense.

Capital turnover. The item of *sales* divided by *total capital;* or, when *total capital* and *capitalization* are not very different in amount, by *capitalization.*

STATISTICAL EXPRESSIONS

Series. A succession of figures for the same item, relating to different years, corporations or industries; e.g., a set of *income* data for 71 manufacturing corporations for each of the thirteen years, 1919 through 1931.

Sample. A set of data representing some field, say, Food Products manufacture, but comprising only a *part* of the entire field; e.g., the income and capitalization data for 215 food manufacturing companies, which amount to only a part of the total income and capitalization of all food manufacturing enterprises in the United States.

Universe. The complete field which *sample* data only represent, i.e., in the illustration just given, the aggregate income and capitalization of *all* food manufacturing companies.

Array. A series of data arranged in order of magnitude; e.g., a list

of 215 food companies ranked according to the size of their capitalizations, from the smallest to the largest.

Median. The central or middle figure of an array; e.g., in the illustration above, the 108th food company counting from either the top or bottom of the list.

Upper or lower quartile. The figure standing, not in the center or middle of an array, but exactly *one-fourth* of the distance from the top or the bottom.