

# GLOSSARY

**Acquisition cost**

The **cost** of a business to **acquire** a new customer.

**Book Value**

Value of an asset shown in balance Sheet at cost less depreciation.

**Dividend**

Part of profit earned by a company distributed to share holders.

**Legal Obligation**

A moral or **legal** duty to perform or to not perform some action. A binding, formal arrangement or an agreement to a liability to pay a specified amount or to do a certain thing for a person or group of persons.

**Obsolescence**

Decrease in the market value of asset due to change in technology and an improved method, in spite of there is no decrease in useful life or efficiency of the asset.

**Replacement**

Purchase of a new asset by replacing the old one.

**Residual Value**

In accounting, residual value is another name for salvage value or scrap value, the remaining value of an asset after it has been fully depreciated.

**Scrap value**

Another name for residual value.

**Secret Reserve**

Reserve which is not reflected by financial statements but created by understatement of profit and value of assets than actual.

**Useful life**

Useful life is the estimated lifespan of a depreciable fixed asset, during which it can be expected to contribute to company operations.