

REFERENCE CARD

Farm finance words

Thirty words you'll hear from a bank or accountant, in plain English. The full glossary guide has more.

Agistment	Grazing stock on someone else's land for a fee, usually a rate per head per week.
Amortising loan	A loan where each repayment covers interest and part of the principal, so the balance falls to nothing.
Annual review	The bank's yearly look at your facilities, using your statements, budget and cashflow.
BAS	The form a GST-registered business uses to report GST to the ATO.
Budget	A plan for the year's income and costs. It doesn't show when the money moves.
Cashflow forecast	A month-by-month list of cash in and out, with the bank balance at the end of each month.
c/kg lwt and c/kg cwt	Prices per kilogram of liveweight, or of carcase weight after slaughter.
Cost of production	What it costs to produce a kilogram of beef, lamb or pork, including a share of overheads.
Covenant	A promise in your loan agreement, such as keeping interest cover above a set level.
Current ratio	Current assets divided by current liabilities: can you pay the next 12 months of bills?
Debt service cover	How many times the cash the business earns covers interest and principal repayments.
Depreciation	The cost of machinery and buildings spread over their working life. Not a cash payment.
Drawings	Money the family takes out of the business for living costs.
Dressing percentage	Carcase weight divided by liveweight, times 100.
DSE	Dry sheep equivalent, a standard unit for comparing the feed needs of different stock.
EBIT	Earnings before interest and tax: the usual starting point for interest cover.
EBITDA	Earnings before interest, tax, depreciation and amortisation: closer to the cash earned.
Equity	What you own less what you owe.
Facility letter	The bank's letter setting out each loan or overdraft, with limits, rates, fees and conditions.
Farm management deposit	An ATO scheme for setting aside income in good years for leaner ones.
Financial year	In Australia, 1 July to 30 June.
Gross margin	Income from an enterprise less its variable costs. It leaves out overheads, so it isn't profit.
Guarantee	A promise by someone else to repay your debt if you can't.

Interest cover	How many times profit covers the interest bill, usually EBIT divided by interest.
LVR	Loan to value ratio: what you owe against what the security is worth, as a percentage.
Overdraft	A facility that lets your account go below zero, up to a limit.
Overheads	Costs that don't change with the size of an enterprise, such as rates, insurance and interest.
Principal	The amount borrowed. Principal repayments reduce the balance.
Security	What the bank can call on if the loan isn't repaid, such as a mortgage over land.
Working capital	Current assets less current liabilities: the money available to run the business.

From the Farm CFO farm finance glossary guide.

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