Key Definitions

Amortization	An expense that lowers the value of an intangible asset (long-lived asset not held for sale and with no physical qualities, e.g. patents, copyrights, and good will) to recognize the passage of time.
Asset	Any physical thing (tangible) or right (intangible) that has a money value, e.g., receivables, inventory, equipment.
Balance Sheet	A statement of financial position, reporting the status of assets, liabilities, and equity at a point in time.
Base Costs	Expensed that are incurred in the general operations of a business, excluding direct selling costs, financial costs and taxes.
Cash Flow	The difference between the sum of the sources of cash (collections) and the uses of cash (salaries, costs, etc.). Ultimately determines the value and performance of a company.
Compensation & Benefits (C&B)	Salaries, bonus etc. and benefits fixed for a given business (staff function) or New Product Programs.
Consignment	Material or equipment owned by one company but held or used by another, e.g. GEHC Ultrasound provided to distributors for demonstrations.
Contribution Margin (CM)	The surplus resulting from deducting material, labor, and other costs directly associated with a “sale” from the amount of the sale. CM = sales- (material + labor + other direct selling costs).
Cost of Goods Sold (COGS)	ICV (Inventory Carrying Value) plus other direct costs to produce a given product including manufacturing variances from standards.
Depreciation	An expense that lowers the value of plant and equipment to recognize wear or decreased utility.
Direct Selling Costs (DSC)	Costs which vary directly with the volume of sales or are directly associated with the selling process – e.g. FMI, commissions, installation, warranty.
Discount	Difference between list price and selling price. Discount is usually expressed as a percent (%) and is calculated as follows: list price minus selling price divided by list price.
Financial Costs	Other income, other expense, interest income and expense and taxes.

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Field Modification Instructions (FMI)	Basically a product recall. If there is an issue with the engineering of the product requiring GEHC to upgrade the installed base in the field, costs associated are classified as FMI.
GAAP	Generally Accepted Accounting Principles: established rules of accounting used in the preparation of financial statements and reports.
Growth Playbook	Medium range forecast = three-year forecast outlook. Formerly referred to as the MRF.
Income Statement	A summary of total revenues (sales) earned and the total of expenses incurred by a company during a specific period of time. Also called statement of earnings or profit-and-loss statement.
Indirect Expenses	Operating expenses (excluding salaries and benefits) incurred by a unit not directly or easily attributable to a specific sale.
Inventory	Material held for sale, material in the process of production and material held awaiting processing.
Liability	Debt owed to outsiders, e.g. payables, or employees e.g. compensation and benefits.
Modalities	Business segments e.g. MRI, Ultrasound.
Net Income (NI)	The difference between revenues (sales) and all expenses for a given period. Also known as earnings or profit after taxes.
Obselescence (Reserve)	An amount credited to the balance sheet (resulting in an expense on an income statement) to lower the value of inventory to a fair value.
Operating Margin (OM)	The profit of a company after all costs except financial costs and taxes. It equals contribution margin minus base costs.
Operating Plan (OP or S2)	Formal future year financial forecast (budget) to which QMI, SRO and actuals are compared.
Order	A commitment by a customer to be supplied with a good or a service (in the near future).
Poles	Geographic regions of reporting or measuring.
Productivity	A measure of performance, it is the percent change from one period to another of a revenue-to-cost ratio, adjusted for price and inflation. Change in resource inputs to get a constant amount of output.

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Procress Collection	Cash collected prior to the sale of a good or service, usually at the time of an order.
Prospect	A potential customer.
QMI	Quarterly forecast – updated for latest estimates.
Readiness to Serve (RTS)	Fixed costs of a business including depreciation on property and equipment, appropriation costs, facilities, etc.
Receivable	Money owed to GEHC from sales of goods or services. When not collect in time as agreed, receivables become past due.
Reserves	Amounts credited to the balance sheet (by booking an expense to an income statement) to recognize the lower value of certain assets, e.g. uncollectible receivables or obsolete inventory, or the future outlay of cash, e.g. restructuring.
Sales = Revenue	Amounts charged to customers for goods (merchandise) or services sold to them.
SRO	Annual forecast updated for latest estimates.
T & L	Travel and living costs associated with employee business travel.
Transfer Price (TP)	Price charged to affiliates for products sold to them. Method of establishing transfer prices can differ but within GEHC, the method most widely used is profit split (sharing the benefit in proportion to the costs).
Turnover	A ratio that indicates the effectiveness of asset utilization, which equals sales divided by average accounts receivable.
V%, VOP, VQMI, VSRO	V in each case means variance or difference between two values. V% is the difference between current-year value and prior-year value. VOP is the variance from the formal annual operating plan. VQMI is variance from latest quarterly estimate. VSRO is variance from latest annual estimate.
Working Capital	The difference between (receivables + inventory) and (accounts payable + progress collections).
YTD	Year to date, cumulative.