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[Glossary of Concept...](#)[Contents](#) ▲**Glossary of Concepts and Terms**
(See related pages)**Annual amount or worth (A or AW)****Annual operating cost (AOC)****Average (\bar{X})****Benefit/cost ratio (B/C)****Bond dividend (I)****Book value (BV)****Borrowing rate (i_b)****Breakeven point (Q_{BE})****Capital recovery (CR)****Capitalized cost (CC or P)****Cash flow (CF)****Cash flow before or after taxes (CFBT or CFAT)****Compounding frequency (m)****Cost estimating relationships (C_2 or C_r)****Cost of capital (WACC)****Debt-equity mix (D-E)****Depreciation (D)****Depreciation rate (d_t)****Economic service life (ESL)****Expenses (E)****First cost (P and B)****Future amount or worth (F or FW)****Gradient, arithmetic (G)****Gradient, geometric (g)****Gross income (GI)****Inflation rate (f)****Interest****Interest rate (i or r)****Interest rate, inflated (i_f)****Life; study period (n)****Measure of worth (Varies)****Minimum attractive rate of return (MARR)****Net cash flow (NCF)****Net operating income (NOI)****Payback period (n_p)****Present amount or worth (P or PW)****Random variable (X)****Rate of return, external (i' or i'')****Rate of return, internal (i^* or ROR)****Recovery period (n)****Reinvestment rate (i_r)****Salvage value (S)****Standard deviation (s)****Taxable income (TI)****Tax rate (T)****Tax rate, effective (T_e)****Time (t)****Value added (EVA)**

Equivalent uniform annual worth of all cash inflows and outflows over estimated life.

Estimated annual costs to maintain and support an alternative.

Measure of central tendency; average of sample values.

Ratio of a project's benefits to costs expressed in PW, AW, or FW terms.

Dividend (interest) paid periodically on a bond.

Remaining investment in an asset after depreciation is removed.

Interest rate on externally borrowed capital funds.

Quantity at which revenues and costs are equal, or two alternatives are equivalent.

Equivalent annual cost of owning an asset plus the required return on the initial investment.

Present worth of an alternative that will last forever (or a long time).

Actual cash amounts, which are receipts (inflows) and disbursements (outflows).

Cash flow amount before relevant taxes or after taxes are applied.

Number of times interest is compounded per period (year).

Relations that use design variables and changing costs over time to estimate current and future costs.

Interest rate paid for the use of capital funds; for debt and equity considered, it is weighted average cost of capital.

Percentages of debt and equity investment capital used by a corporation to fund projects.

Reduction in the value of assets using specific models and rules; there are book and tax depreciation methods.

Annual rate for reducing the value of assets using depreciation.

Number of years at which the AW of costs is a minimum.

All corporate costs incurred in transacting business.

Total initial cost—purchase, setup, etc.; also the basis for depreciation.

Amount at some future date considering time value of money.

Uniform change (+ or -) in cash flow each time period.

Constant rate of change (+ or -) each time period.

Income from all sources for corporations or individuals.

Rate that reflects changes in the value of currency over time.

Simple interest is based on the principal only; compounding accrues interest on principal plus all accumulated interest.

Interest expressed as a percentage of the original amount per time period; nominal (r) and effective (i) rates.

Interest rate adjusted to take inflation into account.

Number of years or periods over which an alternative or asset will be used; the evaluation time.

Value, such as PW, AW, i^* , B/C, used to judge economic viability.

Minimum value of the rate of return for an alternative to be financially viable.

Resulting net amount of cash that flows in or out during a time period.

Difference between gross income and expenses; same as EBIT—earnings before interest and taxes.

Number of years to recover the initial investment and a stated rate of return.

Amount of money at the current time or a time denoted as *present*.

Parameter or characteristic that can take on any one of several values; discrete and continuous.

Unique compound interest rate resulting from specified reinvestment and/or borrowing rates.

Compound interest rate on unpaid or unrecovered balances such that the final amount results in a zero balance.

Number of years to completely depreciate an asset.

Investment rate for an excess (positive) net cash flow.

Expected trade-in or market value when an asset is traded or disposed of.

Measure of dispersion or spread about the expected value or average.

Amount upon which income taxes are based.

Decimal rate, usually graduated, used to calculate corporate or individual taxes.

Single-figure tax rate incorporating (graduated) rates for federal, state and local taxes.

Indicator for a time period.

Economic value added by a project to the corporation's net worth.

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