In PHP, a variable starts with the $ sign, followed by the name of the variable:

```
<?php
$txt = "Hello world!";
$x = 5;
$y = 10.5;
?>
```

Rules for PHP variables:

- A variable starts with the `$` sign, followed by the name of the variable
- A variable name must start with a letter or the underscore character
- A variable name cannot start with a number
- A variable name can only contain alpha-numeric characters and underscores (A-z, 0-9, and _)
- Variable names are case-sensitive (`$age` and `$AGE` are two different variables)

Reserved word:

- In a computer language, a **reserved word** (also known as a **reserved identifier**) is a word that cannot be used as an identifier, such as the name of a variable, function, or label – it is "reserved from use". This is a syntactic definition, and a reserved word may have no user-defined meaning.

- A closely related and often conflated notion is a keyword, which is a word with special meaning in a particular context. This is a semantic definition. By contrast, names in a standard library but not built into a language are not considered reserved words or keywords. The terms "reserved word" and "keyword" are often used interchangeably – one may say that a reserved word is "reserved for use as a keyword" – and formal use varies from language to language. For this article, we distinguish as above.

- In general reserved words and keywords need not coincide, but in most modern languages keywords are a subset of reserved words, as this makes parsing easier, since keywords cannot be confused with identifiers. In some languages, like C or Python, reserved words and keywords coincide, while in other languages, like Java, all keywords are reserved words, but some reserved words are not keywords, being reserved for future use. In yet other languages, such as the older languages ALGOL, FORTRAN, and PL/I, there are keywords but no reserved words, with keywords being distinguished from identifiers by other means.

Functions:

Any valid PHP code may appear inside a function, even other functions and class definitions.

Function names follow the same rules as other labels in PHP. A valid function name starts with a letter or underscore, followed by any number of letters, numbers, or underscores. As a regular expression, it would be expressed thus: ^[a-zA-Z_\x80-\xff][a-zA-Z0-9_\x80-\xff]*$.

All functions and classes in PHP have the global scope - they can be called outside a function even if they were defined inside and vice versa.

PHP does not support function overloading, nor is it possible to undefine or redefine previously-declared functions.

Note: Function names are case-insensitive for the ASCII characters A to Z, though it is usually good form to call functions as they appear in their declaration.

Note: Recursive function/method calls with over 100-200 recursion levels can smash the stack and cause a termination of the current script. Especially, infinite recursion is considered a programming error.