

**Your guide to Understanding Financial Terminology in a Recession  
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Company law generally

**1. What does "Limited Company" mean?**

Limited liability means that if the company fails, the owners are not personally responsible for its unpaid debts.

**2. What is the difference between a limited company and a PLC?**

PLC stands for public limited company. A private limited company can have a maximum of 99 members. If there are more than 99, the company will be a "PLC".

**3. What does Initial Public Offering mean?**

An IPO is the first time shares in a company are put on offer to the public.

**4. What does Liquidity Ratio mean?**

This is a measurement that is used to determine a company's ability to pay off its short-term creditors out of total cash.

**5. What does 'Earnings Before' ratios mean?**

"EBITDA" is earnings before interest tax, depreciation and amortization.

**6. What's the difference between Gross profit and Net Profit?**

Gross profit is a company's profit after selling a product or service and deducting the cost associated with its production and sale .

Net profit is often referred to as the "bottom line" and is calculated by subtracting a company's total expenses from total revenue, resulting in what a company has earned (or lost) in a given period of time.

**7. What does "goodwill" mean in the context of company law?**

Goodwill reflects the value of intangible assets such as a strong brand name, good customer relations, good employee relations and technology

**8. What is the difference between Debit and Credit / Debtor and Creditor and bad debts?**

Debit is an accounting entry. A debit results in either an increase in assets or a decrease in liabilities.

Credit is an accounting entry. A credit results in either a decrease in assets or an increase in liabilities.

A debtor is a company or an individual who owes money.

A creditor is a company or an individual to whom money is owed.

Bad debts are amounts due which won't be paid

**9. What's the difference in function between paid and unpaid Company Directors?**

An executive director works full-time in the company. A non-executive director is not employed by the company and is asked by the company to give "an outsider's view".

**10. What does 'impaired loans' mean?**

An impaired loan is one that the lender believes will not be paid in full.

International corporate matters

**1. What is a bond?**

A bond is a written promise to repay a debt and is issued for a period of more than one year with the purpose of raising capital by borrowing.

**2. What is the ISEC / FTSE / Dow Jones / Nasdaq and Nikkei W?**

The following are Indices used to measure the relative increase or decrease of specific financial markets.

The ISEQ is the indices used to measure the Irish Stock Exchange.

The FTSE is the indices used to measure the London Stock Exchange .

The Dow Jones is the indices used to measure the US stock market as a whole.

The Nikkei is an index used to measure the Japanese Stock Exchange.

The NASDAQ is an electronic securities market that quotes prices through a computer network.

## Banks



### 1. What does it mean to guarantee a bank?

When a bank's debts are guaranteed it means that all money by the bank will be guaranteed in a situation where the bank becomes insolvent. If the guarantor is "the State", it means the Government must pay the bank's bills.

### 2. What does it mean to nationalise a bank?

To nationalise a bank means the ownership of the bank switches from public to State ownership.

### 3. What does it mean to privatize a bank?

To privatize a bank means that the ownership of the bank switches from the State to the public (private citizens and companies).

### 4. What does it mean to merge a bank?

When two banks merge they join together and operate as one bank.

## Insolvency

### 1. What is Examinership?

Examinership is a rescue process for insolvent companies. The company gets protection from the court for about 100 days. During that time, the creditors cannot "attack" the company to get paid and an examiner helps the company to put proposals to the creditors to eliminate past debts.

### 2. What is Liquidation?

Liquidation (or "winding up") is the procedure which brings a company's life to an end.

### 3. What is Receivership?

Receivership is a procedure used by a creditor (usually a bank) to recover from a company the money owed by the company.

**4. What is the difference between all three?**

The objective of an Examinership is that the company will survive; the company ceases to exist at the end of a liquidation; a receivership is a sophisticated debt collection procedure.



**5. Who can send in an Examiner?**

The Examiner is appointed by the court at the request of either the company, the directors, a creditor or some shareholders.

**6. Who can send in a Receiver?**

A receiver is usually appointed by a creditor which has a power under an agreement made with the company usually when money was lent to the company.

**7. What is the standard process between a company going bust, and debtors being paid?**

This can be done through either an Examinership or a liquidation. Creditors do not get paid in full if a company has gone bust.

**8. When do the courts get involved?**

The courts are always involved in an Examinership. The courts are sometimes involved in a liquidation. The courts are seldom involved in a receivership.