

---

Graduate Certificate in English Language Teaching Leadership and Management

## Financial Management in ELT

---

**Accrual Basis of Accounting:** Accrual basis is a method of accounting where revenues and expenses are recorded when they are earned or incurred, regardless of when cash is received or paid. This is in contrast to the cash basis of accounting, where revenues and expenses are only recorded when cash changes hands. In financial management for ELT, accrual accounting provides a more accurate picture of a program's financial health and long-term sustainability.

**Budget:** A budget is a financial plan that estimates and allocates resources for a specific period, such as a fiscal year. Budgets can be created for an entire organization, a department, or a specific project. In ELT leadership and management, budgeting is essential for planning and managing resources, including staff, materials, and equipment. A well-prepared budget can help ensure that an organization has the necessary funds to achieve its goals and can also serve as a tool for monitoring financial performance.

**Contingency Plan:** A contingency plan is a strategy for managing unexpected events or financial challenges. Contingency plans may include reserve funds, cost-cutting measures, or alternative revenue sources. In ELT, contingency plans can help schools or organizations respond to unexpected changes in enrollment, funding, or other factors that may impact financial stability.

**Cost of Goods Sold (COGS):** COGS is the direct cost of producing the goods or services that a business sells. In ELT, COGS may include the cost of textbooks, materials, and teacher salaries for language courses. By tracking COGS, ELT leaders and managers can better understand the profitability of their programs and make informed decisions about pricing and resource allocation.

**Depreciation:** Depreciation is the gradual reduction in the value of an asset over time. In financial management for ELT, depreciation is used to allocate the cost of long-lived assets, such as buildings or equipment, over their useful life. Depreciation is a non-cash expense that is recorded on the income statement and reduces an organization's taxable income.

**Financial Statements:** Financial statements are reports that provide an overview of an organization's financial performance and position. The three main financial statements are the income statement, balance sheet, and cash flow statement. In ELT leadership and management, financial statements are used to monitor financial performance, make informed decisions about resource allocation, and communicate financial information to stakeholders.

**Grant:** A grant is a financial award that is given to an organization or individual for a specific purpose. Grants can be awarded by government agencies, foundations, or other organizations. In ELT, grants can provide funding for language programs, research, or other initiatives. To secure a grant, ELT leaders and managers must typically submit a proposal that outlines the purpose of the grant, the amount of funding requested, and the expected outcomes.

**Income Statement:** The income statement (also known as the profit and loss statement) is a financial statement that reports an organization's revenues and expenses over a specific period. The income statement shows whether an organization has earned a profit or incurred a loss during the period. In ELT leadership and management, the income statement is used to monitor financial performance, make informed decisions about pricing and resource allocation, and communicate financial information to stakeholders.

**Operating Budget:** An operating budget is a financial plan that estimates and allocates resources for an organization's ongoing operations. The operating budget includes revenues and expenses that are related to the organization's core mission and activities. In ELT, the operating budget may include salaries, materials, and equipment for language courses, as well as administrative expenses.

**Payback Period:** The payback period is the amount of time it takes for an investment to generate enough cash flows to recover the initial investment. In financial management for ELT, the payback period is used to evaluate the viability of capital investments, such as purchasing new equipment or renovating facilities. A shorter payback period is generally preferred, as it indicates a faster return on investment.

**Return on Investment (ROI):** ROI is a measure of the profitability of an investment, calculated as the net profit divided by the cost of the investment, expressed as a percentage. In ELT leadership and management, ROI is used to evaluate the effectiveness of different programs or initiatives and to make informed decisions about resource allocation.

**Variable Costs:** Variable costs are expenses that change in proportion to the level of activity. In ELT, variable costs may include teacher salaries, materials, and supplies for language courses. By understanding variable costs, ELT leaders and managers can make informed decisions about pricing and resource allocation.

**Balance Sheet:** The balance sheet is a financial statement that reports an organization's assets, liabilities, and equity at a specific point in time. The balance sheet shows what an organization owns (assets), what it owes (liabilities), and the residual interest in the assets after all liabilities are paid (equity). In ELT leadership and management, the balance sheet is used to monitor financial position, make informed decisions about resource allocation, and communicate financial information to stakeholders.

**Break-even Analysis:** A break-even analysis is a financial tool that determines the point at which revenues equal expenses, also known as the break-even point. In ELT, a break-even analysis can be used to determine the number of students needed to cover the costs of a language course or program. By understanding the break-even point, ELT leaders and managers can make informed decisions about pricing and resource allocation.

**Cash Flow Statement:** The cash flow statement is a financial statement that reports an organization's cash inflows and outflows over a specific period. The cash flow statement is divided into three sections: cash flows from operating activities, cash flows from investing activities, and cash flows from financing activities. In ELT leadership and management, the cash flow statement is used to monitor liquidity, make informed decisions about resource allocation, and communicate financial information to stakeholders.

**Capital Budget:** A capital budget is a financial plan that estimates and allocates resources for long-term

investments, such as purchasing equipment or buildings. In ELT, a capital budget may include expenses for facilities, technology, or other long-lived assets. By creating a capital budget, ELT leaders and managers can make informed decisions about long-term investments and ensure that the organization has the necessary resources to achieve its goals.

**Cost-benefit Analysis:** A cost-benefit analysis is a financial tool that compares the costs and benefits of a proposed project or initiative. In ELT, a cost-benefit analysis can be used to evaluate the viability of a new language program or to compare the costs and benefits of different teaching methods or materials. By understanding the costs and benefits of different options, ELT leaders and managers can make informed decisions about resource allocation.

**Depreciation Expense:** Depreciation expense is the gradual reduction in the value of a long-lived asset, such as a building or equipment, over its useful life. Depreciation expense is recorded on the income statement and reduces an organization's taxable income. By understanding depreciation expense, ELT leaders and managers can make informed decisions about asset replacement and maintenance.

**Earnings Per Share (EPS):** EPS is a measure of a company's profitability, calculated as the net income divided by the number of outstanding shares of stock. In ELT leadership and management, EPS is used to evaluate the financial performance of an organization and to make informed decisions about resource allocation.

**Equity:** Equity is the residual interest in the assets of an organization after all liabilities are paid. Equity represents the ownership stake of the organization's shareholders or owners. In ELT leadership and management, equity is reported on the balance sheet and is used to monitor financial position and communicate financial information to stakeholders.

**Fixed Costs:** Fixed costs are expenses that do not change in proportion to the level of activity. In ELT, fixed costs may include rent, salaries, and utilities. By understanding fixed costs, ELT leaders and managers can make informed decisions about pricing and resource allocation.

**Gross Profit:** Gross profit is the difference between an organization's revenues and the cost of goods sold (COGS). Gross profit is a measure of the profitability of an organization's core operations. In ELT leadership and management, gross profit is used to evaluate the financial performance of language programs and to make informed decisions about resource allocation.

**Income Tax Expense:** Income tax expense is the amount of taxes owed on an organization's taxable income. In financial management for EL