

Rent-to-Own Glossary of Terms

A

- A.C.U. (average cost of unit): The cost of merchandise acquired by a rental company.
- A.I.U. (average income per unit): The total amount of actual rental revenue plus any special charges (delivery, reinstatement, etc.) divided by the number of units on rent, (A.R.U.) or unit yield.
- A.O.R. (agreement on rent): The number of rental agreements currently on rent to customers.
- A.P.U. (average price per unit): The total amount of actual rental revenue plus any special charges (delivery, reinstatement, etc.) divided by the number of units on rent (A.I.U.) or unit yield.
- Account: A term usually used to designate a customer who has a unit on rent or a rental agreement.
- Account number: The identification number given to each account and used as a reference for tracking the progress of the agreement.
- Account transfer: The reassignment of a rental agreement from one store to another.
- Accounts due: A customer account that has reached the time for payment and renewal.
- Accounts payable: A liability owed by the business for goods purchased or services used.
- Accrued expenses: Recorded current expenses that are due, but have not yet been paid.
- Adjusted monthly forecast: The anticipated profit per store for the month ended that is based on the actual store income and expenses.
- APRO (Association of Progressive Rental Organizations): The national trade association for the rental-purchase industry--also known as the Rent-to-Own industry.
- Audio equipment: Equipment used for high-fidelity reproduction of sound. A typical rental store rents one-brand systems complete with a CD player, receiver/amplifier, cassette deck, speakers and a cabinet for the system.
- Audit: A methodical examination and review of a firm's records, accounts and procedures to verify that proper accounting of the firm's assets and liabilities has been done.

B

- B.O.R. (balance on rent): The number of units currently on rent to customers.
- Back order: Part of the original order that was not filled that will be shipped when available without the customer reordering.

- **Bad account:** A customer account that is determined to be not renewable or uncollectible and that has been charged off or will be.
- **Balloon payment:** A large final payment to acquire ownership of merchandise or to pay for service.
- **Brown goods:** A generic term for televisions and stereos, derived from the brown, wood finish of the cabinet.
- **Budget:** The annual forecast of expected revenues, expenses and profits by store, region and company for the coming fiscal year.
- **Buying group:** The banding together of several dealers to purchase items in bulk at reduced rates.

C

- **Card close:** The total number of past-due customer accounts on a particular day usually expressed as the ratio of expired accounts to total.
- **Card file:** The files where all of the store's rental agreement cards are kept.
- **Cards:** A record of a customer's account kept on cards for ease of handling and tracking. This is a small version of the posting of ledger cards usually filed by date instead of by customer name to facilitate renewals. When a computer system is in use, this copy may be listed by computer instead of on a card.
- **Cash flow:** The amount of money generated by a business less the cash expenses of doing business.
- **Cash purchase option:** A customer's option for the early purchase of rental merchandise at a price calculated on the age of the unit and/or the amount of rent paid to date.
- **Charge off:** An item taken off inventory that cannot be recovered due to a skip, theft or damaged goods. The book value is deducted as an expense item.
- **Check log:** A log for recording daily customer payments made by check, listing name, check number and the amount paid.
- **Closeout percentage:** The ratio of past due accounts to the balance on rent. This is used as an index of the efficiency of the collection process.
- **Collections:** The process of contacting the customer and collecting money owed and/or regaining possession of the rental merchandise when an account goes beyond the renewal date without payment.
- **Consumer Credit Protection Act:** Also known as the Truth-in-Lending Bill, this act requires most lenders and extenders of consumer credit to disclose the true cost of credit extended. Additionally, there are limits to wage garnishment and the act prohibits excessive interest.
- **Consumer Leasing Act:** A federal statute providing requirements for meaningful disclosure of lease terms and conditions in a prescribed way. The Act applies to leases with a minimum rental period of four months.

- **Contract:** A legally binding agreement between two or more capable parties to do or not to do a particular thing in exchange for some form of consideration.
- **Customer ledgers:** An individual document used to record each customer's payment and rental history that is usually a hard copy of the rental agreement.

D

- **Daily fee:** An amount charged each day between the renewal date and the actual date the agreement is renewed after it expires.
- **Daily in/daily out sheets:** An inventory control record used to track merchandise returned to the store or delivered to the customer.
- **Daily rental:** A rental agreement for one 24-hour period.
- **Daily work report:** A report generated daily by the store's computer that lists inventory information, financial information and details of the store's basic activity.
- **Decline in Value of Inventory:** An alternative to using depreciation for rental merchandise where expected or average rental life is used.
- **Delinquency:** A customer account that has not been renewed and/or not returned the product.
- **Delivery charge:** A fee to the customer for delivering merchandise, sometimes charged only for deliveries outside a regular delivery radius or area.
- **Depreciation:** The cost of an asset divided by its useful life, recorded as an expense. The IRS provides guidelines for "useful life" of most assets as well as what must be considered an asset.
- **Disclosure:** To completely and fully reveal the terms of a transaction. Rental disclosure can include the amount of each payment, when payment is due and the total cost of renting until ownership occurs. Other items include the total rental cost and condition of the goods.
- **Disputed accounts:** Any account where there is some question over rates, term, product condition, etc. that causes non-renewal.

E

- **Early pay-out:** Whenever a customer exercises the option to acquire a rented unit for a stated price before the maximum rental term expires.
- **Earnings statement:** A statement detailing the earnings or losses of a business, sometimes called a profit-and-loss statement.
- **Expiration date:** The day following the renewal date. The date on which the customer has failed to live up to the payment terms in the rental agreement.

- Expired account: A rental agreement that has not been renewed on the renewal date and the rental merchandise has not been returned.

F

- False Representation: To misrepresent a service or product's condition or capabilities or to state falsely the obligations of a contract or agreement.
- Fixed assets: Business property required to operate the business, but that cannot be consumed or converted to cash during normal operations, such as a building and its fixtures.
- Future revenue stream: A term used to describe the amount of cash that would be recovered on a rental agreement should the agreement go to term, usually expressed in average dollars per agreement, average days per agreement or average months and days per agreement calculated by multiplying the rental rates on the agreement by the time the agreement has to completion.

G

- Gain: The net increase in units or agreements on rent.
- GM&A (general management and administrative): Expenses generally associated with the home office.
- Grace period: The time between the rental renewal date and the date when late charges or reinstatement fees are charged. Rental companies, either by law or by business practice, sometimes give customers a few days to make a rental renewal payment before charging a late or reinstatement fee.
- Gross income: Total amount of income before deducting expenses.
- Gross profit: Total company income minus the depreciation cost of units on rent or disposed before general expenses have been deducted.

H

- Hand receipt: A receipt used to document a payment that is taken outside the store. A hand receipt is also used in the store when the computer is not available to record a transaction.
- Hold: A term used to designate the status of a product stored for a customer who has not fulfilled the terms of the rental agreement.

I

- I.H.P.U. (in-home pick-up): A fee collected from a rental customer when a company employee makes a trip to the customer's house to pick-up a payment.
- I.P.U. (income per unit): The total amount of actual rental revenue plus any special charges (delivery, reinstatement, etc.) divided by the number of units on rent.

- Idle inventory: Sales and display stock in the store or not on rent.
- In arrears: An account that has not been renewed and the customer retains possession of the merchandise.
- Insolvency: The inability to pay one's debts when due or to convert assets into cash and pay debts.
- Inventory: A detailed account of current business assets, generally categorized as rental goods, equipment, vehicles, etc.
- Inventory disposition voucher: Accounting form used to record how a particular merchandise item is disposed of from current inventory.
- Inventory receiving voucher: Accounting form used to record receipt of a merchandise item from the manufacturer or wholesaler, detailing serial number, model number, quantity, etc.
- Inventory transfer voucher: Accounting form to record the transfer of a merchandise item between company outlets used to balance inventory records.

K

- Keep rate: The measure of the number of units or agreements that remain on rent during a specific time divided by the total number of units or agreements delivered in a given time period.

L

- Late fee: A fee charged over and above the daily fee amount for payment made after expiration of the rental agreement term. This fee is often regulated by state laws and varies from state to state.
- Lease-purchase: An optional form of acquiring ownership of merchandise by renting an item for a specified period of time without incurring debt or continuing obligation. Also known as Rent-to-Own or rental-purchase.
- Lessee: A person who rents or leases an item.
- Lessor: A person who owns the merchandise and rents or leases it to the lessee.
- Liquid assets: Any asset that is easily converted to cash, such as accounts receivable, securities and bonds.
- Lost rental income: Also referred to as "free time." This is any rental time on a product for which the customer does not pay--usually given to adjust the customer's due date or to credit him or her for any time lost when the product was in service.
- Lump sum payment: Payment in full in a single sum made at one time.

M

- M.A.C.R.S. (modified accelerated cost recovery system): The depreciation method that companies must use for federal income tax purposes. Since 1997, most rental dealers have been using three-year M.A.C.R.S. to depreciate their rental units.
- Mail payment: A payment sent to the store via the mail system.
- Month-to-month: A lease agreement in effect for a one-month period that is renewable by making an additional payment as specified in the agreement.
- Monthly accounts: Accounts that rent on a month-to-month basis.

N

- Net assets: Total assets less total liabilities, usually not including stockholders' equity.
- Net earnings: The amount of gross operating income minus the gross operating expenses.
- Net profit: Recorded receipts less all expenses (cash and non-cash) before taxes.
- Net sales: The total amount of rentals minus returns, discounts and adjustments (skips, stolens and charge-offs).
- Net worth: Total assets less total liabilities.
- No-obligation: A rental agreement that does not require the customer to rent an item beyond an initial period of time.

O

- Operating expenses: All costs of running a business except the cost of goods and, usually, includes home office or corporate overhead.
- Outstanding: Unpaid or uncollected accounts.
- Overhead: The operating expenses of a business in addition to inventory, such as rent and utilities.

P

- P&L: The abbreviation for profit-and-loss statements.
- P.O.P. (point-of-purchase): Any promotional material used to advertise a product in the store and to encourage the customer to act.
- Pay-out projection: Listings that give advance notice of when agreements will reach full term and therefore go off the books as rentals. It may be computed as either units or dollars or both.
- Pick-up: Regaining possession of rental merchandise from a customer who no longer wishes to rent the item.

- Piece-by-piece: A form of rental, especially with furniture, allowing the customer to rent one or any number of items of a grouping.
- Product mix: The percentage of a particular product (such as televisions, stereos, etc.) of the stores' total inventory or compared to the total units on rent.
- Profit-and-loss statement: A financial statement summarizing income and expenses and the resulting profit for a specific period of time.
- Purchase requisition order: A document completed by an authorized agent of the business to request goods or services from a specific company at specific terms.

Q

- Quick ratio: The quickness in which a business can pay all of its current liabilities (due within 12 months or less) from cash or equivalents on hand.
- Quota: A goal set by management, such as a specific number of renewals per day, or new rental agreements per week, etc.

R

- R.I.S.A. (Retail Installment Sales Acts): Any of the various state legislative enactments covering credit sales and providing for certain disclosures, interest rate limits, grace periods, cure periods and other substantive consumer rights by the retailer to the consumer.
- Receivables: The maximum potential rental income of all valid rental agreements until end of contract terms.
- Recovery: The return of merchandise, either by the customer or through the efforts of store personnel, for agreements that usually are not going to be renewed.
- Reference check: To contact employers, friends or relatives as provided by a customer to verify certain information on a rental agreement.
- Reinstatement fee: A fee charged when a customer allows the rental agreement to expire then seeks reinstatement. In many states this amount is regulated by state statute.
- Renewal card: The back of the last copy of the rental agreement used for payment information previously called collection or route card.
- Renewal date: The last day when a customer can make a renewal payment and keep the agreement in good standing.
- Renewal option: An option the customer has to continue a rental agreement by paying the stated rental rate.
- Renewal ratio: The percentage of agreements renewed to total agreements at the end of each day and calculated in units, dollars or both.

- **Rent-to-Own:** An optional form of acquiring ownership of merchandise by renting an item for a specified period of time without incurring debt or continuing obligation. Also known as rental-purchase or lease-purchase.
- **Rent-to-rent:** Companies that rent items without a purchase option.
- **Rental agreement:** A formal, written document outlining the rights and duties of the customer and the company in a rental transaction, also known as lease agreement.
- **Rental order form:** The form used to record personal information about the customer when he or she wishes to rent a product. The rental order is then verified and approved by a company employee prior to delivery of the product.
- **Rental-purchase:** An optional form of acquiring ownership of merchandise by renting an item for a specified period of time without incurring debt or continuing obligation. Also known as Rent-to-Own or lease-purchase.
- **Retail installment sales:** A contractual obligation to purchase goods.
- **Route:** A description of a geographical area or number of customer accounts covered by store employees.
- **Route card:** A copy of the rental agreement that contains only customer and payment information. The route card is used whenever a rental customer is contacted concerning his or her account.

S

- **Skip:** A rental customer who moves without notification and takes the rental merchandise.
- **Stolens:** Merchandise reported by the customer to the police and to the dealer as having been stolen from his or her residence.
- **Switch out:** To exchange the customer's current item with another item of like value and description.

T

- **Term:** The length of the rental agreement.
- **Termination:** The customer's option not to pay the rental fee causing the end of the agreement and necessitating the return of the merchandise. Also, to end an employee's employment with the business.
- **Terms:** The conditions of the transaction as detailed in the rental agreement.
- **Title:** Documentary evidence of ownership and legal right to possession of property.
- **Traffic sheet:** A form used to track the distribution of merchandise either from a company warehouse to its stores or from the store to the customer.
- **Truth-In-Lending Act:** A Federal Consumer Protection act requiring the seller to disclose his method of computing interest prior to the sale and in all billing statements.
- **Turn down:** An applicant who does not meet a rental company's qualifications to become a customer.

U

- Uniform Commercial Code (U.C.C.): A set of comprehensive statutes of business laws designed to achieve uniformity among the states (except Louisiana), concerning sales, commercial paper, security laws and other commercial laws. Some statutes have minor state variations.
- Unit yield: The total dollars of actual rental revenue plus any special charges (delivery, reinstatement, etc.) divided by the number of units on rent.
- Units on rent: The number of items on rent in a particular store at a particular time. Also known as Balance On Rent (B.O.R.).

V

- Valid rental agreement: A rental agreement in good standing between a rental company and a customer for merchandise rental.
- Vendor: A supply source that a business uses to acquire goods to rent.
- Voucher: An itemized record of payment or receipt of money.

W

- Week-to-week: A rental agreement lasting seven days that is renewable by making an additional payment as specified in the agreement.
- Weekly accounts: A customer account who rents on a week-to-week basis.
- White goods: The term for appliances such as washers, dryers and refrigerators, originally derived from the white porcelain finish of the appliances.
- Wood group: Living room furniture grouping that consists of an exposed wood frame with upholstered cushion.

Z

- Z (Regulation Z): Federal Reserve Board rules included in the Truth-In-Lending Act that describes what and how a lender must tell a borrower about the cost of credit; also called the Consumer Credit Cost Disclosure.