Glossary of Terms

A

Accounts receivable - Money owed by customers for items or services that have been received or used, but not paid for.

Accounts payable - Money owed by your business to suppliers for items or services purchased on credit.

Accrued expenses - An expense that is recorded on your balance sheet before it has been paid for. Usually it is something that happens on a regular basis, like salaries, or accounts receivable from a well-known customer who you know will pay their expenses.

Advertising - Advertising is used to build brand or product recognition. Common types of paid advertising include web ads, paid Google web search placement, radio, TV, print (newspaper, magazine, yellow pages, trade directory, billboard, and weekly shopper), direct mail ads (newsletters, flyers, postcards, brochures), and Internet/website advertising.

Angel investor - An individual who invests in a business in exchange for business shares or loan repayment. Angel investors typically provide smaller investments than venture capitalists and are not directly involved with steering the business but may offer advice.

Assets - Something valuable owned by a business with a useful economic value that can be converted to cash such as a business's bank accounts, accounts receivable, security deposits, current inventory, supplies, and equipment.

B

Bad debt - Accounts receivable that will not be collected. An example would be if a business owner could not collect money they were owed for providing a service to a customer.

Balance sheet - A snapshot of a business's assets and liabilities at a specific point in time.

Bank loan - A set amount of money a bank loans to a borrower. The bank charges the borrower interest and expects the money to be paid back at regular intervals and on time.

Bank line of credit - An arrangement between a bank and an individual to borrow up to a set amount. The bank charges the borrower interest and expects the money to be paid back at regular intervals and on time.

Barriers to entry - High startup costs or other obstacles that prevent new competitors from easily entering an area of business. Examples include substantial start-up costs, patents, customer loyalty, special tax benefits for existing businesses, and strong brand loyalty.

Barter - A transaction that doesn't involve money when products or services are exchanged for other products or services.

Break-even point - The calculation of the number of units of a product or hours of a service that must be sold to break even, before you can earn a profit.

Business plan - A comprehensive guide or roadmap that details all the steps and items to consider when starting a business. A business plan describes the business and contains a market analysis and a financial analysis.

Business license - A legal document issued by a government agency that allows a business to operate within the government's geographical area.

C

Capital - Financial assets such as cash, machinery, and equipment used to produce a product or provide a service.

Capital equipment - A piece of equipment expected to be used for a year or longer that will be used to provide a service or sell, store, deliver or manufacture a product.

Capitalized - A business is considered capitalized when there is enough funding to cover pre- and post-opening expenses, with some money set aside for emergencies, until the business becomes profitable.

C Corporation - A legal entity owned by shareholders. In this complex business structure, the business is taxed and responsible for all assets and liability, not individual shareholders.

Cash - Cash is required to get a fledgling business up and running. This includes cash needed to get the business ready for customers as well as capital to cover expenses once the doors are open.

Cash flow - The amount of cash and cash-equivalent items moving through a business.

Cash flow statement - A report that shows when the business will receive cash and when cash must be available to pay bills.

Company description - A 1 to 3 sentence statement that includes the business name, a short description of the products or services the business will provide, and a short description of the business's customers.

Cost of goods sold - The costs to produce the goods sold, such as labor costs, materials costs, and overhead.

Credit report - A credit history summary. Credit reports are created by a credit bureau and are used by a lender to determine if a loan applicant is likely to pay back a loan.

Cash reserve - The funds your business has available to meet your needs for cash, especially for unanticipated needs.

Cash shortfall - when your business doesn’t have enough money (cash) in order to pay for something.

Crowdfunding - A method to raise money via the internet for a business or project. Generally, a successful crowdfunding campaign inspires a large group of people to contribute a modest amount individually.

Collateral - Property or other assets which are offered to the bank to secure a loan. If a borrower stops repaying the loan, the lender can take ownership of the collateral.

Competitor - a business in the same industry that offers a similar product or service. A potential customer could chose to use that business instead of yours.

Contingency funds - A reserve account to cover unforeseen expenses.

Current assets - Any cash, accounts receivable, prepaid expenses and materials which can be collected on or sold and converted into cash within one year.

Current liability - A company’s debts or financial obligations which are due within a year.

Customer segments - Different groups of customers who may want to purchase a product or service. Not every customer will be attracted to a product or service in the same way. Understanding differences, or segments, will help you reach each group more effectively using different marketing strategies.

D

Demographics - Statistical data of a population which are collected to show how that population changes over time. Examples include age, gender, ethnicity, education, population estimates for a particular area, and income level. The US Census Bureau is a good source for demographic data.

Depreciation - An item’s reduction in value due to use, wear and tear, or because it becomes obsolete. An example is when someone buys a new car and drives it for years, the car’s value depreciates over time. Depreciation varies based on the item and how long it is useable.

E

Economies of scale - Larger businesses often have a competitive advantage to smaller ones because larger businesses can often negotiate to purchase inputs at a lower price and hire more specialized workers. The larger the business, the lower its costs of producing a product or providing a service.

Effective frequency - The number of times people see or hear an ad before they remember it and the product.

Effective reach - The percent of people exposed to an advertisement who remember the ad and the product or service.

Employer Identification Number (EIN) - A nine-digit number you apply for with the Internal Revenue Service (IRS). The IRS assigns EINs to organizations for identification and tax purposes.

Entrepreneur - A person who organizes and operates a business and is willing to take on personal or financial risk to do so.

Equipment - Tangible property (excluding land or buildings) used in the operations of a business that is not consumed in the normal course of the business and has a useful life of several years or more.

Equity - An owners profit, retained earnings, or stocks. For sole proprietorships, the owner's equity is simply the difference between the business' assets and liabilities. Specifically:

Total Assets – Total Liabilities = Owner's Equity

Expenses - The amount of money spent, needed to buy something specific or to maintain the business.

F

Facilities - The places where the work will be accomplished or the business will be located.

Federal taxpayer number - An owner's Social Security number can be used as the taxpayer number.

Frequency - The number of times an audience is exposed to an ad over a period of time.

Fixed assets - An asset that cannot be converted to cash. Examples of fixed assets are vehicles, buildings, land, equipment and machinery.

Fixed costs - Operating expenses that must be paid independent of production and sales levels and activities. Examples include rent, interest, and insurance. Variable costs and fixed costs are combined to arrive at total costs of a good or service.

Financial statements or financials - A collection of reports that outline the financial activities of a business for a specific period of time.

G

Gross profit – The profit a company makes after deducting the costs associated with making and selling its products, or the costs associated with providing its services. Gross profit is the difference between total sales and costs of goods sold.

I

Income - Money received in exchange for providing goods and services during a specific period in time.

Income statement - A financial report that shows a business's profit or loss over a specified period of time. It is comprised of total sales, cost of goods sold, gross profit, indirect expenses, other expenses, pre-tax profit or loss, taxes, and net profit or loss.

Industry research - Information you look up about the industry your business will be part of. Includes things like a news, trends, and forecasts, economic indicators, market share, legal and regulatory issues, financial information, and innovations/new products.

Industry trends - Patterns that occur within a specific industry and describe industry activity over time. You can look up industry trends on price, customer behavior, marketing, manufacturing, technological advances, etc. Industry trends provide business owners with important data to help them remain competitive in their industry.

In-kind contribution - Goods, services, and transactions not involving money or not measured in monetary terms. An example would be if your friend donated their old wheelbarrow to you for your new landscaping business.

Insurance Rider - An additional insurance policy purchased to provide additional coverage.

Inventory – Raw materials, unfinished products that will be available, and finished products that are available to sell.

J

Jargon - Specialized language of a professional or occupational group that might not mean anything to someone who is not part of the group.

- Examples of jargon:
  - Computers: browser; cache; database; driver; freeware; resolution; URL.
  - Gardening: cultivate; aerate; espalier; hydroponics; pruning; transplanting.

L

Labor - The physical and mental effort needed to provide a product or service.

Liabilities - Money payable to a third party.

Limited Liability Company (LLC) - A business structure that combines the pass-through taxation of a partnership or sole proprietorship with the limited liability of a corporation.

Long-term liabilities - A financial obligation that is not due 12 months from the ending date of the balance sheet.

Lot (building lot) - An area of land where a business is located. The lot includes all buildings, the parking area, and any other outside space (if applicable).

M

Market - The market for a product or service is made up of existing and potential customers who need or want the product/service and have the ability and willingness to pay for it.

Marketing - Is the action or business of promoting and selling products or services. It is everything done to present a product or service to potential customers. It is a broad category that includes designing a logo, written materials such as brochures, business cards, letterhead, packaging, and web presence--anything that is disseminated to the public about the business, product, or service. Marketing can also include developing a mailing list, and researching potential customers and their needs, and public relations activities.

Marketing plan - A comprehensive document or blueprint that outlines a company's advertising and marketing efforts for a specific time period such as a year. It describes a business activities to accomplish specific marketing objectives within a set time frame.

Market share - The portion of customers that will go to your business vs the competition.

Micro-enterprise - A small business that employs no or a few employees and is started with a small amount of capital. Most microenterprises provide goods or services for their local areas.

Micro-lender - A person or bank who lends small amounts of money or provide s access to small amounts of credit that would not be cost-effective for a traditional lender.

N

Net profit or loss - Net profit or loss indicates if the business is profitable. A net profit or loss is calculated using the sales, costs of goods sold, operating expenses, other expenses and taxes.

Net worth - Indicates what a person or company is worth and is calculated by subtracting total liabilities from the value of the assets.

O

Operations plan - A section of the business plan that describes in great detail the day-to-day tasks required to run a business.

Operating costs - The day-to-day expenses of running a business, such as sales and administration, as opposed to production costs.

Operating expenses – See Operating Costs definition.

Owners' equity - The total assets of a company minus its liabilities.

P

Partnership - A business owned by two of more people, with shared business decision-making responsibilities.

Personal financial statement - A full disclosure of an individual's assets, liabilities, annual income, and annual expenses.

Pre-paid expenses - An expense that goes on the balance sheet as a result of a business making a payment for goods or services that will be received in the near future (expenses related to future periods). For example, insurance, or rent.

Pre-tax profit or loss - A company's total revenue minus its operating expenses, interest paid, and depreciation before taxes are paid. Also referred to "earnings before tax" or "loss before tax"

Pricing - The process used by a business to set the price at which it will sell its products and services. It usually is determined by calculating fixed expenses, variable expenses, gross profit, break-even point, and sales goals.

Product - Something that you make in order to sell. Your business's product is what you sell to your customers.

Profit and loss statement - See Income Statement definition.

Pro forma - Financial statements based on assumptions to make projections. For example, a company might need financial projections based on several price-per-unit scenarios. The supporting documents to create a forecast of scenarios are called pro forma documents.

Profit sales goals – The amount of profit a business owner identifies as a goal and aims to achieve.

Profit margin - A measure of profitability expressed as a percentage of a business's revenue.

Promotion - Promotion is directed towards the purchaser and is used to offer purchasers an incentive to buy. Promotional opportunities include coupons, incentives, discounted prices, and free samples.

Public relations - Providing information about a business to the public so the business is regarded in a favorable way.

R

Reach - The total number of unduplicated people to whom the advertiser delivers a message.

Regulation - A rule or law that controls the way a business can operate. Regulations can be set by the federal and local governments or by the business industry.

Renovations - Modifying a building to extend its useful life, increase its value, or both.

Revenue - Income from sale of goods or services, or any other use of capital or assets, associated with the main operations of a business before any costs or expenses are deducted.

S

Sales forecast - A prediction of future sales for a period of time in the near future (typically 1 to 3 years).

Sales projections - See Sales Forecast definition.

Sales volume - The number of goods or services sold in a specific period of time.

S Cooperation - A structure similar to a C Corporation, but the business is not taxed, and business profits and losses pass through to individual shareholder tax returns.

Seed capital - The initial capital needed to start a business.

Service - Work that you do for others as your business. Some businesses sell products, others sell/provide services. For example, landscaping, a car mechanic, house painting.

Sole Proprietorship - A business owned and run by one person with no legal distinction between the business and the individual. The owner is responsible for all assets and liability.

Small business incubator - An organization, usually a private company, that helps new and startup companies to develop by providing services such as management training or office space.

Small Business Development Centers - A partnership between the U.S. Small Business Administration (SBA) and typically a local college or university to help foster small business growth and development by providing individual counseling and low-cost business workshops for business owners and those looking to start a business.

Speculative business - A business with a very high risk of failing, but also with a possibility of high profits.

Start-up costs - Non recurring expenses associated with starting a business.

Supplies - General purpose consumable items stocked for recurring use that have a shorter life span than equipment and machines.

T

Target market – The market (i.e. customers) a company wants to sell its products and services to and directs its marketing efforts towards.

Taxes - A required fee paid to city government, state government or the federal government to finance public works, services and infrastructure.

U

USOR - Utah State Office of Rehabilitation

V

Venture capitalist - An investor who provides capital or support to companies who need capital in exchange for a high return on investment. Venture capitalists generally invest large amounts of money (relative to angel investors) and some degree of involvement in running the business, such as a seat on a business' board of directors.

Variable expenses - A cost that varies according to output or the sales revenue of a company. They are costs directly related to creating the product or providing the service such as labor and materials.

Variable operating costs - See Variable Expenses definition.

W

Working capital - The difference between a business's current assets and current liabilities. Working capital can be a good indicator if a person or company has enough assets to cover debt.

Other Resources

[Online Business Dictionary](http://www.businessdictionary.com/) (http://www.businessdictionary.com/)