

Glossary of Business Terms

Accounting Period ⇒ a period of time (month, quarter, year) for which a financial statement is produced.

Accounts payable ⇒ represents what a business owes to its suppliers and other creditors at a given time.

Accounts receivable ⇒ represents the amount due to a business by its customers at a given point in time.

Accounts receivable aging ⇒ this is a scheduling of accounts receivable in order of the length of time that they have been outstanding.

Accrual accounting ⇒ a method of bookkeeping in which income and expenses are allocated to periods to which they apply, regardless of when they are actually received or paid.

Assets ⇒ something that your business owns e.g. cash, equipment, inventory or a patent.

Balance sheet ⇒ a financial statement showing assets and liabilities at a specific time.

Break-even point ⇒ this is the point at which sales equal total costs.

Buy-sell agreement ⇒ an agreement between partners that gives either party the right to offer to buy all of the other party's shares in the event of death, retirement, or a disagreement.

Capital asset ⇒ an asset that is purchased for long-term use, such as machinery or equipment.

Cash accounting ⇒ a method of bookkeeping in which income is considered earned when received and expenses are not taken into account until paid.

Cash flow statement ⇒ a worksheet that shows the flow of cash in and out of a company over a month by month period.

Collateral ⇒ an asset that has been pledged to a creditor as security for a loan.

Copyright ⇒ the legal registration and ownership of the product of a writer, painter, singer, musician, choreographer, photographer or other original creator. The owner of the copyright owns all rights to use the copyrighted material.

Corporate identity ⇒ how a particular business is perceived by its customers and the rest of the marketplace.

Cost of goods sold ⇒ the direct costs of acquiring and/or producing an item for sale. This excludes any overhead.

Credit report ⇒ a listing of an individual or company's history of repaying past loans and other liabilities.

Current ratio ⇒ current assets divided by current liabilities. It is the measure of cash available to run a business.

Daily cash sheet ⇒ form used to track daily all cash coming into a business and all cash going out.

Debt financing ⇒ this is financing in which you get a loan and go into debt. You are obligated to repay the loan at a predetermined interest rate.

Demographics ⇒ statistics based on population related factors eg. age, gender, marital status.

Distribution channels ⇒ the set of parties that are involved in getting the goods or services from the producer to the consumer.

Entrepreneur ⇒ someone who is willing to assume the responsibility, risk and rewards of starting and operating a business.

Equity financing ⇒ this involves selling a portion of your company in order to receive funds. In general, venture capital firms such as "angels" provide this type of financing.

Fixed cost ⇒ a production cost which does not vary much with the volume of output eg. administrative costs.

Focus group ⇒ a research discussion group conducted by a moderator that is used to discuss one or more issues about a product or service.

Franchisee ⇒ the party that is purchasing the franchise.

Franchiser ⇒ the party that is offering the franchise for sale.

Goodwill ⇒ the amount that a business is worth above and beyond the fair market value of its assets.

Gross profit ⇒ the profit after deducting all the costs of material or merchandise, labour, and overhead, but before selling and administrative costs from sales.

Guarantee ⇒ pledge by a third party to repay a loan if the borrower cannot. A personal guarantee is when you personally guarantee an obligation for your business.

Guerilla marketing ⇒ using unconventional methods to make sales.

Income statement ⇒ a financial document that shows how much money (revenues) came in and how much money (expenses) was paid out. Subtracting the expenses from the revenue gives the net profit.

Liabilities ⇒ all the debts of a business.

Lien ⇒ legal right to hold property of another party or to have it sold in the event that a loan is not paid.

Marketing ⇒ this is the process of planning and executing the conception, pricing, promotion and distribution of ideas, goods and services to satisfy customers.

Market research ⇒ the systematic collection, analysis and reporting of data to provide information needed to make marketing decisions.

Media plan ⇒ the distribution of a business's advertising budget to different advertising mediums.

Net profit ⇒ the profit after deducting all expenses from sales.

Networking ⇒ meeting people who can be of help to you and being a help to them.

Non-disclosure statement ⇒ this is a form that stipulates that the information that has been revealed is confidential.

Operating costs ⇒ what it costs you to do business for any period of time eg. salaries, electricity.

Overhead ⇒ business expenses not directly related to the production of a product or service.

Owner's equity ⇒ the amount of money that owners have directly invested in the business.

Patent ⇒ the legal right to ownership of an invention.

Periodic inventory ⇒ a physical count of all stocks to determine what is on hand.

Perpetual inventory ⇒ a method of keeping up to date records on all inventory items by recording every time an item enters or leaves inventory.

Petty cash ⇒ small fund eg. \$200 that a company keeps on hand to cover smaller, miscellaneous expenses.

Primary research ⇒ this is when you conduct the marketing research yourself.

Product mix ⇒ the set of all products and items that a particular seller offers for sale to buyers.

Qualifying prospects ⇒ process of determining if a person or business is a legitimate candidate to purchase your goods or services.

Quick ratio ⇒ assets that can quickly be converted into cash divided by current (payable within a year) liabilities. Shows how much cash could be found quickly if a company gets into trouble.

Sales forecasting ⇒ estimates of future sales arrived at by past experience and market research.

Secondary research ⇒ this is when you use information that has already been conducted for your marketing research.

Shrinkage ⇒ loss in inventory or money, due to customer or employee theft.

Sole proprietorship ⇒ the simplest form of organization where the individual is personally liable for all debts of the business to the full extent of his or her property.

Solvency ⇒ the ability to meet financial obligations on time.

Sweat equity ⇒ a common form of investment. Refers to the investment in time (with no salary) that owners make to a new business.

Target customer ⇒ this is the portion of the target market that you have defined as your prime customers.

Trademark ⇒ a name, symbol or other mark that identifies a product to customers, and is legally owned by its manufacturer or inventor.

Variable cost ⇒ any costs that change significantly with the level of output eg. cost of materials.

Venture capital ⇒ money used to support a new or unusual undertaking. This funding is provided to new or existing businesses which exhibit potential for above-average growth.

Wholesaler ⇒ party that distributes manufacturers' products to retailers and other distributors. Usually, they do not sell to the end-user.