

# 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.