

## FINANCIAL

**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.

**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.

**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.

**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.

# Glossary of Business Terms

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

**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.

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

**Liabilities** - all the debts of a business.

**Net profit** - the profit after deducting all expenses from sales.

**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.

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

**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.

**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.

**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.

## Legal

**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.

**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.

**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.

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

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

**Patent** - the legal right to ownership of an invention.

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

## Marketing

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

**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.

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

**Guerilla marketing** - using unconventional methods to make sales.

**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.

**Primary research** - this is when you conduct the marketing research yourself.

# Glossary of Business Terms

**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.

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

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

## General

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

**Franchisee** - the party that is purchasing the franchise.

**Franchiser** - the party that is offering the franchise for sale.

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

**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.

**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.

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