

# GLOSSARY

## A

**Account** an accounting record that summarizes all the information for a particular business item.

**Advertising** paid form of communication sent out by a business about a product or service.

**Advertising fees** fees paid to support television, magazine, or other advertising of the franchise as a whole.

**Aptitude** the ability to learn a particular kind of job.

**Assets** items of value owned by a business.

**Audit** an IRS investigation of a tax return.

## B

**Board of directors** a group of people who meet several times a year to make important decisions affecting the company.

**Bonus** financial reward in addition to a regular wage or salary.

**Brainstorming** a creative group problem-solving technique that involves generating a large number of fresh ideas.

**Break-even point** volume of sales that must be made to cover all of the expenses of a business.

**Business broker** a person who sells businesses for a living.

**Business ethics** application of the principles of right and wrong to issues that come up in the workplace.

**Business plan** a written document that describes all the steps necessary in opening and operating a successful business.

## C

**Cash flow statement** accounting report that describes the cash that flows in and out of a business.

**Channels of distribution** routes that products and services take from the time they are produced to the time they are consumed.

**Check register** book in which you record the dates, amounts, and names of people or businesses to whom you have written checks.

**Code of ethics** level of ethical behavior demanded by an individual, a business, or a culture.

**Collateral** property that the borrower forfeits if he or she defaults on the loan.

**Commission** percentage of a sale paid to a salesperson.

**Commission-based salary** salary that varies from month to month, depending on how much of a product or service is sold.

**Competition-based pricing** pricing that is determined by considering what competitors charge for the same goods.

**Computer hardware** computers and the equipment used with them.

**Consensus** agreement among a group of people.

**Copyright** legal right to exclusive publication, production, sale, or distribution of a literary or artistic work.

**Corporation** a business with the legal rights of a person and which may be owned by many people.

**Cost-based pricing** price determined by using the wholesale cost of an item as the basis for the price charged.

**Cost of goods sold** cost of the inventory a business sells during a particular period.

**Cover letter** a letter that explains or provides more information about a document or set of documents.

**Culture** the set of customs, beliefs, and social attitudes that characterize a particular group of people.

**Customer profile** a description of the characteristics of the person or company that is likely to purchase a product or service.

**Customer** the people who buy the products and services companies offer.

## D

**Debt capital** money loaned to a business with the understanding that the money will be repaid, with interest, in a certain time.

**Delegate** to let other people share workloads and responsibilities.

**Demand** individual's need or desire for a product or service at a given price.

**Demand-based pricing** pricing that is determined by how much customers are willing to pay for a product or service.

**Demographics** data that describe a group of people in terms of their age, marital status, family size, ethnicity, gender, profession, education, and income.

**Depreciation** the lowering of the value of an asset to reflect its current value.

**Direct competition** competition from a business that makes most of its money selling the same or similar products or services as another business.

**Discount** a reduction in the retail or wholesale price of a product or service.

**Dividends** distributions of profits to shareholders by corporations.

## E

**E-commerce** selling products or services over the Internet; also called *electronic commerce*.

**Electronic mail** used to send and receive electronic messages from anyone in the world; also called *e-mail*.

**Employees** people who work for someone else.

**Enterprise zones** areas that suffer from lack of employment opportunities.

**Entrepreneurs** people who own, operate, and take the risk of a business venture.

**Entrepreneurship** the process of running a business of one's own.

**Equilibrium price and quantity** the point at which the supply and demand curves meet.

**Equity capital** money invested in a business in return for a share in the business's profits.

**Ethics** study of moral choices and values.

**Exports** products and services that are produced in one country and sent to another to be sold.

## F

**Fixed costs** costs that must be paid regardless of how much of a good or service is produced; also called *sunk costs*.

**Focus group** an interview with groups of target customers who provide valuable ideas on products or services.

**Franchise** a legal agreement that gives an individual the right to market a company's products or services in a particular area.

**Freelancers** people who provide services to businesses on an hourly basis or by the job.

## G

**Gross profit** profit before operating expenses are deducted.

**Gross sales** dollar amount of all sales, including returns.

## I

**Imports** products and services that are brought in from another country to sold.

**Incorporate** to set a business up as a corporation.

**Indirect competition** competition by a business that makes only a small amount of money selling the same or similar products or services as another business.

**Industrial parks** sections of land that can be used for industrial business locations.

**Initial franchise fee** fee the franchise owner pays in return for the right to run the franchise.

**Interest** an amount charged for borrowing money.

**Internet** worldwide computer network that allows people to communicate with each other electronically.

**Internet Service Provider (ISP)** a company that provides access to the internet.

**Interns** students who will work for little or no pay in order to gain experience in a particular field.

**Interoffice memo** a memo from one person in a company to another.

**Inventory** stock of good a business has for sale.

## J

**Job description** written statement listing the duties and responsibilities of a job.

## L

**Landlord** person who owns and rents out buildings or space.

**Liability** the amount owed to others.

## M

**Marginal benefit** measures the advantages of producing one additional unit of a good or service.

**Marginal cost** measures the disadvantages of producing one additional unit of a good or service.

**Markdown** an amount deducted from the retail price to determine the sales price.

**Markdown price** price determined by subtracting an amount from the retail price of an item.

**Market development** strategy for expanding the target market of a business.

**Marketing mix** blending of the four marketing elements to satisfy a target market.

**Market penetration** increasing market share for a product or service within a given market in a given area.

**Market research** a system for collecting, recording, and analyzing information about customers, competitors, goods, and services.

**Market segments** groups of customers that share common characteristics.

**Market share** percentage of a market owned by a business.

**Markup** an amount added to the cost price to determine the sales price.

**Markup price** price determined by adding an amount to the wholesale cost of an item.

**Memorandum** a short written form of business communication that has a set format.

**Modem** an electronic device that allows information to be transmitted over telephone lines from one computer to another.

**Monopoly** one company controls all of a market.

## N

**Net cash flow** the difference between cash receipts and disbursements.

**Net income from operations** gross profit minus operating expenses.

**Net sales** dollar amount of all sales after returns have been subtracted.

**Networking** establishing informal ties with people who can help your business grow.

## O

**Operating expenses** expenses incurred by a business each month.

**Opportunity cost** the cost of choosing one opportunity or investment over another.

**Organizational structure** plan that shows how the various jobs in a company relate to one another.

**Owner's equity** the difference between assets and liabilities.

# P

**Partnership** a business owned by two or more people.

**Patent** legal document that gives an inventor the sole right to produce, use, and sell an invention.

**Payroll** a list of people who receive salary or wage payments from a business.

**Periodic inventory method** inventory method that involves taking a physical inventory of your merchandise.

**Perpetual inventory method** method used to keep track of inventory levels on a daily basis.

**Positioning** placing a product in a certain market to get a desired customer response.

**Posting** copying information from a journal entry to a ledger account.

**Press release** written statement meant to inform the media of an event or product.

**Primary data** information collected for the very first time to fit a specific purpose.

**Principal** amount of money borrowed in a loan.

**Pro forma financial statements** financial statements based on projected revenues and expenses.

**Product mix** different products and services a business sells.

**Psychographics** data that describe a group of people in terms of their tastes, opinions, personality traits, and lifestyle habits.

**Public good** a good from which everyone receives benefits, not just the individual consuming the good.

**Public relations** act of establishing a favorable relationship with customers and the general public.

**Publicity** free promotion generated by media coverage.

## Q

**Qualitative restriction** standard of quality an imported product must meet before it can be sold.

**Quota** limit on the amount of a product that can be imported into a country over a particular period of time.

## R

**Rate of interest** the percent that is the basis for interest earned or paid.

**Rebate** refund offered to people who purchase a product.

**Recruit** to look for people to hire.

**Reorder point** a predetermined level of inventory when new stock must be purchased.

**Royalty fees** weekly or monthly payments made by the owner of the franchise to the seller of the franchise.

## S

**S corporation** corporation organized under subchapter S of the Internal Revenue Code whose income is taxed as a partnership.

**Salaries** payments for labor or services done on an annual basis.

**Sales** the dollar value of the goods or services a business gives to customers over a certain period.

**Sales promotions** act of offering an incentive to customers in order to increase sales.

**Secondary data** data found in already published sources.

**Self-assessment** evaluation of your strengths and weaknesses.

**Share of stock** a unit of ownership in a corporation.

**Shoplifting** the act of knowingly taking items from a business without paying.

**Software** programs that control computer hardware and direct its operation.

**Sole proprietorship** a business owned exclusively by one person.

**Start-up costs** the one-time-only expenses that are paid to establish a business.

**Stock card** paper record for a single inventoried item.

**Stock turnover rate** rate at which inventory of a product is sold and replaced with new inventory.

**Supply** how much of a good or service a producer is willing to produce at different prices.

## T

**Target market** the individuals or companies interested in a particular product or service and willing and able to pay for it.

**Tariff** tax on imports.

**Telemarketing** using the phone to market your product or service.

**Tenant** person who pays rent to occupy space owned by someone else.

**Term** number of years for which a loan is extended.

**Trade area** the area from which you expect to attract customers.

**Trade associations** organizations that promote certain types of businesses.

**Trade barriers** methods for keeping foreign businesses from competing with domestic producers.

**Trademarks** a name, symbol, or special mark that can be used only by certain businesses.

**Trade shows** special meetings where companies display their products.

**Transaction** a business activity that changes assets, liabilities, or net worth.

## V

**Valuator** an expert on determining the value of a business.

**Variable costs** costs that go up and down depending on the quantity of the good or service produced.

**Vendors** companies that sell products and services to businesses.

**Venture capitalists** individuals or companies that make a living investing in start-up companies.

## **W**

**Wages** payments for labor or services that are made on an hourly, daily, or per-unit basis.

**Web page** a file accessible through the World Wide Web which greets visitors and provides information.