INNOVATE!
BUSINESS CHALLENGE
WHAT'S YOUR IDEA?

The Language of Business

This glossary introduces the language of business. Make sure you also read, How To Start A Business**, to learn about the process of creating the idea for a business. Good luck!**

Accounts payable: Money which you owe to an individual or business for goods or services that have been received but not yet paid for.

Accounts receivable: Money owed to your business for goods or services that have been delivered but not yet paid for.

Administrative expense: Expenses charged to manage the business in contrast to sales, manufacturing, or other functions.

Advertising: The practice of informing the public about the good qualities of something in order to create demand to buy.

Annual report: The yearly company report made at the close of the fiscal year, stating the company's revenues and expenses, assets and liabilities.

Assets: Anything of worth that is owned. Accounts receivable are an asset.

Bankruptcy: The condition of being unable to pay debts, with liabilities greater than assets.

Benchmarking: Rating your company's products, services and practices against those of the front-runners in the industry.

Bill of sale: Formal legal document that conveys title to or interest in specific property from the seller to the buyer.

Break-even: The point of business activity when total revenue equals total expenses. All revenue after the break-even point is when the business is making a profit. It is a loss if the company has not met the break-even point.

Brick and mortar: Refers to a company that possesses a building or store for operations.

Budget: An estimate of the revenue and expenses for a period of time, like one year.

Capital: Money to invest or the total of accumulated assets available for production.

Capital gain (or loss): The financial gain made at the sale of an asset. The gain is the difference between the purchase price and net proceeds upon its sale.

Certified Public Accountant (CPA): An accountant that is state certified and hs met prescribed requirements to insure competence.

Chief Executive The highest ranking executive officer in a corporation or company,

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Officer (CEO):	with the responsibility for management of its day-to-day affairs under the supervision of the board of directors.
Chief Financial OFFICER (CFO):	The officer of the organization responsible for handling and keeping financial records and financial planning of the company.
Collateral:	Property or goods used as security against a loan and forfeited to the lender if the borrower cannot repay the loan.
Consumer:	Also called a Customer or Client, a person who purchases products and services.
Contract:	An agreement regarding mutual responsibilities between two or more parties.
Controlling costs:	The process or activity of reducing expenses associated with an activity, process, or company.
Current assets:	Valuable resources or property owned by a company that will be turned into cash or used in the operations of the company within one year. Generally includes cash, accounts receivable, inventory and prepaid expenses.
Current liabilities:	Amounts owed that will ordinarily be paid by a company within one year. Generally includes accounts payable, current portion of long-term debt, interest and dividends payable.
Debt:	Funds that are owed and secured by collateral, a co-signer, or a personal guarantee.
Demand creation:	Sales and marketing activities that are performed with the specific goal of creating revenue.
Depreciation:	A decrease in value through age, wear or deterioration. Depreciation is a normal expense of doing business that must be taken into account. There are laws and regulations governing the manner and time that may be used.
Direct cost:	A variable cost linked to production. Items that are classed as direct cost include materials used, labor deployed, and amounts spent will vary with output.
Distribution channel:	All of the individuals and organizations involved in the process of moving products from producer to consumer. The route a product follows as it moves from the original grower, producer or importer to the ultimate consumer.

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Earnings: Money obtained in return for labor or services. Income derived from an investment or product.

E-commerce: The exchange of goods, information products, or services via an electronic medium such as the Internet.

Elevator pitch: A slang term used to describe a brief speech that outlines an idea for a product, service or project. The name refers to a speech delivered in a short time period, as in an elevator ride, usually 30-90 seconds. In the financial world, the speech refers to an entrepreneur's attempt to convince a venture capitalist that a business idea is worth investing in.

Entrepreneur: A person who recognizes opportunity to introduce a new product, a new process or an improved organization, and who raises the necessary money, assembles the factors for production and organizes an operation.

Expenses: Costs arising from operational, administrative, or personnel activities for an organization. These costs are paid for by revenues received or by securing debt.

Feasibility study: An investigation into a proposed plan or project to determine whether and how it can be successfully and profitably carried out.

Fixed asset: A long-term asset of a business such as a machine or building.

Fixed expenses: Those costs which don't vary from one period to the next. Generally, these expenses aren't affected by the volume of business, such as rent or lease payments.

Gross profit: The difference between the selling price and the cost of an item. Gross profit is calculated by subtracting the cost of goods sold from net sales.

Guerilla marketing: A marketing technique designed to damage the market share of the competitors.

Import: A product or service brought into another country from its country of origin either for sale or for use in manufacturing.

Income statement: A financial document that shows how much money (revenue) came in and how much money (expense) was paid out.

Income tax: A tax levied directly on the income of a person or a company and paid to the local, state, or federal government.

Inflation: A sustained increase in a country's general level of prices that devalues its currency, often caused by excess demand in the economy.

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Insurance: An arrangement to assume risk by individuals or companies in which they are guaranteed compensation if they suffer loss resulting from fire, theft, accidental damage or etc.

Intellectual property: The ownership of rights to ideas, designs, and inventions, including copyrights, patents, and trademarks. Intellectual property is protected by law in most countries, and the World Intellectual Property Organization is responsible for harmonizing the law across different countries and promoting protection of intellectual property rights.

Interest rate: The cost for borrowing a sum of money over a specified period of time.

Inventory: A list of assets being held for sale. The amount (stock) of finished goods, raw materials, and work in progress that is held by a company.

Liability: Something an organization owes. Short-term and long term expenses or debt that has no claim on a debtor's assets, or less of a claim than another debt.

Loan: Money lent with interest.

Market: Potential or real buyers or a place where there is a demand for products or services.

Marketing: One of the main management functions, marketing focuses on satisfying customer requirements by identifying needs and wants and motivating a consumer to buy.

Marketing mix: The set of product, place, promotion, price and packaging variables, which are needed to bring a product or service into the marketplace.

Meeting existing needs: The process of providing goods or services to current customers, such as grocery stores.

Mission Statement: A statement of the purpose for a company or organization. The mission statement should guide the actions of the organization, its overall goal, and guide decision-making. It provides the framework or context from which the company's strategies are formulated.

Negotiation: A discussion with the aim of resolving a difference of opinion, or dispute, or to settle the terms of an agreement or transaction.

Net profit: Gross profit minus costs.

Net worth: The total value of a business in financial terms. Net worth is calculated by subtracting total liabilities from total assets.

Niche: A specific group of customers are attracted to a particularly suited product or service.

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Nondisclosure Agreement: A legally enforceable agreement preventing present or past employees from disclosing commercially sensitive information belonging to the employer to any other party.

Non profit: Or Not-for-profit. A tax-exempt corporation where all the money earned by or donated to the organization is used in pursuing the organization's objectives. Typically these organizations are charities or other types of public service organizations that cannot operate at a loss.

Outsourcing: Term used in business to identify the process of sub-contracting work to outside vendors

Overhead: A general term for costs of materials and services not directly adding to or readily identifiable with the product or service being sold.

Partnership: A legal business relationship of two or more people who share responsibilities, resources, profits and liabilities.

Patent: A type of state-sanctioned copyright granted as a fixed-term monopoly to an inventor to prevent others from copying said invention or improvement of a product or process.

Performance appraisal: A face-to-face discussion of one employee's work is discussed, reviewed, and appraised by another, using a standard framework.

Planning: The process of setting objectives or goals, and formulating policies, strategies, and procedures to meet them.

Price: The exchange value of a product or service agreed to by both the buyer and the seller.

Price ceiling: The highest amount a customer will pay for a product or a service based upon its perceived value.

Price control: Government regulations that set maximum prices for commodities or control price levels by credit controls.

Principal: The amount of money borrowed and the amount upon which interest is calculated.

Probability: The quantitative measure of the likelihood that a given event will occur.

Product: Something that is manufactured or refined for sale.

Profit: Financial gain, revenue after expenditures.

Profit margin: The difference between your selling price and all of your costs.

Pro-forma: A projection or estimate of what may result in the future from actions in the present. A pro forma financial statement is one that shows how the

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	actual operations of the business will turn out if certain assumptions are achieved. A document issued before all relevant details are known, usually followed by a final version.
Promotion:	The communication of information by a seller to influence the attitudes and behavior of potential buyers.
Quality:	All the features and characteristics of a product or service that affect its ability to meet stated or implied needs.
Questionnaire:	A data-gathering form used to collect information by an interview, a telephone survey or through the mail.
Reinvesting:	Profits used towards growing the company, rather than withdrawing cash.
Refinance:	To replace one loan with another, especially at a lower rate of interest.
Refund:	The reimbursement of the purchase price of a good or service, for reasons such as faults in manufacturing or dissatisfaction with the service provided.
Revenue:	Also called earnings. For a company, this is the total income received by the company for goods sold or services provided during a certain time period.
Salary:	Pay given to employees at regular intervals in exchange of the work they have done.
Sales Forecast:	A prediction of future sales, based on past sales performance. Sales forecasting takes into account the economic climate, current sales trends, company capacity for production, company policy, and market research.
Service:	The action of helping or doing work for someone.
Sole Proprietorship:	Business legal structure in which one individual owns the business.
Start-up:	Early stage in the life cycle of an organization where the entrepreneur moves from the idea stage to implementation by securing financing, laying down the basic structure of the business, and beginning operations.
Stock:	An ownership share in a corporation; another name for a share. Another definition would be the selling merchandise of a company.
Suppliers:	Individuals or businesses that provide resources needed by a company in order to produce goods and services.

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Target Market: Also called Target Customer. The specific individuals distinguished by socio-economic, demographic and interest characteristics, who are the most likely potential customers for the goods and services of a business.

Trademark: An identifiable mark on a product that may be a symbol, words, or both, that connects the product to the trader or producer of that product.

Unsecured Debt: Money borrowed without supplying collateral.

Variable Cost: A cost of production that is directly related to the number of units produced.

Venture Capital: Money used to finance new companies or projects, especially those with high earning potential and high risk.