

**ACCOUNTING PERIOD**

A regular period of time, such as a quarter or year, for which a financial statement is produced.

**AFFIRMATIVE ACTION**

Measures taken to correct the effects of past discrimination in hiring and promotion

**ARBITRATION**

Means of settling a dispute between two parties in which the matter is decided by a third party chosen by the two disputants.

**ASSET**

Anything that can generate cash. Examples include accounts receivable (money customers owe you), inventory (stock or merchandise), equipment (furniture, fixtures, machinery, delivery trucks), and anything else that can generate cash.

**AUDIT**

Inspection and verification of financial accounts, records and accounting procedures.

**BALANCE SHEET**

Financial statement showing assets on the left side and liabilities on the right. A balance sheet provides an overview of a company's financial position at the given time.

**BARTER**

Trade in which merchandise is exchanged directly for other merchandise without the use of money. Barter is an important means of trade with countries using currency that is not readily convertible.

**BILL OF LADING**

Receipt given by a carrier to the shipper of goods.

**BOILERPLATE**

Standardized "fine-print" language in a contract or other agreement detailing terms and conditions.

**BREAK-EVEN POINT**

Volume of sales at which total costs equal total revenues. Sales above this volume generate profits.

**BUSINESS DEVELOPMENT CORPORATION**

A business financing agency, usually made up of the financial institutions in an area or state, and organized for assisting in the financing of industrial concerns which are not able to obtain such assistance through normal channels. The "risk" is spread among various members of the BDC and interest rates may vary somewhat from those charged by member institutions.

**BUSINESS PLAN**

A blueprint and communication tool for your business. A device to help you, the owner, set out how you intend to operate your business. A road map to tell others how you expect to get there.

**C&F**

"Cost and Freight" - commercial term meaning that the stated value of a shipment of goods includes all costs and freight involved in shipping the goods to their destination.

**CAPACITY**

The ability to repay a debt.

**CAPITAL**

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

#### CASH FLOW

The actual movement of cash. Used to measure cash inflow minus cash outflow.

#### CASH FLOW PROJECTION

A forecast of the cash (checks or money orders) a business anticipates receiving and disbursing during the course of a given span of time - frequently a month. It is useful in anticipating the cash portion of your business at specific times during the period projected.

#### CERTIFIED LENDERS

Banks that participate in the SBA's guaranteed loan program, have a good track record with the SBA and agree to certain conditions set forth by the SBA. In return, the SBA agrees to process any guaranteed loan application within three business days. District offices of the SBA can provide lists of certified banks in their areas.

#### COLA

"Cost of Living Adjustment" - periodic changes in wages or benefits designed to compensate for the effects of inflation.

#### COLLATERAL

Property, stocks, bonds, savings accounts, life insurance and current business assets - any or all of which may be held or assumed to insure repayment of a loan.

#### COMMODITY

Any good exchange in trade. Usually refers to raw materials and agricultural products traded principally on the basis of price.

#### COMPETITION

Rivalry. Similar businesses providing products or services to your potential customers.

#### COMPOUND INTEREST

Interest earned on previously accumulated interest as well as the principle.

#### CONFERENCE CALL

Telephone call among three or more people in different locations.

#### COTTAGE INDUSTRY

Business or industry in which goods are produced primarily in the home of the producer.

#### CREDIT BUREAU

Company that compiles and maintains information on consumer credit and provides the information to potential creditors for a fee.

#### CREDIT RATING

Evaluation of an individual or corporation's history of repaying past loans. Credit ratings are used as a benchmark to assess the future ability of a creditor to pay back loans.

#### CURRENT RATIO

Current Assets/Current Liabilities. This ratio should be 1.0 or greater for liquidity. If it drops below 1.0, the ability to pay bills is impaired. If it is greater than 1.0, there is a possibility that assets are not being used efficiently to generate new revenue.

#### DEBT-TO-EQUITY

Total Debt/Total Owner's Investment. Measures how much of the company's assets have been acquired by debt versus by owner's funds. If the ratio is greater than 1.0, it means more of the money came from outside sources. Need to closely monitor sales level to ensure your ability to service outside debt.

#### DEMOGRAPHICS

The statistics of an area's population such as age, sex, income, education, etc.

#### DEPRECIATION

Decrease in the value of equipment from wear and tear and the passage of time. Depreciation on business equipment is generally deductible for tax purposes.

#### DESK TOP PUBLISHING

Creation of books and other written material using microcomputers for word processing, graphics and layout.

#### DIRECT LOANS

Financial assistance provided through the lending of federal monies for a specific period of time, with a reasonable expectation of repayment. Such loans may or may not require the payment of interest.

#### DIRECT MARKETING

Sales and promotion technique in which the promotional materials are delivered individually to potential customers via direct mail, telemarketing, door-to-door selling or other direct means.

#### EMPLOYER IDENTIFICATION NUMBER

A number obtained by a business from the IRS by filing application form SS-4. The number is to be shown on all business tax returns, documents and statements. Wholesalers often request this number in order to offer wholesale prices to retailers.

#### ENTREPRENEUR

Innovator. One who recognizes opportunities and organizes resources to take advantage of the opportunity.

#### ESCROW

Temporary deposit with a third party of assets by agreement between two parties to a contract. The money is released when the conditions of the contract have been met.

#### EXPENSE ACCOUNT

Account often used by salespersons or executives for travel and entertainment expenses.

**FEASIBILITY STUDY** Likelihood study. A way to determine if a business idea is capable of being achieved. (Asks the question, "Can it work and produce the level of profit necessary?")

#### FEATURES

Characteristics of a product or service.

#### FEATURES/BENEFITS

Approach to promoting based on the understanding that a product's FEATURES are of little importance to the customer unless they are a source of BENEFIT to the customer.

#### FIDUCIARY

Person or company entrusted with assets owned by another party (beneficiary), and is responsible for investing the assets until they are turned over to the beneficiary.

#### FISCAL YEAR

Any 12-month period used by a company or government as an accounting period.

#### FINANCIAL HISTORY (PERSONAL)

This is a picture of your personal financial condition to date. It is a very important part of any loan application and/or interview, especially when a loan for a projected new business is under consideration. A complete Personal Financial History is a record of borrowing and repayments; an itemized listing of your personal assets and liabilities.

**FIXED COST**

Any cost of production which does not vary significantly with the volume of output.

**FIXED EXPENSE**

Any costs not related directly to the production of your product or service. Indirect costs include such things as rent, insurance, basic utilities, and basic phone.

**FLEX TIME**

Work schedule in which the worker is required only to work a minimum number of hours, and is given latitude in deciding when to report for and leave work.

**FREE ON BOARD**

Commercial term under which the seller's obligations are fulfilled when the goods reach a point specified in the contract. For example, "F.O.B., Seller's Warehouse" means that the buyer assumes all costs and risks in moving the goods from the seller's warehouse.

**FULFILLMENT**

Process of receiving orders and shipping and tracking goods sold through direct marketing.

**GROSS MARGIN**

Gross Profit/Total Sales. The percentage of every dollar earned that can be used to pay general and administrative expenses.

**GRACE PERIOD**

Time allowed a debtor in which legal action will not be undertaken by the creditor when payment is late.

**GROSS PROFIT** Sales minus Cost of Goods Sold. The total dollars available to cover general and administrative expenses such as utilities, advertising, rent, etc.

**GUARANTEED / INSURED LOANS**

Programs in which the federal government makes an arrangement to indemnify a lender against part or all of any defaults by those responsible for repayment of loans.

**HARD COPY**

Printout of information stored on a computer.

**INCOME & EXPENSES**

Accounting motion picture. The inflow versus outflow of money.

**INCUBATORS**

Incubators encourage entrepreneurship and minimize obstacles to new business formation and growth, particularly for high technology firms, by housing in one facility a number of fledging enterprises which share an array of services. These shared services may include: meeting areas, secretarial services, accounting, research library, on-site professional and management counseling, and computer word processing facilities.

**INDEMNITY**

Obligation of one party to reimburse another party for losses which have occurred or which may occur.

**INDICIA**

Preprinted marking on each piece of a bulk mailing which shows that postage has been paid by the sender.

**JOB SHARING**

Arrangement in which the responsibilities and hours of one job position are carried out by two people.

#### LEAD TIME

Period of time required to prepare for a certain stage of a project. For example, the lead time in introducing a new product is the time it takes for research, development, market research, and factory preparation.

#### LETTER OF CREDIT (L/C)

May be revocable or irrevocable - A document, consisting of specific instructions by a buyer of goods, that is issued by a bank to the seller who is authorized to draw a specified sum of money under certain conditions, i.e., the receipt by the bank of certain documents within a given time. An irrevocable L/C provides guarantee by the issuing bank in the event that all terms and conditions are met by the buyer (or drawee). A revocable L/C can be canceled or altered by the drawee after it has been issued by drawee's bank. A confirmed L/C is one issued by a foreign bank which is validated or guaranteed by a U.S. bank for a U.S. exporter in the case of default by the foreign buyer or bank.

#### LIABILITIES

Includes accounts payable (money you owe to suppliers), plus all current costs of doing business (mortgage payments, insurance, taxes, salaries, utilities).

#### LIEN

Legal right to hold property of another party or to have it sold or applied in payment of a claim.

#### LIQUIDATION

Sale of the assets of a business to pay off debts.

#### LIST PRICE

Price at which manufacturers recommend retailers sell a good. The list price is often reduced at the point of sale by the retailer to promote sales.

#### LOCAL DEVELOPMENT CORPORATION

An organization, usually made up of local citizens, designed to improve the economy of the area by including business and industry to locate there. A local development corporation usually has financing capabilities.

#### LOSS LEADER

Merchandise sold by a retailer at a loss in order to increase store traffic and sales of other items..

#### MARGINAL COST

Additional cost associated with producing one more unit of output.

#### MARKET RESEARCH INFORMATION

An orderly, objective way of learning about the people who will buy your product or use your service.

#### MARKET SEGMENTATION

Division of the market or population into subgroups with similar motivations. Widely used bases for segmenting include geographic differences, personality differences, demographic differences, use of product differences, and psychographic differences.

#### MINORITY BUSINESSES

The Small Business Administration defines minorities as those who are "socially or economically disadvantaged". The regulations set forth the specific criteria. Social disadvantage has to do with membership in one of several different racial or ethnic categories as defined by regulation, or on a case-by-case basis for those others who feel they are socially disadvantaged. Groups which are considered to be socially disadvantaged include: Black Americans; Hispanic Americans; Native Americans(American Indians, Eskimos, Aleuts, or Native Hawaiians); Asian Pacific Americans (persons with origins from Japan, China, the Philippines, Vietnam, Korea, Samoa, Guam, U.S. Trust Territory of the Pacific Islands, Northern Marianna Islands, Laos, Cambodia or Taiwan); and Subcontinent Asian Americans. Economic disadvantage has to do with the barriers that social disadvantage has placed in the way of an individual's participation in business and employment. SBA district offices have minority

business specialists who can help with the definitions. In most cases, being a woman does not by itself qualify as minority status.

#### NETWORKING

Using contacts made in business for purposes beyond the reason for the initial contact. For example, a sales representative may ask a customer for names of others who may be interested in his product.

#### OFFICE OF SMALL AND DISADVANTAGED BUSINESS UTILIZATION

Each agency of the federal government with significant procurement authority has an office that is responsible for assuring that the agency complies with federal regulations to purchase a certain percentage of products and services from small and minority-owned and operated businesses. Small businesses with procurement problems or questions are advised to first contact a procurement center representative, a GSA business service center, or agency contracting officers. If the small firm cannot receive help, however, it can contact the OSDBU in Washington.

#### OUTSOURCE

To obtain components for a product from sources outside the company.

#### OVERHEAD

Business expenses not directly related to a particular good or service produced. Examples are insurance, utilities, and rent.

#### PREFERRED LENDERS

Banks which have a special written agreement with the SBA which allows them to make a guaranteed SBA loan without prior SBA approval. Preferred loans have a maximum SBA guarantee of 80 percent. Call SBA district offices for more information.

#### PRIMARY RESEARCH

Information collected by interview or questionnaire designed for a specific need.

#### PROCUREMENT ASSISTANCE

Procurement can be a good source of income for small business owners if the business has a product or service of interest to federal agencies. Small businesses should be particularly interested in two types of procurement: small business set-asides, which are procurement opportunities required for all contracts under \$10,000 or a certain percentage of an agency's total procurement expenditure; and the SBA 8(a) program in which small businesses and minority-owned and operated businesses are admitted to the program and can negotiate on special contracts. Sources for procurement information include SBA district and regional offices, GSA Business Service Center, procurement center representatives of the SBA, and agency offices of Small and Disadvantaged Business Utilization (OSDBU). Many states have their own programs; check state program lists.

#### PROFIT SHARING

Compensation arrangement whereby employees receive additional pay or benefits when the company earns or increases profit.

#### PRO FORMA

A projection or estimate of what may result in the future from actions in the present. Estimate of how the business will turn out if certain assumptions are achieved.

#### PROFIT & LOSS STATEMENT

A detailed earnings statement for the previous full year (if you are currently in business). Existing businesses are required to show a Profit and Loss Statement for the current period to the date of the Balance Sheet.

#### PSYCHOGRAPHICS

Psychological profiles of potential customers in a market. Attitudes, interests, and opinions.

**QUOTA**

The quantity of goods of a specific kind that a country permits to be imported without restriction or imposition of additional duties.

**RN NUMBER**

Number assigned to clothing manufacturers for labeling garments. The RN number allows the manufacturer of a certain brand to be determined. Information on obtaining RN numbers is available from the Federal Trade Commission.

**SCORE**

The Service Corps of Retired Executives is a volunteer management assistance program of the SBA. SCORE volunteers provide one-on-one counseling and workshops and seminars for small firms. Those interested should contact SBA district offices for an application for counseling. SCORE chapters exist throughout the nation.

**SEASONALITY**

Changes in business, employment or buying patterns which occur predictably at given times of the year.

**SECONDARY RESEARCH**

Information already collected for general needs, such as census data. Readily available in published form.

**SHELF LIFE**

Length of time before a good spoils or becomes obsolete.

**SIMPLE INTEREST**

Interest paid only on the principal of a loan. No interest is paid on interest accrued during the term of the loan.

**SPREADSHEET**

Table of numerical data in which columns and rows are related by formulae.

**STANDARD INDUSTRIAL CLASSIFICATION CODE (SIC CODE NUMBER)**

A four digit number assigned to identify a business based on the type of business or trade and manufacturing, while the last two digits correspond to subgroups such as constructing homes versus constructing highways. A business can determine its SIC number by looking it up in a directory published by the Department of Commerce, or by checking in the SIC book in the reference section of a local library. SBA size standards are based on SIC codes.

**SURETY BONDS**

Surety bonds provide reimbursement to an individual, company or the government if a firm fails to complete a contract. SBA guarantees surety bonds in a program much like SBA's guaranteed loan program.

**TAX NUMBER**

A number assigned to a business by a state revenue department that enables the business to buy wholesale without paying sales tax on goods and products. Contact the state government's department of revenue.

**TELEMARKETING**

Use of the telephone to market goods or services directly to prospective customers and/or to receive orders and inquiries generated from other advertising and promotions.

**TEST MARKET**

Process of conducting a small-scale promotion or introduction of a good in order to gather information useful in a broader promotion or product introduction.

**VENTURE CAPITAL**

Money used to support new or unusual undertakings; equity, risk or speculative investment capital. This funding is provided to new or existing firms which exhibit potential for above-average growth.

**VESTING**

Granting to employees entitlement to a pension at retirement.

**WATS**

"Wide Area Telephone Service" - special long-distance calling service offered by telecommunications companies which offer reduced-rate long distance calls for commercial users.

**WAY BILL**

Document which accompanies goods in shipment and which details the cost and route of shipment.

**WORK PERMIT**

Document given to resident aliens which demonstrates to employers that the individual is legally allowed to work in the United States.

**ZIP CODE + 4**

Nine digit code used on mail to identify very specifically the destination of the mailpiece.