# E Squared Glossary

## Advertising:

The paid persuasive message by an identified sponsor; the presentation or promotion by a firm of its products to its existing and potential customers.

## Asset:

Any item of economic value owned by an individual or corporation, especially that which could be converted to cash.

## Balance Sheet:

A statement of the assets, liabilities, and capital of a business or other organization at a particular point in time.

## Bid:

An offer of a price, especially at an auction:

## Board of Directors:

A group of individuals elected by the shareholders of a company to oversee the management of that company. Boards traditionally meet at the conclusion of every quarter to discuss company problems, growth, profits, market trends and future development.

## Brand:

A brand is a product, service, or concept that is publicly distinguished from other products, services, or concepts so that it can be easily communicated and marketed. A brand name is the name of the distinctive product, service, or concept. Branding is the process of creating and disseminating the brand name. Branding can be applied to the entire corporate identity as well as to individual product and service names.

## Breakeven:

The break-even point (BEP) in economics, business, and specifically cost accounting, is the point at which total cost and total revenue are equal: there is no net loss or gain, and one has "broken even." A profit or a loss has not been made,

## Building Code:

A collection of laws, regulations, and ordinances adopted by a government that is involved in assuring the adequacy of the physical structures and healthy conditions of buildings.

## Business Plan:

A plan that sets out the future strategy and financial development of a business, usually covering a period of several years.

## Capital:

Financial assets or the financial value of assets, such as cash, factories, machinery and equipment owned by a business.

## Capitalization:

The recordation of a cost as an asset, rather than an expense. This approach is used when a cost is not expected to be entirely consumed in the current period, but rather over an extended period of time. For example, office supplies are expected to be consumed in the near future, so they are charged to expense at once. An automobile is recorded as a fixed asset and charged to expense over a much longer period through depreciation, since the vehicle will be consumed over a longer period of time than office supplies.

## Cash Balance:

A balance that represents cash alone, as distinct from an asset balance that includes money owed the company(accounts receivable), inventory, and other assets.

## Cash Flow:

The money that is moving (flowing) in and out of a business.

### Cash Flow Analysis:

An examination of cash inflows and outflows during a specific period. The analysis begins with a starting balance and generates an ending balance after accounting for all cash receipts and paid expenses during the period. The cash flow analysis is often used for financial reporting purposes.

### Cash Flow Statement:

Essentially, the cash flow statement is concerned with the flow of cash in and out of the business. The statement captures both the current operating results and the accompanying changes in the balance sheet.

### Commission:

An amount of money, typically a set percentage of the value involved, paid to an agent in a commercial transaction.

### Competition:

Any person or entity which is a rival against another. In business, a company in the same industry or a similar industry which offers a similar product or service.

### Contingency:

A reserve of money set aside to cover possible unforeseen future expenses.

### Copyright:

The exclusive legal right, given to an originator or an assignee to print, publish, perform, film, or record written, artistic, or musical material, and to authorize others to do the same:

### Corporation:

A company or group of people authorized to act as a single entity (legally a person) and recognized as such in law.

### Cost:

An amount that has to be paid or spent to buy or obtain something.

### Cost of Goods Sold:

The cost of materials and labor required to build a product

### Creditor:

A lender

### Customer:

A person or organization that buys goods or services from a store or business.

### Customer Service:

Customer service is the provision of service to customers before, during and after a purchase. Accordingly, it may vary by product, service, industry and individual customer

### Debt:

A duty or obligation to pay money, deliver goods, or render service under an express or implied agreement. One who owes, is a debtor; one to whom it is owed, is a creditor or lender.

### Debtor:

A borrower

### Demand:

A buyer's willingness and ability to pay a price for a specific quantity of a good or service. Demand refers to how much (quantity) of a product or service is desired by buyers at various prices. The quantity demanded is the amount of a product people are willing or able to buy at a certain price.

### Depreciation:

A reduction in the value of an asset with the passage of time, due in particular to wear and tear.

## Direct Cost:
A business cost that can be linked directly to a specific project or activity.
## Direct Labor Cost:
The direct cost of labor needed to produce a product or deliver a service.
## Direct Material Cost:
The direct cost of the materials required to make a product or deliver a service.
## Distributor:
An agent or business that supplies goods to other businesses, typically wholesalers, who then sell to retailers. In the past, a typical distribution chain might look like that shown below, but the internet and large companies are remaking this model:

Manufacturer → Distributor → Wholesaler → Retailer → Consumer
## Economic Outlook:
Forecasted expectations as to how well the economy will perform during an upcoming quarter, year or other time period.
## Economics:
The branch of knowledge concerned with the production, consumption, and transfer of wealth.
## Enterprise:
A business or company
## Entrepreneur:
A person who organizes and operates a business or businesses, taking on greater than normal financial risks in order to do so.
## Equity:
In accounting and finance, equity is the difference between the value of one's assets liabilities. For example, if someone owns a car worth $15,000 but owes $5,000 on that car, the car represents $10,000 equity. Equity can be negative if liabilities exceed assets.
## Executive Summary (of a business plan):
A brief single page summary of the most important elements of the complete business plan. It must be written so that the reader has a very good idea of the product or service proposed and the reason it will be a profitable venture, even if the reader does not read the complete business plan.
## Expense:
Any indirect cost incurred in the ordinary course of business.
## Fee:
A payment made to a professional person or to a professional or public body in exchange for advice or services.
## Finance:
The management of money
## Financial Analysis:
A general term that refers to using financial data to make business and investment decisions.
## Financial Plan:
A budget or investment strategy that helps a business take the necessary steps to achieve its financial goals.
## Financial Resources:
The money available to a business for spending in the form of cash, liquid securities and credit lines. Before going into business, an entrepreneur needs to secure sufficient financial resources in order to be able to operate efficiently and sufficiently well to promote success.
## Financial Statement:

A formal record of the financial activities and position of a business, person, or other entity.

## Finished Goods:

Materials or products which have received the final increments of value through manufacturing or processing operations, and which are being held in inventory for delivery, sale, or use.

## Flowchart:

A diagram of the sequence of movements or actions of people or things involved in a complex system or activity.

## Goals & Objectives:

Goals are destinations—where you want your business to be. Objectives are progress markers along the way to goal achievement. For example, a goal might be to have a healthy, successful company that is a leader in customer service and that has a loyal customer following. Objectives might be annual sales targets and some specific measures of customer satisfaction.

## Gross Profit:

The difference between sales revenue and the cost of goods sold.

## Gross Profit Margin:

A company's sales revenue minus its cost of goods sold, divided by the sales revenue, expressed as a percentage. The gross margin represents the percent of total sales revenue that the company retains after incurring the direct costs associated with producing the goods and services sold by a company. The higher the percentage, the more the company retains on each dollar of sales to service its other expenses and obligations.

## Growth Industry:

An industry that is developing particularly rapidly.

## Indirect Costs:

Costs which are business expenses that are not directly related to a particular product or function within the general operation. Costs of this type have an impact – sometimes a severe impact – on the overall operation of the business, making it very difficult to charge them to a specific department or associate them with one function. They are sometimes referred to as overhead, a term that helps to describe the broad application of these costs.

## Industry:

The overall economic activity of competing businesses.

## Insurance:

A practice or arrangement by which a company or government agency provides a guarantee of compensation for specified loss, damage, illness, or death in return for payment of a premium.

## Intellectual Property:

A work or invention that is the result of creativity, such as a manuscript or a design, to which one has rights and for which one may apply for a patent, copyright, trademark, etc.

## Inventory:

A complete list of items owned such as property, goods in stock, or the contents of a building.

## Inventory Investment:

The total cost of the goods, including inbound delivery costs, held in inventory.

## Inventory Management (Inventory Control):

Activities employed in maintaining the optimum number or amount of each inventory item. The objective of inventory management is to provide uninterrupted production, sales, and/or customer-service levels at the minimum cost. Since for many companies inventory is the largest item in the current assets category, inventory problems can and do contribute to losses or even business failures.

## Inventory Turnover:

A ratio showing how many times a company's inventory is sold and replaced over a period. The days it takes to sell the inventory on hand or "inventory turnover days."

## Investment:

The outlay of money, usually for income or profit: capital outlay.

## Key Personnel:

Key management personnel are those persons having authority and responsibility for planning, directing, and controlling the activities of an entity, either directly or indirectly.

This designation typically includes:

- Board of directors
- Chief executive officer, chief operating officer, and chief financial officer
- Vice presidents

## Liability:

Money owed; debts or pecuniary obligations (opposite of asset)

## Lien:

A right to keep physical or legal possession of property belonging to another person until a debt owed by that person is discharged.

## Limited Liability Corp. – LLC:

A corporate structure whereby the members of the company cannot be held personally liable for the company's debts or liabilities.

## Management:

The process of dealing with or controlling things or people.

## Manufacturer:

A person or company that makes goods for sale.

## Marketing:

The systematic planning, implementation and control of a mix of business activities intended to bring together buyers and sellers for the mutually advantageous exchange or transfer of products. The action or business of promoting and selling products or services, including market research and advertising.

## Market Penetration:

A measure, expressed as a percentage, of the sales volume of a product relative to the total sales volume of all competing products.

## Market Research – primary:

Primary research means gathering your own data. For example, you could do your own traffic count at a proposed location, use the yellow pages to identify competitors, and do surveys or focus-group interviews to learn about consumer preferences.

## Market Research – secondary:

Secondary research means using published information such as industry profiles, trade journals, newspapers, magazines, census data, and demographic profiles.

## Market Size:

The number of individuals in a certain market who are potential buyers of a certain product or service. Companies are interested in knowing market size before launching a new product or service in an area.

## Marketing Plan:

Product specific, market specific, or company-wide plan that describes activities involved in achieving specific marketing objectives within a set timeframe. A marketing plan begins with the identification (through market research) of specific customer needs and how the firm intends to fulfill them while generating an acceptable level of return.

## Marketing Strategy:

A strategy that combines all of its marketing goals into one comprehensive plan. A good marketing strategy should be drawn from market research and focus on the right product mix in order to achieve the maximum profit potential and sustain the business. The marketing strategy is the foundation of a marketing plan.

## Microsoft Excel & Google Sheets (a few basic terms):

- Workbook – the overall document including all tabs (spreadsheets)
- Spreadsheet – a single tab within a workbook
- Cell – a particular location, defined by a column letter and a row number such as "B4" which contains a number, a formula, or text.

## Mission Statement:

Many companies have a brief mission statement, usually in 30 words or fewer, explaining their reason for being and their guiding principles.

## Mortgage:

A loan to finance the purchase of real estate, usually with specified payment periods and interest rates. The borrower (mortgagor) gives the lender (mortgagee) a lien on the property as collateral for the loan.

## Niche:

A unique corner of a market.

## Operational Planning:

The process of planning goals and objectives by describing steps, milestones and conditions for success. It explains how the plan will be put into operation during a given operational period.

## Operations:

The coordination and flow of various parts of a business that combine to make a product or deliver a service.

## Organization:

A business organization is an individual or group of people who collaborate to achieve certain commercial goals.

## Organizational Chart:

A diagram that shows the structure of an organization and reporting relationships.

## Partnership:

A legal form of business operation between two or more individuals who share management and profits. The federal government recognizes several types of partnerships. The two most common are general and limited partnerships.

## Patent:

A government authority or license conferring a right or title for a set period, especially the sole right to exclude others from making, using, or selling an invention.

## Payroll Expense:

The amount of salaries and wages paid to employees in exchange for services rendered by them to a business. The term may also be assumed to include the cost of all related payroll taxes, such as the employer's matching payments for Medicare, social security, state and federal unemployment insurance, retirement, and health-life-dental insurance.

## Price Markup:

The amount added to the cost of a product or of a service to cover overhead and profit.

## Product:

An article or substance that is manufactured or refined for sale.

## Product Development:

The creation of products with new or different characteristics that offer new or additional benefits to the customer. Product development may involve modification of an existing product or its presentation, or formulation of an entirely new product that satisfies a newly-defined customer want or market niche.

## Production:

The action of making or manufacturing something from components or raw materials.

## Productivity:

The rate at which goods and services having exchange value are produced.

## Profit:

A financial gain, especially the difference between the amount earned and the amount spent in buying, operating, or producing something.

## Profit & Loss Statement – P&L:

A financial statement that summarizes the revenues, costs and expenses incurred during a specific period of time, usually a fiscal quarter or year. These records provide information about a company's ability – or lack thereof – to generate profit by increasing revenue, reducing costs, or both. The P&L statement is also referred to as "statement of profit and loss", "income statement," "statement of operations," "statement of financial results," and "income and expense statement."

## Profitable:

Yielding profit or financial gain from a business or activity.

## Projected Cash Flow:

A forecast of the cash a business anticipates receiving and disbursing during the course of a given period of time. It is useful in anticipating the cash position of your business at specific times during the period projected.

## Promotion:

A term used frequently in marketing and is one of the market mix elements. Promotion refers to raising customer awareness of a product or brand, generating sales, and creating brand loyalty. It is one of the five basic elements of the market mix, which includes the five P's: Product, Place, Price, Promotion, and Penetration (market share).

## Proprietary:

Something owned by a private individual or corporation under a trademark, patent, or internal secrecy. It can be a product, process or knowledge.

## Quality Control:

A system of maintaining defined standards of a service or of a manufactured product.

## Raw Materials:

The basic material from which a product is made.

## Research & Development:

Work directed toward the innovation, introduction, and improvement of products and processes.

## Retail:

The sale of goods to the public in relatively small quantities for use or consumption rather than for resale.

## Risk/Reward (Ratio):

A ratio used by many investors to compare the expected returns of an investment to the amount of risk undertaken to capture these returns.

## ROI – Return on Investment:

A performance measure used to evaluate the efficiency of an investment or to compare the efficiency of a number of different investments. ROI measures the amount of return on an investment relative to the investment's cost. To calculate ROI, the benefit (or return) of an investment is divided by the cost of the investment, and the result is expressed as a percentage or a ratio.

### Salary:
A fixed regular payment, typically paid on a monthly or biweekly basis but often expressed as an annual sum, made by an employer to an employee, especially a professional or white-collar worker: Compare with wage.

### Sales:
The exchange of a commodity for money; the action of selling something.

### Sales in Units (Unit Sales):
The number of pieces sold, not the dollar amount.

### Sales Force:
The body of salespeople employed by a company to sell its goods and services.

### Sales Forecast:
An estimate of futures sales, by period of time, based on the best unbiased information available.

### Service:
The action of helping or doing work for someone.

### Shareholder:
One who owns shares of stock in a corporation.

### Shipping Costs:
Those costs involved in moving a product from one business to another or to a final consumer.

### Sole Proprietor:
A person who is the exclusive owner of a business, entitled to keep all profits after tax has been paid but liable for all losses.

### Staffing:
The process of acquiring, deploying, and retaining a workforce of sufficient quantity and quality to create positive impacts on the organization’s effectiveness.

### Startup:
A fledgling business enterprise.

### Startup Expenses:
Non-recurring costs associated with setting up a business, such as accountant's fees, legal fees, registration charges, as well as advertising, promotional activities, and employee training. Also called pre-opening expenses.

### Statistics:
The practice or science of collecting and analyzing numerical data.

### Stock:
A type of security that signifies ownership in a corporation and represents a claim on part of the corporation's assets and earnings.  A company issues a certain number of “shares” of stock.

### Subcontracted Work:
Employment of a business or person outside of one's company to do work as part of a larger project.

### Supplier:
A business which supplies, furnishes or provides a product, raw material or service to another business.

### Supplies:
Those items used in a business which are not directly attributable to a specific product.  Pens, paper, oil, etc. would be supplies.  Items, such as motors used to build specific products are not considered supplies, but are considered cost of goods.

### Target Customer:
A customer of a type considered likely to buy a particular product.

## Technological Obsolescence:
When a technical product or service is no longer needed or wanted even though it could still be in working order. Technological obsolescence generally occurs when a new product has been created to replace an older version.

## Trademark:
A symbol, word, or words legally registered and established by use as representing a company or product.

## Unemployment Insurance:
State and federal government programs that provide a limited number of payments to eligible workers who are involuntarily unemployed.

## Venture:
A business enterprise or speculation in which something is risked in the hope of profit.

## Venture Capital:
Funds invested in a project or business in which there is a substantial element of risk, typically a new or expanding business.

## Venture Capitalist:
A person of financial means who provides venture capital to new ventures.

## Wage:
A fixed regular hourly payment, typically paid on a daily or weekly basis, made by an employer to an employee, especially to a manual or unskilled worker: Compare with salary.

## Wholesale:
The selling of goods in large quantities to be retailed by others.

## Zoning:
The division of an area into zones to restrict the number and types of buildings and their uses (especially in city or county planning).