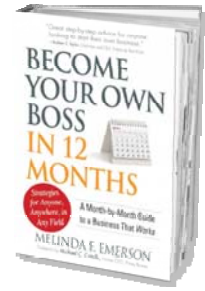


## Glossary of Business Terms



**401K** - A 401(K) is a type of retirement fund. A 401(K) plan allows a worker to save for retirement while deferring income taxes on the money until a withdrawal. Typically, employers match a percentage of the fund as an incentive for employees to saving for retirement.

**Accountant** - Accountant develops the budget for the business and keeps track of all accounts payable and accounts receivable and any tax liability. The accountant also creates monthly financial reports for the business.

**Accounts payable** – Any unpaid bills or debt of the business, including rent, payroll, suppliers, insurance, utilities etc.

**Accounts receivable** –Any outstanding client invoices owed to the business.

**Advertising** - How your brand message is communicated to the world. Use media to promote your product or service to influence the buying decisions of a consumer.

**Angel investors** - An angel investor is high net worth individual who provides capital for a new business venture, typically in exchange for a percentage of ownership in the company. Angels are typically passive investors with experience and connections to help the business grow.

**Bookkeeper** - A bookkeeper is an accounting clerk who enters data into the accounting software. This person is sometimes a staff member or an outside vender who provides a monthly update to reconcile all accounts; posts receipts, journal entries and prepares a trial balance for the business. Bookkeepers prepare financial statements for the business owner and support key accounting functions such as preparing tax returns.

**Branding** – The reputation and identity of the business. It describes who you are and what you stand for as a business.

**Business Concept** - A business concept is your written business idea. Your vision of your company, and the value your product or service will provide your customers. It also describes why you are especially qualified to offer it. This is the foundation of your business.

**Business privilege license** - Business owners are required to purchase a business privilege license to do business in a given municipality. This requirement also provides a vehicle for tax assessment.

**Capitalization** – There are two definitions in the business world. The definition referenced in the book means to supply a business with financial capital or investment funds. It is also an accounting term which means when a business delays expenses from appearing on the balance

sheet by listing them as long term debt or assets. For example, instead of paying yourself you instead make your paycheck a loan to the business.

**CDs – Certificates of Deposits** - A certificate of deposit, or CD, is a low-risk investment purchased directly through a bank or lending institution. The purchase of a CD deposits a sum of money for specified period of time and at a specific interest rate.

**COGS – Cost of goods sold.** How much it cost you to produce your product or provide your service including labor and materials expenses.

**Competitive Analysis** — An evaluation of the competition in the marketplace. Elements for review include number of competitors, cost, variety, distribution channels, and strength of the brand in the marketplace.

**Cost of materials** – The cost of the materials supplies needed to produce your products or services. If you make suits or dresses, the expense of fabric, buttons, thread and trim should be tracked for each garment you make.

**Cost of labor** – The hourly rate for any employees or contractors needed to produce or sell your products or services. How much are paying an employee or freelancer to do work?

**Credit score** – A calculation of your creditworthiness. Lenders use your credit score to determine how likely you are to repay a loan.

**CPA** – A highly trained accountant who has passed a rigorous state examination to receive a license that must be maintained through continuing education each year. Only a CPA can certify an audit.

**CRM**—Customer relationship management software. ACT and Goldmine are examples of this kind of software used to track and manage customer relationships.

**Debt Service**—monthly payments the business owes to repay business loans, or any other credit that has been extended to the business.

**EIN** — Employer Identification Number (EIN) or Federal Tax ID number is a nine-digit number assigned to a business owner by the IRS when your open a business. All banks require an EIN number to open a business bank account.

**Fictitious name** – Any name that you create for a business that does not include the last name of the business owners or partners. The owner must file a fictitious name form with the state where they plan to do business.

**Financial plan** – This term has two definitions in this book. Your financial plan is your long term savings plan to prepare to quit your job and start a business. Your financial plan is also part of a business plan which outlines the business' one to three year financial projections.

**Fiscal discipline** – The act of not spending financial resources unless they are allocated in your line item budget. You use monthly financial statements to guide business decisions.

**GPS** - The Global Positioning System is a wireless system based on global satellites which replaces maps and provides directions to travel to different destinations. GPS systems make it possible for people with ground receivers to pinpoint their geographic location.

**Gross Domestic Product (GDP)** - GDP is defined as the total gross market value of all final goods and services produced within a country in a given period of time.

**Home equity** - Home equity is the current market value of a home minus the pay off amount of your mortgage. By using a home equity loan to fund your business, you can deduct the interest payment on your income taxes.

**HELOC**- Home Equity Line Of Credit - A line of credit extended against the equity in your home. Your home is collateral for the loan, which means you can lose your home if you are unable to repay the loan. The interest rate is variable and can change based on the prime rate.

**Intellectual property** - Intellectual property refers to creation of inventions and processes and literary and artistic works, and symbols, names, images, and designs used in your business.

**IRS** – Internal Revenue Service is that branch of federal government responsible for the collection of taxes and enforcement of tax laws.

**Jobber** – A jobber is an intermediary who buys excess merchandise at prices typically 20-70% below wholesale and sells them to deep discounters.

**Keywords** – search terms people will use to find you on the internet.

**Kitchen cabinet of advisors** – An inner circle of unofficial advisors and mentors to the business owner.

**Life plan** – A strategic and long term plan for your life. The process of defining your core values, motivations, interests and skills to determine your personal long-term goals. A clear life plan is the key to a successful business plan.

**Line extensions** – Multiple product lines under an established brand name. Line extensions do not compete with each other, they appeal to a different market segments. For example, Pepsi and Diet Pepsi.

**Margin** – also known as profit margin, it is a measure of profitability, which is determined after overhead and expenses have been paid.

**Marketing** - Marketing is anything you do get business; the messaging of your business brand.

**Marketing plan** - A marketing plan outlines the size of your market, your niche, your target customer, the value your product or service will provide, why your customer should buy from you and how you plan to get your customer's attention. It also outlines the budget and resources needed to execute your plan.

**Marketing strategy** – A strategy to use the businesses limited resources to reach the most profitable target customer. The strategy is executed through unique product features, the price point, placement in the marketplace, and the promotion and mix of marketing activities.

**Monthly burn rate** – also known as the nut. It is how much money it costs you to run your business monthly.

**Mortgage** – A type of bank loan used to secure real estate such as a home.

**Niche marketing** – A niche market is a narrowly defined group of target customers. A “market niche” is a specific industry or geographic area, ethnic or age groups or any other limited group of people.

**Overhead** – Businesses operation costs that do not generate revenue. Expenses such as electricity, heat, rent, insurance, water, business licenses, advertising, legal fees, security, accounting costs, computers, software, cash registers and office supplies. A percentage of overhead should be reflected in your pricing.

**Pain point** – A customer problem that needs a resolution. A customer's “pain points” can be your business opportunity.

**Personal guarantee** – A signature agreement required by lenders which obligates the business owner to personally repay debts if the business is unable to repay its loans or lines of credit.

**PMI** - Private Mortgage Insurance protects a mortgage company against losses if the home owner defaults on a mortgage loan.

**RFP**—Request for proposal. A written solicitation requesting a formal proposal and price quote for your products or services.

**ROI**— Return on Investment. You must measure the results of your marketing campaigns and sales initiatives.

**SBDC** - The Small Business Development Centers assist entrepreneurs with the necessary tools to start, grow, manage and finance their small businesses. Their services are funded through tax dollars and provided for free or low cost to small businesses. There are SBDCs in every state, and many are located on college campuses.

**SEP-IRA**— A Simplified Employee Pension Plan is a small-business retirement account. SEP accounts can be set up for the business owner and any eligible employee. They are easy to set up and contributions are tax deductible.

**Small business** – what constitutes as a small business will vary by industry, but a general definition of a small business is an independently owned, operated firm with fewer than 100 employees and less than \$25 Million in revenue.

**SMART goal** – A goal that is specific, measurable, attainable, realistic, and timely.

**The entrepreneurial mindset** – The entrepreneurial mindset is the single most important ingredient in small business success. When you have an entrepreneurial mindset you believe your business venture will be successful.

**Theme song** – A song that makes you feel good every time you hear it and inspires you to reach your business goals.

**Thought leader** – is a word used to describe a person who is recognized among their peers in their industry as an innovator and highly regarded expert. Thought leaders drive business success.

**Venture capitalists** – A venture capitalist or private equity investor is a person or firm that invests in high growth business ventures. Venture capitalists will take a controlling stake in the business. They are generally looking to cash out within three to five years of their initial investment at returns of 25% or higher.

**Work out** – When your business loan gets to the work out department of a bank, it means the bank is preparing to seize any personal and business collateral you pledged for your business loan. If your loan has an SBA guarantee, the bank will submit a claim to the SBA for reimbursement.

I hope you find value in this glossary of business terms, which is offered as a free download at [www.succeedasyourownboss.com](http://www.succeedasyourownboss.com), to anyone who has purchased my first book – **Become Your Own Boss In 12 Months**.

I wish you every success as you start and grow your business.

*Melinda Emerson, SmallBizLady*