

## **Information Page: An Entrepreneur's Word List**

**Accounts Payable:** Debts that a company owes most likely because of purchases made on credit (not paid at time of purchase).

**Accounts Receivable:** Money that is owed to your company from others because of products/services sold on credit (not paid at time of purchase).

**Advertising:** One marketing/promotional technique used to communicate with potential customers. Advertising can include television, newspapers, internet and radio among other methods.

**Assets:** Basically, assets are items owned by the company. There are two types of assets: current and fixed. Current assets include cash, account receivable, inventory etc. Fixed assets include land, buildings, equipment, vehicles etc.

**Break-Even Point:** The point, in a new business, where revenue equals expenses. After the break-even point has been reached a company can then start making a profit. Doing a Break-Even Analysis can help determine when this point can be reached.

**Business Plan:** A written document that describes every aspect of a business start-up and lays out specific goals for the company as well as explains how the company will operate.

**Cash Flow Assumption Notes:** A written explanation to provide justification for the numbers presented in the Projected Cash Flow Statement.

**Closed-End Questions:** Market research questions that are answerable by a yes or no response only.

**Community Profile:** An overview of how many potential customers live in the operating area of the business.

**Competitive Advantages:** An advantage or advantages over the competition generally by offering a lower price or greater service that justifies a higher price to the customer.

**Consumer:** The people or organizations who will buy products or services from a company.

**Copyright:** Legal protection which ensures exclusive right to sell, print, publish, or copy a particular work for a specified number of years. (A form of Intellectual Property)

**Corporation:** A legal entity which can own property, incur debts, sue, and be sued. The liability of the business is entirely separate from the personal liability of the owner or owners.

**Cost of Goods Sold:** The total cost of goods sold during a period of time by a business.

**Customer Profile:** A description of a company's ideal and most-likely customer.

**Direct Competition:** Competitors that offer the exact same product or service as your company.

**Direct Questions:** Market research questions that will be answered with personal preference or behaviour responses.

**Entrepreneur:** Person who organizes and manages a business usually in an attempt to make a profit, with the risk of a loss.

**Equity:** On the balance sheet equity is also known as the owner's financial contribution to the company.

**Executive Summary:** Approximately one page in length, this overview summarizes the entire business plan.

**Fixed Cost:** Costs of doing business that, to a certain extent, remain constant despite growth of the business. Examples include rent, insurance and utilities (heat, power, phone etc.).

**Human Resources:** Refers to the hiring, training and firing of employees as well as benefits and regulations and any other aspect of employee relations within a company.

**Indirect Competition:** Those competitors that offer similar or substitute products or services to a company and most often that serve the same target market in a similar, but not identical way.

**Indirect Questions:** Market research questions that will be answered with opinions of how other people would respond.

**Industry Trends:** Activities that take place over an extended period of time. These activities generally reflect how society is changing.

**Intellectual Property:** Area of law that refers to trademarks, industrial design registrations, copyrights and patents.

**Inventory:** Goods held by companies that are intended for resale.

**Liabilities:** Basically, a liability is a financial obligation of the company. There are two types of liabilities: current liabilities and long term liabilities. Current liabilities include accounts payable, taxes payable, rent etc. Long term liabilities include term loans, mortgages, lease agreements etc.

**Logo:** A symbol or design that represents a company or something about a company.

**Market:** The trading area where a business is operated and usually where the majority of the target market lives or has easy access to the business.

**Market Research:** Market research is finding out who your customers are, their buying patterns and spending habits. This information is useful in finding the best ways to get the consumer to purchase products from a company.

**Market Share:** Is a percentage, based on your sales and the sales of your competitors to determine your company's popularity in the market. The more market share a company has the more likely they dominate the majority of sales within that market.

**Marketing:** Communicating information about your product or service to encourage potential customers to come to your store, buy what you're selling – basically to choose you over your competition. Marketing includes selling, location, pricing, promotion, advertising and distribution.

**Mark-up Percentage:** Is the percentage profit on each sale of product or service. The market dictates what you will sell your product or service for. The difference between this price and the total cost to produce or provide the service is your profit. Profit divided by total costs provides you with your mark-up percentage. For example: A shirt will sell for \$25 and it costs \$15 to manufacture, therefore your profit margin is \$10. Your mark-up percentage is 66.7% ( $\$10/\$15 \times 100\%$ )

**Open-End Questions:** Market research questions that are either answerable by multiple choice or short answer only

**Partnership:** Two or more individuals operating a business. There are two types of partnerships; General and Limited. In a general partnership all partners have unlimited liability for the business' debts. In a limited partnership partners are only held liable for the amount of their investment into the company.

**Partnership Agreement:** A legal agreement that states to which extent each partner is involved in the operation of the company, either through management or money.

**Patent:** Legal protection which ensures exclusive rights to make, use and/or sell an invention. (A form of Intellectual Property)

**Place:** Where the product is sold is very important because you want it to be an area that is convenient for the consumer. The place also includes the company's distribution activities to make the product available. (One of the 4 P's of Marketing)

**Price:** Price is how much the consumer must spend in order to obtain a product. Price is often determined by considering the cost of production, consumer demand (how much a customer will pay for the product/service) and the price of competing goods and services. (One of the 4 P's of Marketing)

**Primary Market Research:** Primary research is first-hand information told to you by your potential customers. Primary research sources include: focus groups, observations, mail and telephone surveys, personal interviews and questionnaires as well as product testing.

**Primary Trading Area:** The area where the majority of a company's sales will come from.

**Product:** Products are the goods and services bought and sold on the market and this includes such things as packaging, presentation and warranties. (One of the 4 P's of Marketing)

**Profits:** The amount of money earned by a business after all expenses have been subtracted. Profit can be calculated as Revenue-Expenses=Profit.

**Projected Cash Flow Statement:** A method to explain the money going in and out of the company, generally presented broken out month-by-month.

**Projected Income Statement:** A record of a company's profit and/or loss on a monthly or yearly basis. The Projected Income Statement is used to estimate revenues and expenses and compare them against each other to determine if a company will make or lose money.

**Promotion:** How a company communicates the benefits of the product and persuades the target consumers to purchase the product. (One of the 4 P's of Marketing)

**Revenue:** The amount of money a business brings in through sales during a specific period of time.

**Secondary Market Research:** The information you find in market studies, statistics, and business plans are all Secondary Market Research, meaning someone has already found and published this information.

**Secondary Trading Area:** The area where the second largest portion of your clients will come from

**Sole Proprietorship:** Sole proprietorships are the most common form of organization for small business. A sole proprietorship is owned and operated by one person and this person carries all liabilities of the company.

**Start-Up Costs:** Start-up costs are the expenses you'll have only once, as you get ready to open your business. When considering start-up costs you should also consider recurring expenses that you will have to pay upfront, such as rent.

**Suppliers:** Companies and/or individuals who will supply your company with necessary items for business operation. This would include supplies such as paper and office equipment as well as any inventory used for resale, among other things.

**Supply Chain:** The supply chain is the method through which products get from the manufacturer to the consumer. For example: A manufacturer sells goods to a distributor who in turn sells goods to retailers who then sell to the consumer.

**Target Market:** A group of people most likely to buy a particular product or service.

**Tertiary Trading Area:** The area where the fewest number of a company's clients will come from.

**The 4P's of Marketing:** When combined, product, place, price, and promotion work together to appeal to one target market, a specific group of people you wish to sell your product or service.

**Trademark:** A legally protected logo, picture, symbol or name that identifies a product or service as being produced or sold by a particular company.

**Unique Selling Point (USP):** These are unique points or factors about a product or service that sets a company apart from the competition.

**Variable Cost:** Costs of doing business that change as a business grows. An example of variable costs is wages, travel and advertising.

**Viable Business:** A business that is likely to succeed is known as a viable business.

**Working Capital:** Is calculated as current assets minus current liabilities. This indicates the availability of cash to meet the company's current obligations for the next year.