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Glossary of Basic Business Terms

This is by no means an all-inclusive list of business terms. It is a start which you can add to as you continue to grow your business. You will take to other business owners who have information to share with you. The are listed in the order they were discussed in the article.

- Demographic

Demographic targeting or demographic segmentation is a type of market segmentation according to family size, religion, gender, age, ethnicity, education, and even income. These data can effectively be segmented into different markets, helping companies target customers more accurately than ever before.

- Target Market

A target market is a group of people that have been identified as the most likely potential customers for a product because of their shared characteristics such as age, income, and lifestyle.

- Mission statement

A mission statement is a single sentence that describes the purpose of your company's existence. It describes your business's intentions and goes some way to demonstrate how you're working towards making your vision statement a reality.

- Vision Statement

A vision statement describes what your business aims to achieve long term. It's a future-focused concept that instantly invokes a picture of the ideal state of the world after your company has made its impact.

- Value Statement

Your value statement or list of core values expresses the priorities of your business and describes the standards and principles that drive you and the people who work for you.

- Business Structures

The most common forms of business are:

✓ Sole Proprietorships

A sole proprietor is someone who owns an unincorporated business by himself or herself.

✓ Partnerships

A partnership is the relationship between two or more people to do trade or business. Each person contributes money, property, labor or skill, and shares in the profits and losses of the business.

✓ Corporations

In forming a corporation, prospective shareholders exchange money, property, or both, for the corporation's capital stock. A corporation generally takes the same deductions as a sole proprietorship to figure its taxable income. A corporation can also take special deductions. For federal income tax purposes, a C corporation is recognized as a separate taxpaying entity. A corporation conducts business, realizes net income or loss, pays taxes and distributes profits to shareholders.

✓ S Corporations

S corporations are corporations that elect to pass corporate income, losses, deductions, and credits through to their shareholders for federal tax purposes. Shareholders of S corporations report the flow-through of income and losses on their personal tax returns and are assessed tax at their individual income tax rates. This allows S corporations to avoid double taxation on the corporate income. S corporations are responsible for tax on certain built-in gains and passive income at the entity level.

- ✓ Limited Liability Company (LLC)

A Limited Liability Company (LLC) is a business structure allowed by state statute. Each state may use different regulations, you should check with your state if you are interested in starting a Limited Liability Company.

Owners of an LLC are called members. Most states do not restrict ownership, so members may include individuals, corporations, other LLCs and foreign entities. There is no maximum number of members. Most states also permit “single-member” LLCs, those having only one owner.

- Assets

"Assets" refers to your business' cumulative financial holdings. These are usually classified as current or fixed. Current, or short-term, assets include cash or inventory. Fixed, or long-term assets, include equipment or land.

- Revenue

Revenue refers to the income you get from a business activity in a given time. You can calculate earnings by multiplying the per-unit cost of goods or services by the number of units sold.

- Expenses

Does your business incur expenditures for equipment, utilities or inventory? These are all examples of expenses, money you spend to operate your business. For the self-employed, legitimate business expenses are tax-deductible.

- Accounting

This concept should be in every entrepreneur's arsenal of basic business terms. Accounting involves the systematic recording and reporting of business financial transactions. Accounting is often complicated. You may want to hire a professional to handle this.

- Accounts receivable

This is the amount of money your customers or clients owe your business for goods or services you supply. This total value can give you a snapshot of the amount owed to your business at any given time.

- Accounts payable

Accounts payable is a measure of how much you owe your creditors for goods or services supplied to you.

- Angel investors

Wealthy private investors focused on financing small business ventures in exchange for equity. Unlike a venture capital firm that uses an investment fund, angels use their own net worth.

- Venture Capitalist

A venture capitalist (VC) is a private equity investor that provides capital to companies with high growth potential in exchange for an equity stake. This could be funding startup ventures or supporting small companies that wish to expand but do not have access to equities markets.

- Tax Burden

the total amount of taxation paid by the citizens of a country in the form of income tax, corporation tax, value-added tax, etc. The tax burden measures increased tax liability imposed on individuals, companies, and other entities.

- Liabilities

Liabilities are debts your business owes another person or entity. Like assets, you'll have to define liabilities as current or long-term. Current, or short-term, liabilities might include an expense payable to a supplier. Many business loans are long-term debts.

- Risk Assessment

A risk assessment is the process of identifying what hazards currently exist or may appear in the workplace. A risk assessment defines which workplace hazards are likely to cause harm to employees and visitors.

- Business Plan

A business plan is a formal written document containing the goals of a business, the methods for attaining those goals, and the time-frame for the achievement of the goals. It also describes the nature of the business, background information on the organization, the organization's financial projections, and the strategies it intends to implement to achieve the stated targets. In its entirety, this document serves as a road-map (a plan) that provides direction to the business.

- Financial Plan

A financial plan identifies, organizes and prioritizes your financial goals, then outlines the steps you need to take to achieve them. They can also lend some insight as to if you're on track to meet your financial goals or if you need to make adjustments to your spending.

- Marketing Plan

A marketing plan is an operational document that outlines an advertising strategy that an organization will implement to generate leads and reach its target market. A marketing plan details the outreach and PR campaigns to be undertaken over a period, including how the company will measure the effect of these initiatives.

- Timing

Timing is the essential factor in business. It should be the guiding light for conducting business, and determines the success of the a business especially in:

  - ✓ Business Planning
  - ✓ Negotiation
  - ✓ Customer Relationships
  - ✓ Product Launch
  - ✓ Product Presentation
  - ✓ Marketing Campaign
  - ✓ Business Proposals

- Business Mentor/Advisor

A mentor/advisor can help you develop professional goals and provide valuable insight into any challenges you might experience. Asking the right person to help you can develop a lifelong relationship that you can both learn from.

- Business Professional

Business professionals work in any field involved with helping a company make money and achieve financial success through its operations. Business professionals are project planners, researchers, human capital manager, advertisers, accountants, consultants, technical specialist, etc.