principles of

Entrepreneurship

>>>> 20. Entrepreneurship: Glossary of Terms

Angel investors: Individuals who have capital that they are willing to risk. Angels are often successful entrepreneurs who invest in emerging entrepreneurial ventures, often as a bridge from the self-funded stage to the point in which a business can attract venture capital.

Assets: Items of value owned by a company and shown on the balance sheet, including cash, equipment, inventory, etc.

Balance sheet: Summary statement of a company's financial position at a given point in time, listing assets as well as liabilities.

Breakeven point: Dollar value of sales that will cover, but not exceed, all of the company's costs, both fixed and variable.

Bridge finance: Short-term finance that is expected to be repaid quickly.

Browser: A computer program that enables users to access and navigate the World Wide Web.

Business incubator: This is a form of mentoring in which workspace, coaching, and support services are provided to entrepreneurs and early-stage businesses at a free or reduced cost.

Business plan: A written document detailing a proposed venture, covering current status, expected needs, and projected results for the enterprise. It contains a thorough analysis of the product or service being offered, the market and competition, the marketing strategy, the operating plan, and the management as well as profit, balance sheet, and cash flow projections.

Capital: Cash or goods used to generate income. For entrepreneurs, capital often refers to the funds and other assets invested in the business venture.

Cash flow: The difference between the company's cash receipts and its cash payments in a given period. It refers to the amount of money actually available to make purchases and pay current bills and obligations.

Cash flow statement: A summary of a company's cash flow over a period of time.

Collateral: An asset pledged as security for a loan.

Copyright: Copyright is a form of legal protection for published and unpublished literary, scientific, and artistic works that have been fixed in a tangible or material form. It grants exclusive rights to the work's creator for a specified period of time.

Corporation: A business form that is an entity legally separate from its owners. Its important features include limited liability, easy transfer of ownership, and unlimited life.

Depreciation: The decrease in the value of assets over their expected life by an accepted accounting method, such as allocating the cost of an asset over the years in which it is used.

E-commerce: The sale of products and services over the Internet.

Entrepreneur: A person who organizes, operates, and assumes the risk for a business venture.

Equity: An ownership interest in a business.

Home-based business: A business, of any size or type, whose primary office is in the owner's home.

Income statement: Also known as a "profit and loss statement," it shows a firm's income and expenses, and the resulting profit or loss over a specified period of time.

Intangible assets: Items of value that have no tangible physical properties, such as ideas.

Internet: The vast network of networks connecting millions of individual and networked computers worldwide.

Inventory: Finished goods, work in process of manufacture, and raw materials owned by a company.

Joint venture: A legal entity created by two or more businesses joining together to conduct a specific business enterprise with both parties sharing profits and losses.

Liabilities: Debts a business owes, including accounts payable, taxes, bank loans, and other obligations. Short-term liabilities are due within a year, while long-term liabilities are due in a period of time greater than a year.

Limited partnership: A business arrangement in which the day-to-day operations are controlled by one or more general partners and funded by limited or silent partners who are legally responsible for losses based on the amount of their investment.

Line of credit: (1) An arrangement between a bank and a customer specifying the maximum amount of unsecured debt the customer can owe the bank at a given point in time. (2) A limit set by a seller on the amount that a purchaser can buy on credit.

Liquidity: The ability of an asset to be converted to cash as quickly as possible and without any price discount.

Marketing: The process of researching, promoting, selling, and distributing a product or service. Marketing covers a broad range of practices, including advertising, publicity, promotion, pricing, and packaging.

Marketing plan: A document describing a firm's potential customers and a comprehensive strategy to sell them goods and services.

Networking: (1) Developing business contacts to form business relationships, increase knowledge, expand a business, or serve the community. (2) Linking computers systems together.

Niche marketing: Identifying and targeting markets not adequately served by competitors.

Outsourcing: The practice of using subcontractors or other businesses, rather than paid employees, for standard services such as accounting, payroll, information technology, advertising, etc.

Partnership: Legal form of business in which two or more persons are co-owners, sharing profits and losses.

Patent: A property right granted to an inventor to exclude others from making, using, offering for sale, or selling an invention for a limited time in exchange for public disclosure of the invention when the patent is granted.

Small Business Administration (SBA): Created in 1953, it is an independent agency of the U.S. federal government that aids, counsels, assists, and protects the interests of small business.

Small Business Development Centers (SBDC): SBA program using university faculty and others to provide management assistance to current and prospective small business owners.

Service Core of Retired Executives (SCORE): A non-profit organization dedicated to entrepreneurs' education and the success of small business. It is sponsored by the SBA to provide consulting to small businesses.

Search engine: A computer program that facilitates the location and the retrieval of information over the Internet.

Seed financing: A relatively small amount of money provided to prove a concept; it may involve product development and market research.

Server: A computer system to provide access to information or Web sites.

Social entrepreneur: Someone who recognizes a social problem and uses entrepreneurial principles to organize, create, and manage a venture to make social change. Social entrepreneurs often work through non-profit organization and citizen groups, but they may also work in the private or governmental sector. Many successful entrepreneurs, such as Bill Gates of Microsoft, have become social entrepreneurs.

Sole proprietorship: A business form with one owner who is responsible for all of the firm's liabilities.

Start-up financing: Funding provided to companies for use in product development and initial marketing. It is usually funding for firms that have not yet sold their product commercially.

Trademark: A form of legal protection given to a business or individual for words, names, symbols, sounds, or colors that distinguish goods and services. Trademarks, unlike patents, can be renewed forever as long as they are being used in business.

Unsecured loan: Short-term source of borrowed capital for which the borrower does not pledge any assets as collateral.

Variable costs: Costs that vary as the amount produced or sold varies.

Venture investors: An institution specializing in the provision of large amounts of long-term capital to enterprises with a limited track record but with the expectation of substantial growth. The venture capitalist also may provide varying degrees of managerial and technical expertise.

World Wide Web: The part of the Internet that enables the use of multimedia text, graphics, audio, and video.