

Glossary Of Business Terminology

ACCOUNTS PAYABLE	Trade accounts of businesses representing obligations to pay for goods and services received.
ACCOUNTS RECEIVABLE	Trade accounts of businesses representing moneys due for goods sold or services rendered evidenced by notes, statements, invoices or other written evidence of a present obligation.
ACCOUNTING	The recording, classifying, summarizing and interpreting in a significant manner and in terms of money, transactions and events of a financial character.
ASSUMPTIONS	The act of assuming/undertaking another's debts or obligations.
AUCTION	A public sale of goods to the highest bidder.
AUTOMATIC DATA PROCESSING	<ol style="list-style-type: none"> 1. Data processing largely performed by automatic means. 2. The discipline which deals with methods and techniques of automatic data processing. 3. Pertaining to data processing equipment such as electrical accounting machines and electronic data processing equipment.
BANKRUPTCY	A condition in which a business cannot meet its debt obligations and petitions a federal district court for either reorganization of its debts or liquidation of its assets. In the action the property of a debtor is taken over by a receiver or trustee in bankruptcy for the benefit of the creditors. This action is conducted as prescribed by the National Bankruptcy Act, and may be voluntary or involuntary.
BREAK-EVEN POINT	The break-even point in any business is that point at which the volume of sales or revenues exactly equals total expenses -- the point at which there is neither a profit nor loss -- under varying levels of activity. The break-even point tells the manager what level of output or activity is required before the firm can make a profit; reflects the relationship between costs, volume and profits.
BUSINESS BIRTH	Formation of a new establishment or enterprise.
BUSINESS DEATH	Voluntary or involuntary closure of a firm or establishment.
BUSINESS DISSOLUTION	For enumeration purposes, the absence from any current record of a business that was present in a prior time period.
BUSINESS FAILURE	The closure of a business causing a loss to at least one creditor.
BUSINESS INFORMATION CENTER (BIC)	One of more than 50 specialized Small Business Administration units which offer the latest in high-technology hard-ware, software and telecommunications to assist small business PLUS one-on-one counseling with seasoned business veterans through the Service Corps of Retired Executives (SCORE). Each BIC offers electronic bulletin boards, computer data bases, on-line information exchange, periodicals and brochures, counseling, video tapes, reference materials, texts, start-up guides, application software, computer tutorials and interactive media.
BUSINESS PLAN	A comprehensive planning document which clearly describes the business developmental objective of an existing or proposed business applying for assistance in SBA's 8(a) or lending Programs. The plan outlines what and how and from where the resources needed to accomplish the objective will be obtained and utilized.
BUSINESS START	For enumeration purposes, a business with a name or similar designation that did not exist in a prior time period.
CANCELED LOAN	The annulment or rescission of an approved loan prior to disbursement.

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CAPITAL	<ol style="list-style-type: none"> 1. Assets less liabilities, representing the ownership interest in a business; 2. a stock of accumulated goods, especially at a specified time and in contrast to income received during a specified time period; 3. accumulated goods devoted to the production of goods; (4) accumulated possessions calculated to bring income.
CAPITAL EXPENDITURES	Business spending on additional plant equipment and inventory.
CAPITALIZED PROPERTY	Personal property of the agency which has an average dollar value of \$300.00 or more and a life expectancy of one year or more. Capitalized property shall be depreciated annually over the expected useful life to the agency.
CASH DISCOUNT	An incentive offered by the seller to encourage the buyer to pay within a stipulated time. For example, if the terms are 2/10/N 30, the buyer may deduct 2 percent from the amount of the invoice (if paid within 10 days) otherwise, the full amount is due in 30 days.
CASH FLOW	An accounting presentation showing how much of the cash generated by the business remains after both expenses (including interest) and principal repayment on financing are paid. A projected cash flow statement indicates whether the business will have cash to pay its expenses, loans, and make a profit. Cash flows can be calculated for any given period of time, normally done on a monthly basis.
CHARACTER	A letter, digit, or other symbol, that is a part of the organization, control, or representation of data used in computer systems.
CHARGE-OFF	An accounting transaction removing an uncollectible balance from the active receivable accounts.
CHARGED OFF LOAN	An uncollectible loan for which the principal and accrued interest were removed from the receivable accounts.
CLOSING	Actions and procedures required to effect the documentation and disbursement of loan funds after the application has been approved, and the execution of all required documentation and its filing and recordation where required.
CLOSED LOAN	Any loan for which funds have been disbursed, and all required documentation has been executed, received and reviewed. For statistical purposes, first or total disbursement is counted as a closed loan.
COLLATERAL	Something of value -- securities, evidence of deposit or other property -- pledged to support the repayment of an obligation.
COLLATERAL DOCUMENT	A legal document covering the item(s) pledged as collateral on a loan, i.e., note, mortgages, assignment, etc.
CONSORTIUM	A coalition of organizations, such as banks and corporations, set up to fund ventures requiring large capital resources.
CORPORATION	A group of persons granted a state charter legally recognizing them as a separate entity having its own rights, privileges, and liabilities distinct from those of its members. The process of incorporating should be completed with the state's secretary of state or state corporate counsel and usually requires the services of an attorney.
COMPROMISE	The settlement of a claim resulting from a defaulted loan for less than the full amount due. Compromise settlement is a procedure available for use only in instances where the government cannot collect the full amount due within a reasonable time by enforced collection proceedings or where the cost of such

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	proceedings would not justify such effort.
CONTINGENT LIABILITY	A potential obligation that may be incurred dependent upon the occurrence of a future event. Two examples are: (1) the liability of an endorser or guarantor of a note if the primary borrower fails to pay as agreed and (2) the liability that would be incurred if a pending lawsuit is resolved in the other party's favor.
COSTS	Money obligated for goods and services received during a given period of time, regardless of when ordered or whether paid for.
CREDIT RATING	A grade assigned to a business concern to denote the net worth and credit standing to which the concern is entitled in the opinion of the rating agency as a result of its investigation.
DATA ELEMENT	The basic unit of identifiable and definable information. A data element occupies the space provided by fields in a record or blocks on a form. It has an identifying name and value or values for expressing a specific fact. For example, a data element named "Color of Eyes" could have recorded values of "Blue (a name)," "Bl (an abbreviation)," "06 (a code)." Similarly, a data element named "Age of Employee" could have a recorded value of "28" (a numeric value).
DEBENTURE	Debt instrument evidencing the holder's right to receive interest and principal installments from the named obligor. Applies to all forms of unsecured, long-term debt evidenced by a certificate of debt.
DEBT CAPITAL	Business financing that normally requires periodic interest payments and repayment of the principal within a specified time.
DEBT FINANCING	The provision of long term loans to small business concerns in exchange for debt securities or a note.
DEED OF TRUST	A document under seal which, when delivered, transfers a present interest in property. May be held as collateral.
DEFAULTS	The nonpayment of principal and/or interest on the due date as provided by the terms and conditions of the note.
DEFERRED LOAN	Loans whose principal and or interest installments are postponed for a specified period of time.
DISBURSEMENT	The actual payout to borrower of loan funds, in whole or part. It may be concurrent with the closing, or follow it.
DISBURSING OFFICER	An employee authorized to pay out cash or issue checks in settlement of vouchers approved by a certifying officer.
DIVESTITURE	Change of ownership and/or control of a business from a majority (non-disadvantaged) to disadvantaged persons.
EARNING POWER	The demonstrated ability of a business to earn a profit, over time, while following good accounting practices. When a business shows a reasonable profit on invested capital after fully maintaining the business property, appropriately compensating its owner and employees, servicing its obligations, and fully recognizing its costs, the business may be said to have demonstrated earning power. Demonstrated earning power is the foremost test of the business risk in pressing upon an application for a loan.
EASEMENT	A right or privilege that a person may have on another's land, as the right of a way or ingress or egress.

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EMPLOYEE ASSISTANCE PROGRAM (EAP) COORDINATOR	Coordinates the activities of Central Office or regional counselors, maintains a community resource list, of available professional assistance to troubled employees and a current roster of EAP counselors for the area of his/her jurisdiction.
EAP COUNSELOR	Conducts confidential consultations with troubled employees who so request or who are referred for objective analysis of a personal problem and for identification of the best available assistance and/or professional services needed to resolve the employee's problem.
ENTERPRISE	Aggregation of all establishments owned by a parent company. An enterprise can consist of a single, independent establishment or it can include subsidiaries or other branch establishments under the same ownership and control.
ENTREPRENEUR	One who assumes the financial risk of the initiation, operation and management of a given business or undertaking.
EQUITY	An ownership interest in a business.
EQUITY FINANCING	The provision of funds for capital or operating expenses in exchange for capital stock, stock purchase warrants and options in the business financed, without any guaranteed return, but with the opportunity to share in the company's profits. Equity financing includes long-term subordinated securities containing stock options and/or warrants. Utilized in SBIC financing activities.
EQUITY PARTNERSHIP	A limited partnership arrangement for providing start-up and seed capital to businesses.
ESCROW ACCOUNTS	Funds placed in trust with a third party, by a borrower for a specific purpose and to be delivered to the borrower only upon the fulfillment of certain conditions.
ESTABLISHMENT	A single-location business unit, which may be independent -- called a single-establishment enterprise-- or owned by a parent enterprise.
FINANCIAL REPORTS	Reports commonly required from applicants request for financial assistance, e.g.: <ul style="list-style-type: none"> 1. Balance Sheet - A report of the status of a firm's assets, liabilities and owner's equity at a given time. 2. Income Statement - A report of revenue and expense which shows the results of business operations or net income for a specified period of time. 3. Cash Flow - A report which analyzes the actual or projected source and disposition of cash during a past or future accounting period.
FINANCING	New funds provided to a business, by either loans or purchase of debt securities or capital stock.
FLOW CHART	A graphical representation for the definition, analysis, or solution of a problem, in which symbols are used to represent operations, data, flow, equipment, etc.
FORECLOSURE	The act by the mortgagee or trustee upon default, in the payment of interest or principal of a mortgage of enforcing payment of the debt by selling the underlying security.
FRANCHISING	A continuing relationship in which the franchisor provides a licensed privilege to the franchisee to do business, and offers assistance in organizing, training, merchandising, marketing and managing in return for a consideration. Franchising is a form of business by which the owner (franchisor) of a product, service or method obtains distribution through affiliated dealers (franchisees). The product, method or service being marketed is usually identified by the franchisor's brand name, and the holder of the privilege (franchisee) is often given exclusive access to a defined

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	geographical area.
GROSS DOMESTIC PRODUCT (GDP)	The most comprehensive single measure of aggregate economic output. Represents the market value of the total output of the goods and services produced by a nation's economy.
GROSS NATIONAL PRODUCT (GNP)	A measure of a nation's aggregate economic output. Since 1991 GDP, a slightly different calculation, has replaced GNP as a measure of U.S. economic output.
GUARANTEED LOAN	A loan made and serviced by a lending institution under agreement that a governmental agency will purchase the guaranteed portion if the borrower defaults.
HARDWARE	A term used to describe the mechanical, electrical and electronic elements of a data processing system.
HAZARD INSURANCE	Insurance required showing lender as loss payee covering certain risks on real and personal property used for securing loans.
INCUBATOR	A facility designed to encourage entrepreneurship and minimize obstacles to new business formation and growth, particularly for high technology firms, by housing a number of fledgling enterprises that share an array of services. These shared services may include meeting areas, secretarial services, accounting services, research libraries, on-site financial and management counseling and word processing facilities.
INDEPENDENT AND QUALIFIED PUBLIC ACCOUNTANTS	Public accountants are independent when neither they nor any of their family have a material, direct or indirect financial interest in the borrower other than as an accountant. They are qualified, unless there is contrary evidence, when they are either (1) certified, licensed, or otherwise registered if so required by the state in which they work, or (2) have worked as a public accountant for at least five years and are accepted by SBA.
INDUSTRIAL REVENUE BOND (IRB)	A tax-exempt bond issued by a state or local government agency to finance industrial or commercial projects that serve a public good. The bond usually is not backed by the full faith and credit of the government that issues it, but is repaid solely from the revenues of the project and requires a private sector commitment for repayment.
INNOVATION	Introduction of a new idea into the marketplace in the form of a new product or service, or an improvement in organization or process.
INSOLVENCY	The inability of a borrower to meet financial obligations as they mature, or having insufficient assets to pay legal debts.
INTEREST	An amount paid a lender for the use of funds.
INVERSE ORDER OF MATURITY	When payments are received from borrowers that are larger than the authorized repayment schedules the overpayment is credited to the final installments of the principal which reduces the maturity of the loan and does not affect the original repayment schedule.
INVESTMENT BANKING	Businesses specializing in the formation of capital. This is done by outright purchase and sale of securities offered by the issuer, standby underwriting or "best efforts selling."
INVITATION FOR BIDS	Formal solicitations for offerings, to perform procurements by competitive bids when the specifications describe the requirements of the government clearly, accurately, and completely; but avoiding unnecessarily restrictive specifications or requirements which might unduly limit the number of bidders.
JOB DESCRIPTION	A written statement listing the elements of a particular job or occupation.

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	purpose, duties, equipment used, qualifications, training, physical and mental demands, working conditions, etc.
JUDGMENT	Judicial determination of the existence of an indebtedness, or other legal liability.
JUDGMENT BY CONFESSION	The act of debtors permitting judgment to be entered against them for a given sum with a statement to that effect, without the institution of legal proceedings.
JUNK BOND	A high-yield corporate bond issue with a below-investment rating that became a growing source of corporate funding in the 1980s.
LEASE	A contract between the owner (lessor) and the tenant (lessee) stating the conditions under which the tenant may occupy or use the property.
LEGAL RATE OF INTEREST	The maximum rate of interest fixed by the laws of the various states, which a lender may charge a borrower for the use of money.
LENDING INSTITUTION	Any institution, including a commercial bank, savings and loan association, commercial finance company, or other lender qualified to participate with SBA in the making of loans.
LEVERAGED BUY-OUT	The purchase of a business, with financing provided largely by borrowed money, often in the form of junk bonds.
LIEN	A charge upon or security interest in real or personal property maintained to ensure the satisfaction of a debt or duty ordinarily arising by operation of law.
LIQUIDATION	The disposal, at maximum prices, of the collateral securing a loan, and the voluntary and enforced collection of the remaining loan balance from the obligators and/or guarantors.
LIQUIDATION VALUE	The net value realizable in the sale (ordinarily a forced sale) of a business or a particular asset.
LITIGATION	Refers to a loan in "liquidation status" which has been referred attorneys for legal action. Also: The practice of taking legal action through the judicial process.
LOAN AGREEMENT	Agreement to be executed by borrower, containing pertinent terms, conditions, covenants and restrictions.
LOAN PAYOFF AMOUNT	The total amount of money needed to meet a borrower's obligation on a loan. It is arrived at by accruing gross interest for one day and multiplying this figure by the number of days that exist between the date of the last repayment and the date on which the loan is to be completely paid off. This amount, known as accrued interest, is combined with the latest principal and escrow balances that are applicable to what is now referred to as the loan payoff amount. In the case where prepaid interest exceeds the accrued interest the latter is subtracted from the former and the difference is used to reduce the total amount owed.
LOSS RATE	A rate developed by comparing the ratio of total loans charged off to the total loans disbursed from inception of the program to the present date.
LOSS RESERVE ADJUSTMENT RATE	A reserve rate based upon the ratio of the aggregate net chargeoffs (chargeoffs less recoveries) for the most recent five years to the total average loans outstanding for the comparable 5-year period.
MARKUP	Markup is the difference between invoice cost and selling price. It may be expressed

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	all the costs of doing business plus a profit. Whether markup is based on the selling price or the cost price, the base is always equal to 100 percent.
MATURITY	As applied to securities and commercial paper, the period end date when payment of principal is due.
MATURITY EXTENSIONS	Extensions of payment beyond the original period established for repayment of a loan.
MERGER	A combination of two or more corporations wherein the dominant unit absorbs the passive ones, the former continuing operation usually under the same name. In a consolidation two units combine and are succeeded by a new corporation, usually with a new title.
MORTGAGE	An instrument giving legal title to secure the repayment of a loan made by the mortgagee (lender). In legal contemplation there are two types: (1) title theory - operates as a transfer of the legal title of the property to the mortgagee, and (2) lien theory - creates a lien upon the property in favor of the mortgagee.
NEGOTIATION	The "face to face" process used by local unions and the employer to exchange their views on those matters involving personnel policies and practices, or other matters affecting the working conditions of employees in the unit and reduced to a written binding agreement. Used also by contracting officers to reach agreement with potential contractors.
NEGOTIATION DISPUTE	That point in negotiations where labor and management cannot come to an agreement on some or all of the issues on the bargaining table and the services of the FMCS have not been utilized.
NEGOTIATED GRIEVANCE PROCEDURE	The sole and exclusive procedure available to all employees in a bargaining unit and the employer for processing grievances and disputes.
NET WORTH	Property owned (assets), minus debts and obligations owed (liabilities), is the owner's equity (net worth).
NOTES AND ACCOUNTS RECEIVABLE	A secured or unsecured receivable evidenced by a note or open account arising from activities involving liquidation and disposal of loan collateral.
OBLIGATIONS	Technically defined as "amount of orders placed, contracts awarded, services received, and similar transactions during a given period which will require payments during the same or a future period."
ORDINARY INTEREST	Simple interest based on a year of 360 days, contrasting with exact interest having a base year of 365 days.
OUTLAYS	Net disbursements (cash payments in excess of cash receipts) for administrative expenses and for loans and related costs and expenses (e.g., gross disbursements for loans and expenses minus loan repayments, interest and fee income collected, and reimbursements received for services performed for other agencies).
PARTNERSHIP	A legal relationship existing between two or more persons contractually associated as joint principals in a business.
PATENT	A patent secures to an inventor the exclusive right to make, use and sell an invention for 17 years. Inventors should contact the U.S. Department of Commerce Patent Office.
PRIME RATE	Interest rate which is charged business borrowers having the highest credit ratings, for short term borrowing.

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PRO-Net	An Internet-based database of information of small, disadvantaged, 8(a) and women-owned businesses seeking procurement contracts.
PRODUCT LIABILITY	Type of tort or civil liability that applies to product manufacturers and sellers.
PROFESSIONAL AND TRADE ASSOCIATIONS	Non-profit, cooperative and voluntary organizations that are designed to help their members in dealing with problems of mutual interest. In many instances professional and trade associations enter into an agreement with SBA to provide volunteer counseling to the small business community.
PROPRIETORSHIP	The most common legal form of business ownership; about 85 percent of all small businesses are proprietorships. The liability of the owner is unlimited in this form of ownership.
PROTEST	A statement in writing by any bidder or offeror on a particular procurement alleging that another bidder or offeror on such procurement is not a small business concern.
RATIO	Denotes relationships of items within and between financial statements, e.g., current ratio, quick ratio, inventory turnover ratio and debt/net worth ratios.
REQUEST FOR PROPOSALS	Solicitations for offerings for competitive negotiated procurements when it is impossible to draft an invitation for bids containing adequate detailed description of the required property and services. There are 15 circumstances in the Federal Acquisition Regulations (FAR) which permit negotiated procurements.
RETURN ON INVESTMENT	The amount of profit (return) based on the amount of resources (funds) used to produce it. Also, the ability of a given investment to earn a return for its use.
SECONDARY MARKET	Those who purchase an interest in a loan from an original lender, such as banks, institutional investors, insurance companies, credit unions and pension funds.
SERVICE CORPS OF RETIRED EXECUTIVES (SCORE)	Retired, and working, successful business persons who volunteer to render assistance in counseling, training and guiding small business clients.
SMALL BUSINESS DEVELOPMENT CENTERS (SBDC)	The SBDC is a university-based center for the delivery of joint government, academic, and private sector services for the benefit of small business and the national welfare. It is committed to the development and productivity of business and the economy in specific geographical regions.
TURNOVER (Business)	Turnover is the number of times that an average inventory of goods is sold during a fiscal year or some designated period. Care must be taken to ensure that the average inventory and net sales are both reduced to the same denominator; that is, divide inventory at cost into sales at cost or divide inventory at selling price into sales at selling price. Do not mix cost price with selling price. The turnover when accurately computed, is one measure of the efficiency of a business.
UNDELIVERED ORDERS	The amount of orders for goods and services outstanding for which, the liability has not yet accrued. For practical purposes represents obligations incurred for which goods have not been delivered or services not performed.
UNFAIR LABOR PRACTICE	Action by either the employer or union which violates the provisions of EO 11491 as amended.
UNIFORM COMMERCIAL CODE	Codification of uniform laws concerning commercial transactions. In SBA parlance generally refers to a uniform method of recording and enforcing a security interest or charge upon existing or to be acquired personal property.
USURY	Interest which exceeds the legal rate charged to a borrower for the use of money.

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VENTURE CAPITAL	Money used to support new or unusual commercial undertakings; equity, risk or speculative capital. This funding is provided to new or existing firms that exhibit above-average growth rates, a significant potential for market expansion and the need for additional financing for business maintenance or expansion.
WORD PROCESSING	Is the efficient and effective production of written communications at the lowest possible cost through the combined use of systems management procedures, automated technology, and accomplished personnel. The equipment used in word processing applications includes but is not limited to the following: Dictation and transcription equipment, automatic repetitive typewriters, visual display text editing typewriters, keyboard terminals, etc.
WORKERS' COMPENSATION	A state-mandated form of insurance covering workers injured in job- related accidents. In some states the state is the insurer; in other states insurance must be acquired from commercial insurance firms. Insurance rates are based on a number of factors including salaries, firm history and risk of occupation.