

# BUSINESS TERMINOLOGY

A must for business students, professionals or anyone looking to broaden their business vocabulary

**A absolute advantage:** Occurs when a country uses the same level of resources to produce more goods than another country

**accounting:** The recording, analysis and reporting of financial transactions of a business

**accounts payable:** Money owed by a company for goods and services purchased on credit from vendors

**accounts receivable:** Money owed by customers for goods or services purchased on an open account

**accrued interest:** Interest that has accumulated and is added to a loan

**adjustable rate mortgage (ARM):** A mortgage in which the interest rate is adjusted periodically based on a preselected index

**advertising:** Placement of announcements and persuasive messages (in time or space) communicated through media or nonmedia forms; used to inform or persuade members of a target market or audience about a good, service, organization or idea

**advertising campaign:** Series of coordinated advertising vehicles in various media, scheduled for a certain time period, and related by verbal and/or visual themes or common objectives

**advertising strategy:** An overview of the competitive frame, target market and message to be used in an advertising campaign

**affiliate marketing:** An on-line marketing strategy that shares revenue between on-line advertisers/merchants and on-line publishers/salespeople; compensation is usually based on performance (sales, clicks, registrations)

**agents:** Intermediaries who negotiate the purchase or sale of goods for their clients, but who do not take title to the goods

**amortization:** Payment of a debt that allows the borrower to reduce debt through regular payments over a certain period of time

**annual percentage rate (APR):** An interest rate that reflects the cost of a loan as a yearly rate

**appreciate:** To increase in value or price

**asset:** Everything owned that has value, including tangible items like cash, accounts receivable, inventory, land, buildings, equipment

**audit:** An examination and verification of a business's accounting records and procedures by a trained accountant or CPA (certified public accountant)

**awareness:** First stage in the process of learning about a new good or service that the consumer has gotten information about but not yet formed an opinion on

**B back order:** An item not currently in stock but to be sold or delivered when it becomes available

**balance of trade:** The difference between a country's total imports and exports

**balance sheet:** A summary of a company's financial condition at a specific period of time; indicates the company's assets, liabilities and net worth

**bankruptcy:** A legal process in which a company (or person) owes more than its assets and is relieved from payment of debts by transferring those assets to a trustee

**banner ad:** A graphical Internet advertising tool; users click on the graphic to be directed to another Web site

**behavioral analysis:** An evaluation and control method used to monitor sales force performance; involves evaluating the behavior of salespeople and sales performance

**benchmark:** Something that serves as the standard to which all other like items can be measured or compared

**beneficiary:** A person who is designated to receive benefits, profits or advantages

**beta:** A measure of an asset's risk in relation to the market

**bill of lading:** A contract between shipper and carrier detailing what is being shipped, how it is being shipped, and terms of delivery

**bill of materials:** Document used by a company to authorize a set of purchases to be made or to be taken from inventory to fulfill an order

**blended payment:** A loan payment, consisting of principal and interest, that is the same amount every month

**blog:** An Internet communication that combines a diary, column and directory; short articles on various subjects with links to other resources; updated often

**blue-chip stocks:** Common stock of well-known companies with a history of growth and dividend payments

**board of directors:** Individuals elected by shareholders; responsible for managing the president and high-level managers

**body copy:** The section of a print ad that contains text and more detailed information than the headlines and subheads

**bond:** A government- or corporation-issued certificate of debt guaranteeing payment of the original investment plus interest by a certain future date

**bond mutual fund:** Investment company that invests its shareholders' monies in bonds

**book value:** Total assets minus intangible assets and liabilities; can be more or less than market value

**bottom line:** An accounting term for the net profit or loss

**brand:** A mark, symbol, word or combination that separates one company's product from another's

**brand awareness:** Having knowledge that a brand exists; considered first step in the sale process

**brand category:** Generic classification of goods or services; like goods or services are in the same brand category

**brand extension:** Addition of a new product to an already established line of products under the same brand name; new product benefits from the older products' established reputation

**brand loyalty:** Loyalty a consumer has to a specific brand over a period of time

**branding:** A method of identifying products and differentiating them from competing products

**break-even point:** The level of sales where revenue equals total costs; can also be expressed in terms of units of product

**budget deficit:** Point at which spending exceeds revenues

**business cycle:** Period of time composed of a business upswing or expansion, peak, downturn, trough and recovery

**business plan:** A document fully describing and analyzing a particular business; provides complete, detailed information about short- and long-term plans

**bylaws:** A set of regulations used by an organization to conduct its business

**C call feature:** A feature that gives the right to the issuer to repurchase a bond before maturity

**call to action:** Statement normally found at the end of a commercial message that encourages the consumer to act

**cannibalization:** Reduction in the sales volume, sales revenue or market share of one product as a result of the introduction of a new product by the same producer

**capital budget:** Allocated amount of funds to be used on purchasing assets such as machinery, building, equipment, computers, etc., that are needed for longer than one year

**capital gain:** Profit from the sale of an investment; the price received from the sale of an investment minus the price paid

**capitalism:** Economic system based on private ownership of businesses

**carrying cost:** Expense of keeping inventory on hand

**cash cow:** Good or service that generates a steady and predictable income

**cash flow statement:** Financial statement that shows when cash flows are received and disbursed by a business

**category killer:** A destination store, normally large, that concentrates on one category, enabling them to carry a broad assortment and deep selection at a low price

**certificate of deposit (CD):** A document written by a financial institution that shows a deposit with the issuer's promise to return the deposit plus earnings at a certain interest rate within a period of time

**channel of distribution:** Route a product follows to link producer to end consumer

**chapter 7:** Part of U.S. Bankruptcy Code that deals with liquidations of a company's assets

**chapter 11:** Chapter in the U.S. Bankruptcy Code that allows a business, an individual or a partnership to declare bankruptcy and postpone debt payments while the reorganization takes place

**charter:** Document issued to incorporate a business; details important aspects of the corporation

**circulation:** Number of copies distributed of a print advertisement

**click-through rate (CTR):** Number of clicks-through per ad impression (refers to on-line ads)

**co-branding:** Pairing of two or more brands on a single good or service

**cold call:** Unscheduled contact by phone or in person between seller and prospective customer

**commercial bank:** Financial institution that raises funds by collecting deposits from businesses and consumers; makes loans to businesses and consumers; purchases corporate and government bonds

**commercial paper:** Short-term unsecured note (2 to 270 days) issued by companies with good credit standings

**commissions:** Compensation for meeting specific sales objectives

**commodity:** Bulk goods, such as wheat or metal, that investors buy or sell usually via futures contracts

**common stock:** Type of security that gives partial ownership in a company; has a vote in electing board of directors; entitles the holder to share in company's success through dividends and/or capital appreciation

**communism:** Economic system in which government owns and operates all businesses

**comparative advertising:** Persuading an audience to purchase a specific product by showing a brand's superiority in comparison with competing brands

**competitive advantage:** Advantage gained that makes a product more desirable than the competition; persuading customers to buy it instead; can include lower prices and superiority of goods or services

**conglomerate:** A company engaged in two or more unrelated industries

**conglomerate merger:** When two companies in unrelated industries join together

**consumer:** Person who uses a product but does not necessarily buy it

**consumer markets:** Individuals or households that purchase goods or services for consumption or use

**consumer price index (CPI):** Monthly government statistical measure that shows the trend of prices of goods and services purchased by consumers; measures inflation

**consumer product:** Product intended for and purchased by households for their use

**contribution margin:** Difference between variable revenue and variable cost

**conventional mortgage:** Mortgage not insured or guaranteed by the federal government

**corporation:** State-chartered entity that pays taxes and is legally distinct from its owners

**cost of goods sold (COGS):** Cost of materials used in producing a product or service

**cost per click (CPC):** Cost that advertisers pay each time a user clicks an ad or link

**creditors:** Financial institutions (or individuals) that provide loans

**critical path:** Sequence of events in a project listed in order according to completion time

**current assets:** Represents cash, accounts receivable, inventory, prepaid expenses and other assets that can be converted to cash within one year

**current liabilities:** Operating loans, accounts payable and accrued charges (including outstanding checks, wages, long-term debt payments and taxes) due within a year

**current ratio:** Indication of a company's ability to meet short-term debt obligations; the greater the ratio, the more liquid the company; current assets divided by current liabilities

$$\text{Current Ratio} = \frac{\text{Current Assets}}{\text{Current Liabilities}}$$

**customer:** Person who buys a product but doesn't necessarily use it

**customer profile:** Characteristics of the typical customer (based on demographics)

**customer relationship management (CRM):** Integrated information system designed to build customer loyalty by having customer information in a central database

**cyclical unemployment:** Unemployment due to a recession; happens when the demand for labor declines

**D debt-to-equity ratio:** Measures the amount of long-term financing provided by debt relative to equity; long-term debt divided by owner's equity

$$\text{Debt-to-Equity Ratio} = \frac{\text{Long-Term Debt}}{\text{Owner's Equity}}$$

**demand-pull inflation:** Increase in prices that occurs when demand exceeds supply

**demand schedule:** Table or schedule indicating quantity of a product that would be demanded at a certain price point

**demographics:** Characteristics of the human population or specific segments of the population

**depreciate:** To decrease in value or price

**depreciation:** Decrease in the value of fixed assets because of deterioration of assets over a period of time

**direct marketing channel:** Goods and services sold directly from the producer to end user without involvement of an intermediary



**discount rate:** Interest rate attached to loans issued by the Federal Reserve to commercial banks

**disinflation:** Falling inflation rate (prices are still rising)

**disposable income:** Income left after expenses

**distributor:** Company or individual distributing a manufacturer's goods to retailers

**dividend:** Portion of company's profit paid to common and preferred shareholders

**dividend policy:** Decision by which a company determines how much money it will pay as dividends

**Dow Jones Industrial Average (DJIA):** Best-known U.S. index of stocks (blue-chip); contains 30 stocks that trade on the New York Stock Exchange (NYSE); the Dow is a barometer of how shares of the largest U.S. companies are performing

**downsizing:** Elimination of job positions within a company to improve the bottom line

**Earnings per share (EPS):** Company's income for a period divided by the number of shares outstanding at the end of the period

**e-commerce:** Use of electronic media (i.e., the Internet) to produce or sell goods and services

**economic growth:** Change in the general level of economic activity

**economies of scale:** As the quantity produced increases, the cost per unit decreases in the long run

**electronic data interchange (EDI):** Exchange of standardized document forms between computers for business use

**embargo:** Government action stopping the import or export of a certain commodity or commodities

**entrepreneur:** One who assumes all financial risk of the initiation, operation and management of a given business undertaking

**environmental analysis:** Gathering and examining data about a company, including political, cultural, social, demographic, economic, legal, international and ecological factors

**equal employment opportunity (EEO):** Federal legislation prohibiting employment discrimination based on race, sex, religion or ethnic background

**equilibrium price:** Price at which the quantity of a good supplied by firms equals the quantity of the product demanded by customers

**equity:** Difference between the fair market value of property and the amount still owed; ownership interest in a business

**equity contribution:** Cash that the owner(s) or investor(s) has (have) invested in the business in return for a share of ownership

**esteem needs:** Self-esteem, attention and recognition from others

**exclusive distribution:** Product distributed through one specific wholesaler or retailer in a market area

**exporting:** Selling products or services to other countries

**exposure:** Any opportunity for consumer to see and/or hear an advertising message in a certain media vehicle

**Federal budget deficit:** When federal government spending exceeds the amount of taxes and other revenue received by the federal government

**Federal Deposit Insurance Corporation (FDIC):** Federal government agency that insures accounts at most commercial banks and savings banks

**federal ID number:** Identification number that the IRS (or a state taxing authority) assigns to businesses for taxpaying purposes

**Federal Reserve System ("the Fed"):** Central bank of the U.S.;

responsible for implementing the nation's monetary policy and assisting the nation in attaining its economic and financial goals

**finance companies:** Companies that make loans to individuals or businesses

**financial analysis:** Analysis of a company's financial statement

**first in, first out (FIFO):** Inventory system in which the first goods purchased are the first ones sold

**fixed annuity:** Investment contract sold by insurance company that guarantees fixed payments for life (or a specified period) to the annuitant

**fixed assets:** Long-term, tangible assets held for business use and not expected to convert to cash in the current or upcoming fiscal year; items include real estate, equipment and furniture

**fixed costs:** Operating expenses that do not change in response to the number of products produced

**forecast:** Predicated amount of revenue generation over a specified period of time

**foreclosure:** Legal process by which mortgaged property is sold to pay loan of defaulting borrower

**forward contract:** Contract that states an exchange of currency will occur at a specified exchange rate at a future time

**forward rate:** Exchange rate a bank will offer at a future time

**franchise:** Business arrangement under authorization to sell or distribute a company's goods or services; the owner allows others to use its trademark, trade name or copyright

**franchisee:** Purchaser of a franchise; agrees to sell the product according to the franchiser's requirements

**franchiser:** Company that allows a license to individuals to operate under the trademark and operating systems of that company

**frictional unemployment:** Temporary unemployment that occurs when people are between jobs or in seasonal employment

**futures:** Contract to buy or sell a commodity or financial instrument at a specific price on a specified date

**Gantt chart:** Bar graph that measures how long each task in production process will take

**generic brand:** Product named by its generic class

**goodwill:** Amount representing the excess paid for a company, its shares, or other assets over and above its net asset value

**going public:** Company's initial stock issue to the public [*also see IPO*]

**gross domestic product (GDP):** Total value of all goods and services produced in a country during a given period of time

**gross income:** Income before expenses

**gross margin:** Price of goods and services minus manufacturing cost

**gross national product (GNP):** Total value of goods and services produced by U.S. nationals in the U.S. and abroad in a given period of time

**gross profit:** Net sales minus cost of goods and services sold

**gross sales:** Total value of sales prior to deducting returns, allowances or discounts

**Hierarchy of needs model:** Human behavior theory proposed by Abraham H. Maslow [*see Maslow's hierarchy of needs*]

**horizontal merger:** Merger of two or more companies in same industry that produce the same type of good(s) or service(s)

**I** **income statement:** Financial statement that reports revenue, cost and profits over a period of time [*also see Profit and Loss Statement (P & L)*]

**incorporation:** Process that makes a business a separate legal entity from its owner

**incremental cost:** Additional business expense incurred by taking a certain action

**inflation:** Rise in general level of prices of goods and services over a specific period of time; can be estimated by measuring percentage change in consumer price index (CPI)

**infomercial:** Program-length televised commercial advertising goods and/or services; often includes a direct response offer

**initial public offering (IPO):** Company's first sale of stock to the public [*also see Going Public*]

**insertion order:** Instructions to publisher detailing the placement of material for a print ad

**inside board members:** Board members who are also managers in the company

**inside sales:** Sales done via phone

**integrated marketing:** Coordination of all promotion vehicles to ensure consistent marketing message

**intensive distribution:** Product is distributed through all or most wholesalers or retailers selling that product in the marketplace

**interest:** Fee charged for using an institution's or individual's money or credit; expressed as percentage rate over a time period

**international licensing agreement:** Agreement that allows a foreign entity to produce another company's product according to the exact standard of that company

**inventory control:** Process of maintaining sufficient inventory at a level that minimizes costs

**J** **job analysis:** Determining the skills and attributes needed for a specific employment position

**joint venture:** Agreement between two or more companies to take on same business strategy and plan of action

**just-in-time (JIT):** Strategy that reduces inventory levels by working closely with suppliers to coordinate delivery of materials just before use in manufacturing or supply process

**L** **last in, first out (LIFO):** Inventory system in which the last item purchased is the first item used

**law of demand:** Increase in price causes decrease in quantity demanded

**law of supply:** Increase in price causes increase in quantity supplied

**lease:** Written agreement renting assets for specified period of time in exchange for payment, normally in the form of rent

**leasehold improvement:** Improvement(s) made on leased property

**liability:** Anything that a company owes

**limit order:** Order to buy or sell a security at a specified price or better

**limited liability company (LLC):** Type of business ownership combining features of a corporation and partnership; has limited liability; avoids double taxation

**limited partnership:** Partnership with one general partner and any number of limited partners; they can purchase interest and be held liable only to the extent of their interest and not risk personal liability

**line of credit:** Agreement with bank or financial institution that extends credit up to a certain amount and period of time to a specified borrower

**liquid:** Asset that can be converted into cash quickly and without any price discount

**loan-to-value ratio (LTV):** Relationship between the amount of mortgage loan and appraised value of property (expressed as a percentage)

**M** **macroeconomics:** Study of economic aggregates such as national production and price level

**macroenvironment:** Factors that influence an organization but are outside that organization's control

**management:** Administration and policymakers of company or organization; utilizing employees and other resources in the way that best achieves company's plans and objectives

**managers:** Employees responsible for managing work tasks of other employees, as well as for making key business decisions

**market:** Actual and potential buyers of a good or service

**market coverage:** Degree of product distribution among outlets

**market research:** Gathering, recording and analysis of data in regard to a specific customer group; used to make marketing decisions

**market share:** Company's total sales as proportion of the total market

**marketing:** Operations needed to get goods or services developed, priced, distributed and promoted to customers

**marketing channel:** Set of companies necessary to transfer title to goods and move goods from point of production to point of consumption

**marketing concept:** Philosophy that guides the attitude of everyone in a company to stimulate and satisfy needs and wants of every customer

**marketing environment:** Environments within and outside an organization's control that can directly or indirectly affect the activities of that organization (includes macroenvironment, microenvironment and internal environment)

**marketing intermediaries:** Independent firms that help the flow of goods and services from producers to end users (includes agents, wholesalers, retailers, marketing service agencies and financial institutions)

**marketing mix:** Variables (4 Ps: product, place, price, promotion) used to achieve sales in target market

**Maslow's hierarchy of needs:** Human behavioral theory that ranks needs in five categories (physiology, safety, social, self-esteem, self-actualization); as each need is surmounted, motivation sets in to achieve next category

**merchant:** Marketing intermediary that takes title to and resells merchandise

**merger:** Two or more companies combining to become one; assets and liabilities of the selling firm(s) are absorbed by the purchasing company

**microeconomics:** Study of the behavior of consumers and producers operating in the individual markets of the economy

**mission statement:** Statement that communicates an organization's purpose, goals, values and functions

**money supply:** Amount of money in circulation

**monopoly:** Market for a good or service that only has one seller/supplier

**mutual fund:** Company that invests shareholders' monies in securities



**N** **National Association of Securities Dealers Automatic Quotation System (NASDAQ):** Computerized system that provides price quotations for securities traded over-the-counter (OTC)

**net present value (NPV):** Used in a capital budget when the present value (PV) of cash flow is subtracted from the initial investment (I)

$$NPV = PV - I$$

**net profit margin:** Measures how effective a company is at cost control; usually expressed as a percentage, net profits divided by net revenue

$$\text{Net Profit Margin} = \text{Net Profits} / \text{Net Revenue}$$

**net sales:** Gross sales minus returns, allowances and discounts

**New York Stock Exchange (NYSE):** Located on Wall Street in New York City; also called the "Big Board"; 2,000 common and preferred stocks traded

**O** **operating expenses:** Expenses incurred in normal day-to-day business

**organizational chart:** Graphic showing positions within a company (by name and title) and the reporting relationship

**organizational structure:** Way company is organized; identifies functions for each position within a company and reporting relationships between those positions

**outside board member:** Board members who are not managers within the company

**outside sales:** Sales made by individuals visiting others in person

**outsourcing:** Purchasing service(s) from outside vendor(s) to replace having the task(s) done within an organization's internal operations

**owner's equity:** Total assets minus total liabilities of a company or individual

**P** **par value:** Amount an issuer of a bond agrees to pay at the bond's maturity; also, the stated issue price of a security

**partnership:** Business ownership involving two or more people who are fully liable for all business debts

**pay-per-click (PPC):** On-line advertising pricing model where advertisers pay agencies based on the number of clicks on a promotion

**personal selling:** Sales presentation that involves face-to-face interaction with a customer

**physiological needs:** Basic needs for survival (food, water, air, health and sleep)

**points:** Prepaid interest charged by a lender to lower the interest rate of a loan; 1 point is equal to 1% of the loan amount

**policies:** Guidelines for how certain tasks should be completed

**preferred stock:** Capital stock that represents a partial ownership in a company; provides a specific dividend paid prior to any dividends paid to common stockholders

**premium:** Gift to consumers who purchase a specific product

**price index:** Average level of prices relative to average level in base time period

**prime rate:** Interest rate banks charge on loans to low-risk borrowers

**private company:** Company whose shares are not traded on the open market

**private mortgage insurance (PMI):** Required on almost every conventional loan with less than 20% down payment; protects lender in case borrower defaults on loan

**privatization:** Process of selling government-owned businesses to private companies

**producer price index (PPI):** Measure of average price of goods bought by producers

**product:** Goods or services that satisfy a need

**product differentiation:** Attributes that make one product different from another

**product life cycle:** Stages a product is thought to go through from creation to death: introductory, growth, maturity and decline

**product line:** Related goods or services offered by a single company

**product mix:** Variety of goods or services offered by a company

**profit and loss statement (P&L):** Summary of a company's revenues, costs and expenses within an accounting period [*also see Income Statement*]

**program evaluation and review technique (PERT):** Method for analyzing tasks needed to complete a project and time estimates to complete each task

**promotion budget:** Money reserved to pay for all promotion methods over a given period of time

**promotion mix:** Communication techniques used to achieve specific goals; include advertising, personal selling, sales promotion and public relations

**prospect:** Company or individual in need of a particular good or service; to seek out (through personal contact) potential buyers of a good or service and try to sell to them

**prospectus:** Legal document that describes the securities offered for sale, including information on investment objective, policies, fees and services

**proxy:** Documents that provide shareholders with the necessary information to vote in an informed manner on matters to be brought up at a stockholders' meeting; shareholders often give management their proxy (i.e., responsibility and right to vote their shares as outlined in the proxy statement)

**public company:** Company whose shares are traded on the open market, following a public offering

**public offering:** Selling of securities to the public; must be registered with the Securities and Exchange Commission (SEC)

**public relations:** Using publicity and other nonpaid forms of promotion and information to create positive public image

**public sector:** Government-owned businesses

**pull strategy:** Promotion specifically directed at the target market; used to build consumer demand for product

**push strategy:** Promotion of product directed at the wholesaler or retailers; they in turn promote to consumer

**Q** **quality:** Degree to which good or service meets the specifications of the customer

**quality control:** Process that determines if a good or service meets the desired level of excellence

**quick ratio:** Measures a company's liquidity; used to evaluate creditworthiness; equals quick assets (cash, marketable securities, accounts receivable) divided by current liabilities

$$\text{Quick Ratio} = \frac{\text{Cash} + \text{Marketable Securities} + \text{Accounts Receivable}}{\text{Current Liabilities}}$$

**R** **ratio analysis:** Evaluation and interpretation of the relationship between financial statement variables  
**rebate:** Return of a portion of the purchase price from the manufacturer  
**recession:** Two or more consecutive quarters of decline of the gross domestic product (GDP)  
**reminder advertising:** Used to keep consumers thinking about a product  
**return on assets (ROA):** Measures a company's profitability; net profits divided by total assets  
**Return on Assets = Net Profits / Total Assets**  
**return on equity (ROE):** Measures the return to the stockholder as a percentage of their investment; net profit divided by owner's equity  
**Return on Equity = Net Profit / Owner's Equity**  
**return on investment (ROI):** Monetary value created or expected to be achieved by an investment of money

**S** **s-corporation:** Corporation whose income is taxed to its shareholders; does not directly pay federal income tax on earnings  
**sales promotion:** Marketing activities designed to encourage sale of product or service; rebates, coupons, sampling, displays and premiums  
**salvage value:** Value of an asset at the end of the asset's useful life, which a company can receive from selling it  
**sampling:** Process that assesses quality by randomly selecting products and testing them to see if they meet the standard of excellence; a promotional technique that offers free goods to encourage consumers to purchase new brand or product  
**seasonal unemployment:** Unemployment that occurs due to change of season that affects demand for certain kinds of labor  
**secondary market:** Market where securities are traded among investors after they were initially offered in the primary market (e.g., NYSE, AMEX and NASDAQ)  
**secured bonds:** Bonds issued by borrowers backed by collateral  
**selective distribution:** Product is distributed through a limited number of wholesalers or retailers in a market area  
**self-actualization:** When an individual has reached his/her full potential as a human being  
**shortage:** Quantity supplied by company is less than quantity demanded by customers  
**social need:** Need to be accepted in a group  
**social responsibility:** Awareness of how business decisions can affect society  
**socialism:** Economic system in which government owns and operates main industries, but individuals own and operate less crucial industries  
**sole proprietorship:** Unincorporated business owned and operated by one individual  
**span control:** Number of people managed by a manager or supervisor  
**sport exchange rate:** Exchange rate quoted for immediate transactions  
**stakeholders:** Individuals that have an interest in a business, including customers, owners, creditors, employees and suppliers  
**stock:** Certificate representing share of ownership in company  
**stockholders:** Investors who are partial owners of a company because they purchased stock  
**strategic business unit (SBU):** Division or product line within parent company but with separate goals and objectives

**strategic plan:** Set of plans that describes company's goals and objectives  
**structural unemployment:** Long-term unemployment caused by workers not having adequate skills  
**supply chain:** Process from beginning of production until product reaches end consumer  
**supply schedule:** Table or schedule that shows the relationship between the price and quantity of a good or service that producers can supply  
**surplus:** Quantity supplied by company exceeds quantity demanded by customers  
**SWOT Analysis:** Research that is broken down into four areas: strengths (internal), weaknesses (internal), opportunities (external) and threats (external)

**T** **target market:** Selected group of consumers (or potential consumers) at which to focus marketing efforts to sell a particular good or service  
**telemarketing:** Using the telephone for promoting and selling goods and services  
**times interest earned ratio (TIER):** Measures the ability of a company to cover its interest payments; earnings before interest and taxes (EBIT) divided by annual interest expense  
**Times Interest Earned = Earnings Before Interest and Taxes (EBIT) / Annual Interest Expense**  
**total quality management (TQM):** Philosophy based on idea that successful companies continuously improve the quality of their products; quality is defined by the customer  
**trade deficit:** Amount of imports exceeds amount of exports  
**Treasury bills (T-bills):** Short-term debt security issued by the U.S. Treasury Department; has maturity of one year or less and low risk  
**Treasury notes (T-notes):** Debt obligations of the U.S. government; have maturities of 1 to 10 years  
**two-level channel:** Two marketing intermediaries between producer and customer

**U** **underwriting:** Evaluating a loan application to determine risk for lender  
**unlimited liability:** No limit on the debt for which the owner is liable  
**up-sell:** Selling customer a good or service of higher value  
**U.S. Department of Housing and Urban Development (HUD):** Insures mortgage loans made by lenders and sets minimum standards for homes

**V** **value added reseller (VAR):** Company that sells another company's product by adding features to it  
**variable costs:** Operating expenses that vary directly with the number of products being produced  
**variable rate:** Interest rate that changes periodically in relation to the index  
**venture capital firm:** Investment firm that invests shareholders' money in startup companies, companies that are expanding, and other risky but potentially profitable ventures  
**vertical merger:** Merger of two companies in the same industry but at different stages in the production cycle

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