GLOSSARY OF TERMS

A

Accountant: A person who carries out bookkeeping, auditing, and other financial reporting and analysis. This is a generic term referring to a wide range of skills from semi-clerical to highly trained professional work.

Accounts payable: The outstanding bills of an enterprise; money owed to suppliers for goods and services purchased for the normal operations of the venture. Accounts payable are included on the balance sheet under current liabilities.

Accounts receivable: The money that is owed to a venture for goods and services that have been purchased from it or that have been committed as a grant or donation. Accounts receivable are included on the balance sheet under current assets.

Asset: Anything that can be sold, on which a money value hence can be placed. In a balance sheet, everything that an organization owns that can be expressed as a dollar value is listed. Assets include, for example, land, buildings, machinery, inventories, patents, cash, investments in other companies, money owed, etc.

B

Business: The production of goods or services for profit. Such activity can be carried out by an individual, a family, a partnership, or an incorporated company.

C

Calculated risk: A risk that has been given thoughtful consideration and for which the potential costs and potential benefits have been weighted and considered.

Capital: 1. In economics, one of the factors of production that is essential to the functioning of the economy. It represents the mines, factories, machinery, and other capital goods that are used to produce goods and services and on which income is earned. The capital in an economy increases as new investments are made from the profits earned on existing capital. 2. In financial markets, the funds available for investment in financial assets such as shares, bonds, certificates of deposit, or real property. 3. In business, the total funds invested in the company to enable it to carry out its activities.

Capitalist: A person who owns shares in a business enterprise.

Cash flow: A detailed outline of estimates for the receipt of revenue and the payments to be made over a period of time such as six months to a year. The cash-flow projection will highlight periods of cash shortage and potential need for credit

Competition: A market in which rival sellers are trying to gain extra business at one another's expense and thus are forced both to be as efficient as possible and to hold their prices down as much as possible. Competition is thus a sophisticated yet uncoordinated mechanism that sorts out the actions of millions of buyers and sellers and uses the resulting pattern of supply and demand to determine what shall be produced, in what quantities, and at what price.

D

Demand: The combined desire, ability and willingness on the part of individuals to acquire or make use of a good or service. Demand is determined by income and by price, which is, in part, determined by supply.

Depreciation: A method of calculating and writing off the costs of fixed assets, such as machinery, buildings, trucks, and equipment. Investment in such fixed assets, which wear out or become obsolete over time, is a normal expense of business.

E

Economic growth: The increase over a period of time in the production of goods and services and the capacity to produce goods and services. Economic growth is usually measured as the percentage increase in gross national product over a specified period of time, after adjusting for inflation; since population is constantly changing, a more precise measure is the rate of growth of real per capita income.

Efficiency: The most effective use or allocation of resources to yield the maximum benefits. Efficiency in one sense — the effective use of resources — is often applied to individual firms in comparing how well they organize the productive process (labour, management, machinery, new technology) to achieve the lowest possible production cost for their products. In a broader sense it refers to the way in which all of the various factors of production are used to achieve maximum output throughout the economy at the lowest cost, or to achieve a distribution of the output of society that results in the greatest degree of satisfaction.

Entrepreneur: A person who engages in the process of entrepreneurship.

Entrepreneurship: Involves the recognition of opportunities (needs, wants, problems, and challenges) and the use of resources to implement innovative ideas for new, thoughtfully planned ventures.

G

Groupthink: The forces that tend to suppress or resist divergent thinking when a group is working to accomplish a specific task within a limited period of time.

I

Idea: (for entrepreneurship) A new, creative approach to specifically addressing a perceived opportunity (a need, want, problem or challenge).

Innovation: The use of a new technology, item, or process to change what goods and services are provided, the way they are produced, or the way they are distributed.

Interest: The cost incurred in borrowing and using someone else's money or, alternatively, the income earned by allowing others to use your money.

Intrapreneurship: The application of entrepreneurial skills and approaches within or by a corporation.

Invention: The creation of a new technology, item, or process, as opposed to its application in widespread use.

Investment: 1. As used in economics, spending on capital goods such as factories, mines, and machinery so as to increase the productive capacity of the economy. 2. In its broader meaning, investment is any purchase of an asset to increase future income.

Investment capital: (start-up) Initial investment capital necessary for starting a business usually consisting of inventory, equipment, pre-opening expenses, and leaseholds.

L

Liabilities: All the debts of a corporation, partnership, or individual; one part of the balance sheet. Liabilities include short-term or current liabilities (such as accounts payable, short-term debts, income and other taxes due, and the amount of long-term debt that must be paid within twelve months) and long-term liabilities (which include long-term debts and deferred income taxes). On a balance sheet, liabilities are subtracted from assets — what remains is the shareholder's equity, or ownership in the business.

M

Market: 1. The place where buyers and sellers meet to exchange goods for money or for other goods at a price that is arrived at through an implied auction in which buyers and sellers negotiate price. 2. The demand, actual or potential, for a product or service.

Market economy: An economy in which the setting of prices and allocating of resources are determined largely by the forces of supply and demand.

Marketing: The planning and implementation of a strategy for the sale, distribution, and servicing of a product or service.

Marketing strategy: Marketing starts with market research, in which needs and attitudes and competitors' products are assessed, and continues through into advertising, promotion, distribution, and, where applicable, customer servicing and repair, packaging, and sales and distribution.

O

Opportunity: (for entrepreneurship) A need, want, problem, or challenge that can potentially be addressed by an entrepreneurial idea and an entrepreneurial venture.

Opportunity cost: The loss of the next best alternative whenever a decision is made involving two or more options.

P

Patent: The legal right to ownership of an invention issued, in Canada, under the Patent Act. By granting this right to inventors, society hopes to encourage invention and innovation and, thus, to benefit from increased economic efficiency and growth. The benefit to the inventor is that, for a limited period, the inventor can charge a royalty for the use and application of his or her invention, or sell such rights to another person.

Productivity: The output of goods and services in the economy or in an industry from the effective use of various inputs (such as skilled workers, capital equipment, managerial know-how, technological innovation, and entrepreneurial activity) used to produce those goods and services.

Profit: What is left over for the owner(s) of a business after all expenses have been deducted from the revenues of a firm. Gross profit is the profit before corporate income taxes. Net profit is the final profit after all deductions have been made.

R

Resources: The raw materials, supplies, capital equipment, factories, offices, labour, management, and entrepreneurial skills that are used in producing goods and services.

Revenue: The total income a business firm or government receives from all sources.

Risk: The likelihood of undesirable, unforeseen, or uncontrollable events occurring.

S

Strategic plan: A forward-looking plan that aims to map out the means to achieve longer-term goals and to plan a response to unforeseen problems and opportunities.

V

Venture: Any initiative that entails the mobilization of resources to establish a good, service, program, and so forth to address needs, wants, problems, and challenges.

Venture plan: A comprehensive written summary drawn up to establish the viability and direction of a contemplated venture. It includes how the entrepreneur intends to organize resources to attain established goals. It is the "road map" for operating the venture and for measuring its progress on a monthly and annual basis.

W

Working capital: The funds available for carrying on the activities of a business after an allowance is made for bills that have to be paid within the year. Working capital is calculated by deducting the current liabilities from the current assets of a firm and indicates a company's ability to pay its short-term debts. The excess of current assets is the working capital.