

Glossary of Small Business Terms

Absolute liability

Liability that is incurred due to product defects or negligent actions. Manufacturers or retail establishments are held responsible, even though the defect or action may not have been intentional or negligent.

ACE

See Active Corps of Executives

Accident and health benefits

Benefits offered to employees and their families in order to offset the costs associated with accidental death, accidental injury, or sickness.

Account statement

A record of transactions, including payments, new debt, and deposits, incurred during a defined period of time.

Accounting system

System capturing the costs of all employees and/or machinery included in business expenses.

Accounts payable

See Trade credit

Accounts receivable

Unpaid accounts which arise from unsettled claims and transactions from the sale of a company's products or services to its customers.

Active Corps of Executives (ACE)

A group of volunteers for a management assistance program of the U.S. Small Business Administration; volunteers provide one-on-one counseling and teach workshops and seminars for small firms.

ADA

See Americans with Disabilities Act

Adaptation

The process whereby an invention is modified to meet the needs of users.

Adaptive engineering

The process whereby an invention is modified to meet the manufacturing and commercial requirements of a targeted market.

Adverse selection

The tendency for higher-risk individuals to purchase health care and more comprehensive plans, resulting in increased costs.

Advertising

A marketing tool used to capture public attention and influence purchasing decisions for a product or service. Utilizes various forms of media to generate consumer response, such as flyers, magazines, newspapers, radio, and television.

Age discrimination

The denial of the rights and privileges of employment based solely on the age of an individual.

Agency costs

Costs incurred to insure that the lender or investor maintains control over assets while allowing the borrower or entrepreneur to use them. Monitoring and information costs are the two major types of agency costs.

Agribusiness

The production and sale of commodities and products from the commercial farming industry.

Americans with Disabilities Act (ADA)

Law designed to ensure equal access and opportunity to handicapped persons.

Annual report

Yearly financial report prepared by a business that adheres to the requirements set forth by the Securities and Exchange Commission (SEC).

Antitrust immunity

Exemption from prosecution under antitrust laws. In the transportation industry, firms with antitrust

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immunity are permitted under certain conditions to set schedules and sometimes prices for the public benefit.

Applied research

Scientific study targeted for use in a product or process.

Assets

Anything of value owned by a company.

Audit

The verification of accounting records and business procedures conducted by an outside accounting service.

Average cost

Total production costs divided by the quantity produced.

Balance Sheet

A financial statement listing the total assets and liabilities of a company at a given time.

Bankruptcy

The condition in which a business cannot meet its debt obligations and petitions a federal district court either for reorganization of its debts (Chapter 11) or for liquidation of its assets (Chapter 7).

Basket clause

A provision specifying the amount of public pension funds that may be placed in investments not included on a state's legal list (see separate citation).

BDC

See Business development corporation

Benefit

Various services, such as health care, flextime, day care, insurance, and vacation, offered to employees as part of a hiring package. Typically subsidized in whole or in part by the business.

BIDCO

See Business and industrial development company

Billing cycle

A system designed to evenly distribute customer billing throughout the month, preventing clerical backlogs.

Blue chip security

A low-risk, low-yield security representing an interest in a very stable company.

Blue sky laws

A general term that denotes various states' laws regulating securities.

Bond

A written instrument executed by a bidder or contractor (the principal) and a second party (the surety or sureties) to assure fulfillment of the principal's obligations to a third party (the obligee or government) identified in the bond. If the principal's obligations are not met, the bond assures payment to the extent stipulated of any loss sustained by the obligee.

Bonding requirements

Terms contained in a bond (see separate citation).

Bonus

An amount of money paid to an employee as a reward for achieving certain business goals or objectives.

Brainstorming

A group session where employees contribute their ideas for solving a problem or meeting a company objective without fear of retribution or ridicule.

Brand name

The part of a brand, trademark, or service mark that can be spoken. It can be a word, letter, or group of words or letters.

Bridge financing

A short-term loan made in expectation of intermediate-term or long-term financing. Can be used when a company plans to go public in the near future.

Broker

One who matches resources available for innovation with those who need them.

Budget

An estimate of the spending necessary to complete a project or offer a service in comparison to cash-on-hand and expected earnings for the coming year, with an emphasis on cost control.

Business and industrial development company (BIDCO)

A private, for-profit financing corporation chartered by the state to provide both equity and long-term debt capital to small business owners (see separate citations for equity and debt capital).

Business birth

The formation of a new establishment or enterprise.
The appearance of a new establishment or enterprise in the Small Business Data Base (see separate citation).

Business conditions

Outside factors that can affect the financial performance of a business.

Business contractions

The number of establishments that have decreased in employment during a specified time.

Business cycle

A period of economic recession and recovery. These cycles vary in duration.

Business death

The voluntary or involuntary closure of a firm or establishment. The disappearance of an establishment or enterprise from the Small Business Data Base (see separate citation).

Business development corporation (BDC)

A business financing agency, usually composed of the financial institutions in an area or state, organized to assist in financing businesses unable to obtain assistance through normal channels; the risk is spread among various members of the business development corporation, and interest rates may vary somewhat from those charged by member institutions. A venture capital firm in which shares of ownership are publicly held and to which the Investment Act of 1940 applies.

Business dissolution

For enumeration purposes, the absence of a business that was present in the prior time period from any current record.

Business entry

See Business birth

Business ethics

Moral values and principles espoused by members of the business community as a guide to fair and honest business practices.

Business exit

See Business death

Business expansions

The number of establishments that added employees during a specified time.

Business failure

Closure of a business causing a loss to at least one creditor.

Business format franchising

The purchase of the name, trademark, and an ongoing business plan of the parent corporation or franchisor by the franchisee.

Business license

A legal authorization issued by municipal and state governments and required for business operations.

Business name

Enterprises must register their business names with local governments usually on a “doing business as” (DBA) form. (This name is sometimes referred to as a “fictional name.”) The procedure is part of the business licensing process and prevents any other business from using that same name for a similar business in the same locality.

Business norms

See Financial ratios

Business permit

See Business license

Business plan

A document that spells out a company’s expected course of action for a specified period, usually including a detailed listing and analysis of risks and uncertainties. For the small business, it should examine the proposed products, the market, the industry, the management policies, the marketing policies, production needs, and financial needs. Frequently, it is used as a prospectus for potential investors and lenders.

Business proposal

See Business plan

Business service firm

An establishment primarily engaged in rendering services to other business organizations on a fee or contract basis.

Business start

For enumeration purposes, a business with a name or similar designation that did not exist in a prior time period.

Cafeteria plan

See Flexible benefit plan

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Capacity

Level of a firm's, industry's, or nation's output corresponding to full practical utilization of available resources.

Capital

Assets less liabilities, representing the ownership interest in a business. A stock of accumulated goods, especially at a specified time and in contrast to income received during a specified time period. Accumulated goods devoted to production. Accumulated possessions calculated to bring income.

Capital expenditure

Expenses incurred by a business for improvements that will depreciate over time.

Capital gain

The monetary difference between the purchase price and the selling price of capital. Capital gains are taxed at a rate of 28% by the federal government.

Capital intensity

The relative importance of capital in the production process, usually expressed as the ratio of capital to labor but also sometimes as the ratio of capital to output.

Capital resource

The equipment, facilities and labor used to create products and services.

Catastrophic care

Medical and other services for acute and long-term illnesses that cost more than insurance coverage limits or that cost the amount most families may be expected to pay with their own resources.

CDC

See Certified development corporation

Certified development corporation (CDC)

A local area or statewide corporation or authority (for profit or nonprofit) that packages U.S. Small Business Administration (SBA), bank, state, and/or private money into financial assistance for existing business capital improvements. The SBA holds the second lien on its maximum share of 40 percent involvement. Each state has at least one certified development corporation. This program is called the SBA 504 Program.

Certified lenders

Banks that participate in the SBA guaranteed loan program (see separate citation). Such banks must have a good track record with the U.S. Small Business

Administration (SBA) and must agree to certain conditions set forth by the agency. In return, the SBA agrees to process any guaranteed loan application within three business days.

Channel of distribution

The means used to transport merchandise from the manufacturer to the consumer.

Chapter 7 of the 1978 Bankruptcy Act

Provides for a court-appointed trustee who is responsible for liquidating a company's assets in order to settle outstanding debts.

Chapter 11 of the 1978 Bankruptcy Act

Allows the business owners to retain control of the company while working with their creditors to reorganize their finances and establish better business practices to prevent liquidation of assets.

Closely held corporation

A corporation in which the shares are held by a few persons, usually officers, employees, or others close to the management; these shares are rarely offered to the public.

Code of Federal Regulations

Codification of general and permanent rules of the federal government published in the Federal Register.

Code sharing

See Computer code sharing

Coinsurance

Upon meeting the deductible payment, health insurance participants may be required to make additional health care cost-sharing payments. Coinsurance is a payment of a fixed percentage of the cost of each service; copayment is usually a fixed amount to be paid with each service.

Collateral

Securities, evidence of deposit, or other property pledged by a borrower to secure repayment of a loan.

Collective ratemaking

The establishment of uniform charges for services by a group of businesses in the same industry.

Commercial insurance plan

See Underwriting

Commercial loans

Short-term renewable loans used to finance specific capital needs of a business.

Commercialization

The final stage of the innovation process, including production and distribution.

Common stock

The most frequently used instrument for purchasing ownership in private or public companies. Common stock generally carries the right to vote on certain corporate actions and may pay dividends, although it rarely does in venture investments. In liquidation, common stockholders are the last to share in the proceeds from the sale of a corporation's assets; bondholders and preferred shareholders have priority. Common stock is often used in firstround start-up financing.

Community development corporation

A corporation established to develop economic programs for a community and, in most cases, to provide financial support for such development.

Competitor

A business whose product or service is marketed for the same purpose/use and to the same consumer group as the product or service of another.

Consignment

A merchandising agreement, usually referring to secondhand shops, where the dealer pays the owner of an item a percentage of the profit when the item is sold.

Consortium

A coalition of organizations such as banks and corporations for ventures requiring large capital resources.

Consultant

An individual that is paid by a business to provide advice and expertise in a particular area.

Consumer price index

A measure of the fluctuation in prices between two points in time.

Consumer research

Research conducted by a business to obtain information about existing or potential consumer markets.

Continuation coverage

Health coverage offered for a specified period of time to employees who leave their jobs and to their widows, divorced spouses, or dependents.

Contractions

See Business contractions

Convertible preferred stock

A class of stock that pays a reasonable dividend and is convertible into common stock (see separate citation). Generally the convertible feature may only be exercised after being held for a stated period of time. This arrangement is usually considered second-round financing when a company needs equity to maintain its cash flow.

Convertible securities

A feature of certain bonds, debentures, or preferred stocks that allows them to be exchanged by the owner for another class of securities at a future date and in accordance with any other terms of the issue.

Copayment

See Coinsurance

Copyright

A legal form of protection available to creators and authors to safeguard their works from unlawful use or claim of ownership by others. Copyrights may be acquired for works of art, sculpture, music, and published or unpublished manuscripts. All copyrights should be registered at the Copyright Office of the Library of Congress.

Corporate financial ratios

The relationship between key figures found in a company's financial statement expressed as a numeric value. Used to evaluate risk and company performance. Also known as Financial averages, Operating ratios, and Business ratios.

Corporation

A legal entity, chartered by a state or the federal government, recognized as a separate entity having its own rights, privileges, and liabilities distinct from those of its members.

Cost containment

Actions taken by employers and insurers to curtail rising health care costs; for example, increasing employee cost sharing (see separate citation), requiring second opinions, or preadmission screening.

Cost sharing

The requirement that health care consumers contribute to their own medical care costs through deductibles and coinsurance (see separate citations). Cost sharing does not include the amounts paid in premiums. It is used to control utilization of services; for example, requiring a fixed amount to be paid with each health care service.

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Cottage industry

Businesses based in the home in which the family members are the labor force and family-owned equipment is used to process the goods.

Credit Rating

A letter or number calculated by an organization (such as Dun & Bradstreet) to represent the ability and disposition of a business to meet its financial obligations.

Customer service

Various techniques used to ensure the satisfaction of a customer.

Cyclical peak

The upper turning point in a business cycle.

Cyclical trough

The lower turning point in a business cycle.

DBA (Doing business as)

See Business name

Death

See Business death

Debenture

A certificate given as acknowledgment of a debt (see separate citation) secured by the general credit of the issuing corporation. A bond, usually without security, issued by a corporation and sometimes convertible to common stock.

Debt

Something owed by one person to another. Financing in which a company receives capital that must be repaid; no ownership is transferred.

Debt capital

Business financing that normally requires periodic interest payments and repayment of the principal within a specified time.

Debt financing

See Debt capital

Debt securities

Loans such as bonds and notes that provide a specified rate of return for a specified period of time.

Deductible

A set amount that an individual must pay before any benefits are received.

Demand shock absorbers

A term used to describe the role that some small firms play by expanding their output levels to accommodate a transient surge in demand.

Demographics

Statistics on various markets, including age, income, and education, used to target specific products or services to appropriate consumer groups.

Demonstration

Showing that a product or process has been modified sufficiently to meet the needs of users.

Deregulation

The lifting of government restrictions; for example, the lifting of government restrictions on the entry of new businesses, the expansion of services, and the setting of prices in particular industries.

Disaster loans

Various types of physical and economic assistance available to individuals and businesses through the U.S. Small Business Administration (SBA). This is the only SBA loan program available for residential purposes.

Discrimination

The denial of the rights and privileges of employment based on factors such as age, race, religion, or gender.

Diseconomies of scale

The condition in which the costs of production increase faster than the volume of production.

Dissolution

See Business dissolution

Distribution

Delivering a product or process to the user.

Distributor

One who delivers merchandise to the user.

Diversified company

A company whose products and services are used by several different markets.

Doing business as (DBA)

See Business name

Dow Jones

An information services company that publishes the Wall Street Journal and other sources of financial information.

Dow Jones Industrial Average

An indicator of stock market performance.

Earned income

A tax term that refers to wages and salaries earned by the recipient, as opposed to monies earned through interest and dividends.

Economic efficiency

The use of productive resources to the fullest practical extent in the provision of the set of goods and services that is most preferred by purchasers in the economy.

Economic indicators

Statistics used to express the state of the economy. These include the length of the average work week, the rate of unemployment, and stock prices.

Economically disadvantaged

See Socially and economically disadvantaged

Economies of scale

See Scale economies

EEOC

See Equal Employment Opportunity Commission

8(a) Program

A program authorized by the Small Business Act that directs federal contracts to small businesses owned and operated by socially and economically disadvantaged individuals.

Electronic mail (e-mail)

The electronic transmission of mail via phone lines.

E-mail

See Electronic mail

Employee leasing

A contract by which employers arrange to have their workers hired by a leasing company and then leased back to them for a management fee. The leasing company typically assumes the administrative burden of payroll and provides a benefit package to the workers.

Employee tenure

The length of time an employee works for a particular employer.

Employer identification number

The business equivalent of a social security number. Assigned by the U.S. Internal Revenue Service.

Enterprise

An aggregation of all establishments owned by a parent company. An enterprise may consist of a single, independent establishment or include subsidiaries and other branches under the same ownership and control.

Enterprise zone

A designated area, usually found in inner cities and other areas with significant unemployment, where businesses receive tax credits and other incentives to entice them to establish operations there.

Entrepreneur

A person who takes the risk of organizing and operating a new business venture.

Entry

See Business entry

Equal Employment Opportunity Commission (EEOC)

A federal agency that ensures nondiscrimination in the hiring and firing practices of a business.

Equal opportunity employer

An employer who adheres to the standards set by the Equal Employment Opportunity Commission (see separate citation).

Equity

The ownership interest. Financing in which partial or total ownership of a company is surrendered in exchange for capital. An investor's financial return comes from dividend payments and from growth in the net worth of the business.

Equity capital

See Equity; Equity midrisk venture capital

Equity financing

See Equity; Equity midrisk venture capital

Equity midrisk venture capital

An unsecured investment in a company. Usually a purchase of ownership interest in a company that occurs in the later stages of a company's development.

Equity partnership

A limited partnership arrangement for providing start-up and seed capital to businesses.

Equity securities

See Equity

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Equity-type

Debt financing subordinated to conventional debt.

Establishment

A single-location business unit that may be independent (a single-establishment enterprise) or owned by a parent enterprise.

Establishment and Enterprise Microdata File

See U.S. Establishment and Enterprise Microdata File

Establishment birth

See Business birth

Establishment Longitudinal Microdata File

See U.S. Establishment Longitudinal Microdata File

Ethics

See Business ethics

Evaluation

Determining the potential success of translating an invention into a product or process.

Exit

See Business exit

Experience rating

See Underwriting

Export

A product sold outside of the country.

Export license

A general or specific license granted by the U.S. Department of Commerce required of anyone wishing to export goods. Some restricted articles need approval from the U.S. Departments of State, Defense, or Energy.

Failure

See Business failure

Fair share agreement

An agreement reached between a franchisor and a minority business organization to extend business ownership to minorities by either reducing the amount of capital required or by setting aside certain marketing areas for minority business owners.

Feasibility study

A study to determine the likelihood that a proposed product or development will fulfill the objectives of a particular investor.

Federal Trade Commission (FTC)

Federal agency that promotes free enterprise and competition within the U.S.

Federal Trade Mark Act of 1946

See Lanham Act

Fictional name

See Business name

Fiduciary

An individual or group that hold assets in trust for a beneficiary.

Financial analysis

The techniques used to determine money needs in a business. Techniques include ratio analysis, calculation of return on investment, guides for measuring profitability, and break-even analysis to determine ultimate success.

Financial intermediary

A financial institution that acts as the intermediary between borrowers and lenders. Banks, savings and loan associations, finance companies, and venture capital companies are major financial intermediaries in the United States.

Financial ratios

See Corporate financial ratios; Industry financial ratios

Financial statement

A written record of business finances, including balance sheets and profit and loss statements.

Financing

See First-stage financing; Second-stage financing; Thirdstage financing

First-stage financing

Financing provided to companies that have expended their initial capital, and require funds to start full-scale manufacturing and sales. Also known as First-round financing.

Fiscal year

Any twelve-month period used by businesses for accounting purposes.

504 Program

See Certified development corporation

Flexible benefit plan

A plan that offers a choice among cash and/or qualified benefits such as group term life insurance, accident and health insurance, group legal services, dependent care assistance, and vacations.

FOB

See Free on board

Format franchising

See Business format franchising; Franchising

401(k) plan

A financial plan where employees contribute a percentage of their earnings to a fund that is invested in stocks, bonds, or money markets for the purpose of saving money for retirement.

Four Ps

Marketing terms referring to Product, Price, Place, and Promotion.

Franchising

A form of licensing by which the owner-the franchisor- distributes or markets a product, method, or service through affiliated dealers called franchisees. The product, method, or service being marketed is identified by a brand name, and the franchisor maintains control over the marketing methods employed. The franchisee is often given exclusive access to a defined geographic area.

Free on board (FOB)

A pricing term indicating that the quoted price includes the cost of loading goods into transport vessels at a specified place.

Frictional unemployment

See Unemployment

FTC

See Federal Trade Commission

Fulfillment

The systems necessary for accurate delivery of an ordered item, including subscriptions and direct marketing.

Full-time workers

Generally, those who work a regular schedule of more than 35 hours per week.

Garment registration number

A number that must appear on every garment sold in the U.S. to indicate the manufacturer of the garment, which may or may not be the same as the label under which the garment is sold. The U.S. Federal Trade Commission assigns and regulates garment registration numbers.

Gatekeeper

A key contact point for entry into a network.

GDP

See Gross domestic product

General obligation bond

A municipal bond secured by the taxing power of the municipality. The Tax Reform Act of 1986 limits the purposes for which such bonds may be issued and establishes volume limits on the extent of their issuance.

GNP

See Gross national product

Good Housekeeping Seal

Seal appearing on products that signifies the fulfillment of the standards set by the Good Housekeeping Institute to protect consumer interests.

Goods sector

All businesses producing tangible goods, including agriculture, mining, construction, and manufacturing businesses.

GPO

See Gross product originating

Gross domestic product (GDP)

The part of the nation's gross national product (see separate citation) generated by private business using resources from within the country.

Gross national product (GNP)

The most comprehensive single measure of aggregate economic output. Represents the market value of the total output of goods and services produced by a nation's economy.

Gross product originating (GPO)

A measure of business output estimated from the income or production side using employee compensation, profit income, net interest, capital consumption, and indirect business taxes.

HAL

See Handicapped assistance loan program

Handicapped assistance loan program (HAL)

Low-interest direct loan program through the U.S. Small Business Administration (SBA) for handicapped persons. The SBA requires that these persons demonstrate that their disability is such that it is impossible for them to secure employment, thus making it necessary to go into their own business to make a living.

Health maintenance organization (HMO)

Organization of physicians and other health care professionals that provides health services to subscribers and their dependents on a prepaid basis.

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Health provider

An individual or institution that gives medical care. Under Medicare, an institutional provider is a hospital, skilled nursing facility, home health agency, or provider of certain physical therapy services.

Hispanic

A person of Cuban, Mexican, Puerto Rican, Latin American (Central or South American), European Spanish, or other Spanish-speaking origin or ancestry.

HMO

See Health maintenance organization

Home-based business

A business with an operating address that is also a residential address (usually the residential address of the proprietor).

Hub-and-spoke system

A system in which flights of an airline from many different cities (the spokes) converge at a single airport (the hub). After allowing passengers sufficient time to make connections, planes then depart for different cities.

Human Resources Management

A business program designed to oversee recruiting, pay, benefits, and other issues related to the company's work force, including planning to determine the optimal use of labor to increase production, thereby increasing profit.

Idea

An original concept for a new product or process.

Import

Products produced outside the country in which they are consumed.

Income

Money or its equivalent, earned or accrued, resulting from the sale of goods and services.

Income statement

A financial statement that lists the profits and losses of a company at a given time.

Incorporation

The filing of a certificate of incorporation with a state's secretary of state, thereby limiting the business owner's liability.

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, such as meeting areas, secretarial services, accounting, research library, on-site financial and management counseling, and word processing facilities.

Independent contractor

An individual considered self-employed (see separate citation) and responsible for paying Social Security taxes and income taxes on earnings.

Indirect health coverage

Health insurance obtained through another individual's health care plan; for example, a spouse's employer-sponsored plan.

Industrial development authority

The financial arm of a state or other political subdivision established for the purpose of financing economic development in an area, usually through loans to non-profit organizations, which in turn provide facilities for manufacturing and other industrial operations.

Industry financial ratios

Corporate financial ratios averaged for a specified industry. These are used for comparison purposes and reveal industry trends and identify differences between the performance of a specific company and the performance of its industry. Also known as Industrial averages, Industry ratios, Financial averages, and Business or Industrial norms.

Inflation

Increases in volume of currency and credit, generally resulting in a sharp and continuing rise in price levels.

Informal capital

Financing from informal, unorganized sources; includes informal debt capital such as trade credit or loans from friends and relatives and equity capital from informal investors.

Initial public offering (IPO)

A corporation's first offering of stock to the public.

Innovation

The introduction of a new idea into the marketplace in the form of a new product or service or an improvement in organization or process.

Intellectual property

Any idea or work that can be considered proprietary in nature and is thus protected from infringement by others.

Internal capital

Debt or equity financing obtained from the owner or through retained business earnings.

Internet

A government-designed computer network that contains large amounts of information and is accessible through various vendors for a fee.

Intrapreneurship

The state of employing entrepreneurial principles to nonentrepreneurial situations.

Invention

The tangible form of a technological idea, which could include a laboratory prototype, drawings, formulas, etc.

IPO

See Initial public offering

Job description

The duties and responsibilities required in a particular position.

Job tenure

A period of time during which an individual is continuously employed in the same job.

Joint marketing agreements

Agreements between regional and major airlines, often involving the coordination of flight schedules, fares, and baggage transfer. These agreements help regional carriers operate at lower cost.

Joint venture

Venture in which two or more people combine efforts in a particular business enterprise, usually a single transaction or a limited activity, and agree to share the profits and losses jointly or in proportion to their contributions.

Keogh plan

Designed for self-employed persons and unincorporated businesses as a tax-deferred pension account.

Labor force

Civilians considered eligible for employment who are also willing and able to work.

Labor force participation rate

The civilian labor force as a percentage of the civilian population.

Labor intensity

The relative importance of labor in the production process, usually measured as the capital-labor ratio;

i.e., the ratio of units of capital (typically, dollars of tangible assets) to the number of employees. The higher the capital-labor ratio exhibited by a firm or industry, the lower the capital intensity of that firm or industry is said to be.

Labor surplus area

An area in which there exists a high unemployment rate. In procurement (see separate citation), extra points are given to firms in counties that are designated a labor surplus area; this information is requested on procurement bid sheets.

Labor union

An organization of similarly-skilled workers who collectively bargain with management over the conditions of employment.

Laboratory prototype

See Prototype

LAN

See Local Area Network

Lanham Act

Refers to the Federal Trade Mark Act of 1946. Protects registered trademarks, trade names, and other service marks used in commerce.

Large business-dominated industry

Industry in which a minimum of 60 percent of employment or sales is in firms with more than 500 workers.

LBO

See Leveraged buy-out

Leader pricing

A reduction in the price of a good or service in order to generate more sales of that good or service.

Legal list

A list of securities selected by a state in which certain institutions and fiduciaries (such as pension funds, insurance companies, and banks) may invest. Securities not on the list are not eligible for investment. Legal lists typically restrict investments to high quality securities meeting certain specifications. Generally, investment is limited to U.S. securities and investment-grade blue chip securities (see separate citation).

Leveraged buy-out (LBO)

The purchase of a business or a division of a corporation through a highly leveraged financing package.

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Liability

An obligation or duty to perform a service or an act. Also defined as money owed.

License

A legal agreement granting to another the right to use a technological innovation.

Limited Liability Company

A hybrid type of legal structure that provides the limited liability features of a corporation and the tax efficiencies and operational flexibility of a partnership. Depending on the state, the members can consist of a single individual (one owner), two or more individuals, corporations or other LLCs.

Limited liability partnerships

A business organization that allows limited partners to enjoy limited personal liability while general partners have unlimited personal liability.

Liquidity

The ability to convert a security into cash promptly.

Loans

See Commercial loans; Disaster loans; SBA direct loans; SBA guaranteed loans; SBA special lending institution categories Local Area Network (LAN) Computer networks contained within a single building or small area; used to facilitate the sharing of information.

Local development corporation

An organization, usually made up of local citizens of a community, designed to improve the economy of the area by inducing business and industry to locate and expand there. A local development corporation establishes a capability to finance local growth.

Long-haul rates

Rates charged by a transporter in which the distance traveled is more than 800 miles.

Long-term debt

An obligation that matures in a period that exceeds five years.

Low-grade bond

A corporate bond that is rated below investment grade by the major rating agencies (Standard and Poor's, Moody's).

Macro-efficiency

Efficiency as it pertains to the operation of markets and market systems.

Managed care

A cost-effective health care program initiated by employers whereby low-cost health care is made available to the employees in return for exclusive patronage to program doctors.

Management Assistance Programs

See SBA Management Assistance Programs

Management and technical assistance

A term used by many programs to mean business (as opposed to technological) assistance.

Mandated benefits

Specific treatments, providers, or individuals required by law to be included in commercial health plans.

Market evaluation

The use of market information to determine the sales potential of a specific product or process.

Market failure

The situation in which the workings of a competitive market do not produce the best results from the point of view of the entire society.

Market information

Data of any type that can be used for market evaluation, which could include demographic data, technology forecasting, regulatory changes, etc.

Market research

A systematic collection, analysis, and reporting of data about the market and its preferences, opinions, trends, and plans; used for corporate decision-making.

Market share

In a particular market, the percentage of sales of a specific product.

Marketing

Promotion of goods or services through various media.

Master Establishment List (MEL)

A list of firms in the United States developed by the U.S. Small Business Administration; firms can be selected by industry, region, state, standard metropolitan statistical area (see separate citation), county, and zip code.

Maturity

The date upon which the principal or stated value of a bond or other indebtedness becomes due and payable.

Medicaid (Title XIX)

A federally aided, state-operated and administered program that provides medical benefits for certain low income persons in need of health and medical care who are eligible for one of the government's welfare cash payment programs, including the aged, the blind, the disabled, and members of families with dependent children where one parent is absent, incapacitated, or unemployed.

Medicare (Title XVIII)

A nationwide health insurance program for disabled and aged persons. Health insurance is available to insured persons without regard to income. Monies from payroll taxes cover hospital insurance and monies from general revenues and beneficiary premiums pay for supplementary medical insurance.

MEL

See Master Establishment List

Merchant Status

The relationship between a company and a bank or credit card company allowing the company to accept credit card payments

MESBIC

See Minority enterprise small business investment corporation

MET

See Multiple employer trust

Metropolitan statistical area (MSA)

A means used by the government to define large population centers that may transverse different governmental jurisdictions. For example, the Washington, D.C. MSA includes the District of Columbia and contiguous parts of Maryland and Virginia because all of these geopolitical areas comprise one population and economic operating unit.

Mezzanine financing

See Third-stage financing

Micro-efficiency

Efficiency as it pertains to the operation of individual firms.

Microdata

Information on the characteristics of an individual business firm.

Microloan

An SBA loan program that helps entrepreneurs obtain loans from less than \$100 to \$25,000.

Mid-term debt

An obligation that matures within one to five years.

Midrisk venture capital

See Equity midrisk venture capital

Minimum premium plan

A combination approach to funding an insurance plan aimed primarily at premium tax savings. The employer self-funds a fixed percentage of estimated monthly claims and the insurance company insures the excess.

Minimum wage

The lowest hourly wage allowed by the federal government.

Minority Business Development Agency

Contracts with private firms throughout the nation to sponsor Minority Business Development Centers which provide minority firms with advice and technical assistance on a fee basis.

Minority Enterprise Small Business Investment Corporation (MESBIC)

A federally funded private venture capital firm licensed by the U.S. Small Business Administration to provide capital to minority-owned businesses (see separate citation).

Minority-owned business

Businesses owned by those who are socially or economically disadvantaged (see separate citation).

Mission statement

A short statement describing a company's function, markets and competitive advantages.

Mom and Pop business

A small store or enterprise having limited capital, principally employing family members.

Multi-employer plan

A health plan to which more than one employer is required to contribute and that may be maintained through a collective bargaining agreement and required to meet standards prescribed by the U.S. Department of Labor.

Multi-level marketing

A system of selling in which you sign up other people to assist you and they, in turn, recruit others to

GLOSSARY OF SMALL BUSINESS TERMS

help them. Some entrepreneurs have built successful companies on this concept because the main focus of their activities is their product and product sales.

Multiple employer trust (MET)

A self-funded benefit plan generally geared toward small employers sharing a common interest.

NASDAQ

See National Association of Securities Dealers Automated Quotations

National Association of Securities Dealers Automated Quotations

Provides price quotes on over-the-counter securities as well as securities listed on the New York Stock Exchange.

National income

Aggregate earnings of labor and property arising from the production of goods and services in a nation's economy.

Net assets

See Net worth

Net income

The amount remaining from earnings and profits after all expenses and costs have been met or deducted. Also known as Net earnings.

Net profit

Money earned after production and overhead expenses (see separate citations) have been deducted.

Net worth

The difference between a company's total assets and its total liabilities.

Network

A chain of interconnected individuals or organizations sharing information and/or services.

New York Stock Exchange (NYSE)

The oldest stock exchange in the U.S. Allows for trading in stocks, bonds, warrants, options, and rights that meet listing requirements.

Niche

A career or business for which a person is well-suited. Also, a product which fulfills one need of a particular market segment, often with little or no competition.

Nodes

One workstation in a network, either local area or wide area (see separate citations).

Nonbank bank

A bank that either accepts deposits or makes loans, but not both. Used to create many new branch banks.

Noncompetitive awards

A method of contracting whereby the federal government negotiates with only one contractor to supply a product or service.

Nonmember bank

A state-regulated bank that does not belong to the federal bank system.

Nonprofit

An organization that has no shareholders, does not distribute profits, and is without federal and state tax liabilities.

Norms

See Financial ratios

North American Free Trade Agreement (NAFTA)

Passed in 1993, NAFTA eliminates trade barriers among businesses in the U.S., Canada, and Mexico.

NYSE

See New York Stock Exchange

Occupational Safety & Health Administration (OSHA)

Federal agency that regulates health and safety standards within the workplace.

Operating Expenses

Business expenditures not directly associated with the production of goods or services.

Optimal firm size

The business size at which the production cost per unit of output (average cost) is, in the long run, at its minimum.

Organizational chart

A hierarchical chart tracking the chain of command within an organization.

OSHA

See Occupational Safety & Health Administration

Overhead

Expenses, such as employee benefits and building utilities, incurred by a business that are unrelated to the actual product or service sold.

Owner's capital

Debt or equity funds provided by the owner(s) of a business; sources of owner's capital are personal savings, sales of assets, or loans from financial institutions.

P & L

See Profit and loss statement

Part-time workers

Normally, those who work less than 35 hours per week. The Tax Reform Act indicated that part-time workers who work less than 17.5 hours per week may be excluded from health plans for purposes of complying with federal nondiscrimination rules.

Part-year workers

Those who work less than 50 weeks per year.

Partnership

Two or more parties who enter into a legal relationship to conduct business for profit. Defined by the U.S. Internal Revenue Code as joint ventures, syndicates, groups, pools, and other associations of two or more persons organized for profit that are not specifically classified in the IRS code as corporations or proprietorships.

Patent

A grant made by the government assuring an inventor the sole right to make, use, and sell an invention for a period of 17 years.

PC

See Professional corporation

Peak

See Cyclical peak

Pension

A series of payments made monthly, semiannually, annually, or at other specified intervals during the lifetime of the pensioner for distribution upon retirement. The term is sometimes used to denote the portion of the retirement allowance financed by the employer's contributions.

Pension fund

A fund established to provide for the payment of pension benefits; the collective contributions made by all of the parties to the pension plan.

Performance appraisal

An established set of objective criteria, based on job description and requirements, that is used to evaluate the performance of an employee in a specific job.

Permit

See Business license

Plan

See Business plan

Pooling

An arrangement for employers to achieve efficiencies and lower health costs by joining together to purchase group health insurance or self-insurance.

PPO

See Preferred provider organization

Preferred lenders program

See SBA special lending institution categories

Preferred provider organization (PPO)

A contractual arrangement with a health care services organization that agrees to discount its health care rates in return for faster payment and/or a patient base.

Premiums

The amount of money paid to an insurer for health insurance under a policy. The premium is generally paid periodically (e.g., monthly), and often is split between the employer and the employee. Unlike deductibles and coinsurance or copayments, premiums are paid for coverage whether or not benefits are actually used.

Prime-age workers

Employees 25 to 54 years of age.

Prime contract

A contract awarded directly by the U.S. Federal Government.

Private company

See Closely held corporation

Private placement

A method of raising capital by offering for sale an investment or business to a small group of investors (generally avoiding registration with the Securities and Exchange Commission or state securities registration agencies). Also known as Private financing or Private offering.

Pro forma

The use of hypothetical figures in financial statements to represent future expenditures, debts, and other potential financial expenses.

GLOSSARY OF SMALL BUSINESS TERMS

Proactive

Taking the initiative to solve problems and anticipate future events before they happen, instead of reacting to an already existing problem or waiting for a difficult situation to occur.

Procurement

A contract from an agency of the federal government for goods or services from a small business.

Product development

The stage of the innovation process where research is translated into a product or process through evaluation, adaptation, and demonstration.

Product franchising

An arrangement for a franchisee to use the name and to produce the product line of the franchisor or parent corporation.

Production

The manufacture of a product.

Production prototype

See Prototype

Productivity

A measurement of the number of goods produced during a specific amount of time.

Professional corporation (PC)

Organized by members of a profession such as medicine, dentistry, or law for the purpose of conducting their professional activities as a corporation. Liability of a member or shareholder is limited in the same manner as in a business corporation.

Profit and loss statement (P & L)

The summary of the incomes (total revenues) and costs of a company's operation during a specific period of time. Also known as Income and expense statement.

Proposal

See Business plan

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.

Prospective payment system

A cost-containment measure included in the Social Security Amendments of 1983 whereby Medicare

payments to hospitals are based on established prices, rather than on cost reimbursement.

Prototype

A model that demonstrates the validity of the concept of an invention (laboratory prototype); a model that meets the needs of the manufacturing process and the user (production prototype).

Prudent investor rule or standard

A legal doctrine that requires fiduciaries to make investments using the prudence, diligence, and intelligence that would be used by a prudent person in making similar investments. Because fiduciaries make investments on behalf of third-party beneficiaries, the standard results in very conservative investments. Until recently, most state regulations required the fiduciary to apply this standard to each investment. Newer, more progressive regulations permit fiduciaries to apply this standard to the portfolio taken as a whole, thereby allowing a fiduciary to balance a portfolio with higher-yield, higher-risk investments. In states with more progressive regulations, practically every type of security is eligible for inclusion in the portfolio of investments made by a fiduciary, provided that the portfolio investments, in their totality, are those of a prudent person.

Public equity markets

Organized markets for trading in equity shares such as common stocks, preferred stocks, and warrants. Includes markets for both regularly traded and nonregularly traded securities.

Public offering

General solicitation for participation in an investment opportunity. Interstate public offerings are supervised by the U.S. Securities and Exchange Commission (see separate citation).

Quality control

The process by which a product is checked and tested to ensure consistent standards of high quality.

Rate of return

The yield obtained on a security or other investment based on its purchase price or its current market price. The total rate of return is current income plus or minus capital appreciation or depreciation.

Real property

Includes the land and all that is contained on it.

Realignment

See Resource realignment

Recession

Contraction of economic activity occurring between the peak and trough (see separate citations) of a business cycle.

Regulated market

A market in which the government controls the forces of supply and demand, such as who may enter and what price may be charged.

Regulation D

A vehicle by which small businesses make small offerings and private placements of securities with limited disclosure requirements. It was designed to ease the burdens imposed on small businesses utilizing this method of capital formation.

Regulatory Flexibility Act

An act requiring federal agencies to evaluate the impact of their regulations on small businesses before the regulations are issued and to consider less burdensome alternatives.

Research

The initial stage of the innovation process, which includes idea generation and invention.

Research and development financing

A tax-advantaged partnership set up to finance product development for start-ups as well as more mature companies.

Resource mobility

The ease with which labor and capital move from firm to firm or from industry to industry.

Resource realignment

The adjustment of productive resources to interindustry changes in demand.

Resources

The sources of support or help in the innovation process, including sources of financing, technical evaluation, market evaluation, management and business assistance, etc.

Retained business earnings

Business profits that are retained by the business rather than being distributed to the shareholders as dividends.

Return on investment

A profitability measure that evaluates the performance of a business by dividing net profit by net worth.

Revolving credit

An agreement with a lending institution for an amount of money, which cannot exceed a set maximum, over a specified period of time. Each time the borrower repays a portion of the loan, the amount of the repayment may be borrowed yet again.

Risk capital

See Venture capital

Risk management

The act of identifying potential sources of financial loss and taking action to minimize their negative impact.

Routing

The sequence of steps necessary to complete a product during production.

S corporations

See Sub chapter S corporations

SBA

See Small Business Administration

SBA direct loans

Loans made directly by the U.S. Small Business Administration (SBA); monies come from funds appropriated specifically for this purpose. In general, SBA direct loans carry interest rates slightly lower than those in the private financial markets and are available only to applicants unable to secure private financing or an SBA guaranteed loan.

SBA 504 Program

See Certified development corporation

SBA guaranteed loans

Loans made by lending institutions in which the U.S. Small Business Administration (SBA) will pay a prior agreed-upon percentage of the outstanding principal in the event the borrower of the loan defaults. The terms of the loan and the interest rate are negotiated between the borrower and the lending institution, within set parameters.

SBA loans

See Disaster loans; SBA direct loans; SBA guaranteed loans; SBA special lending institution categories

GLOSSARY OF SMALL BUSINESS TERMS

SBA Management Assistance Programs

Classes, workshops, counseling, and publications offered by the U.S. Small Business Administration.

SBA special lending institution categories

U.S. Small Business Administration (SBA) loan program in which the SBA promises certified banks a 72-hour turnaround period in giving its approval for a loan, and in which preferred lenders in a pilot program are allowed to write SBA loans without seeking prior SBA approval.

SBDB

See Small Business Data Base

SBDC

See Small business development centers

SBI

See Small business institutes program

SBIC

See Small business investment corporation

SBIR Program

See Small Business Innovation Development Act of 1982

Scale economies

The decline of the production cost per unit of output (average cost) as the volume of output increases.

Scale efficiency

The reduction in unit cost available to a firm when producing at a higher output volume.

SCORE

See Service Corps of Retired Executives

SEC

See Securities and Exchange Commission

SECA

See Self-Employment Contributions Act

Second-stage financing

Working capital for the initial expansion of a company that is producing, shipping, and has growing accounts receivable and inventories. Also known as Second-round financing.

Secondary market

A market established for the purchase and sale of outstanding securities following their initial distribution.

Secondary worker

Any worker in a family other than the person who is the primary source of income for the family.

Secondhand capital

Previously used and subsequently resold capital equipment (e.g., buildings and machinery).

Securities and Exchange Commission (SEC)

Federal agency charged with regulating the trade of securities to prevent unethical practices in the investor market.

Securitized debt

A marketing technique that converts long-term loans to marketable securities.

Seed capital

Venture financing provided in the early stages of the innovation process, usually during product development.

Self-employed person

One who works for a profit or fees in his or her own business, profession, or trade, or who operates a farm.

Self-Employment Contributions Act (SECA)

Federal law that governs the self-employment tax (see separate citation).

Self-employment income

Income covered by Social Security if a business earns a net income of at least \$400.00 during the year. Taxes are paid on earnings that exceed \$400.00.

Self-employment retirement plan

See Keogh plan

Self-employment tax

Required tax imposed on self-employed individuals for the provision of Social Security and Medicare. The tax must be paid quarterly with estimated income tax statements.

Self-funding

A health benefit plan in which a firm uses its own funds to pay claims, rather than transferring the financial risks of paying claims to an outside insurer in exchange for premium payments.

Service Corps of Retired Executives (SCORE)

Volunteers for the SBA Management Assistance Program who provide one-on-one counseling and teach workshops and seminars for small firms.

Service firm

See Business service firm

Service sector

Broadly defined, all U.S. industries that produce intangibles, including the five major industry divisions of transportation, communications, and utilities; wholesale trade; retail trade; finance, insurance, and real estate; and services.

Set asides

See Small business set asides

Short-haul service

A type of transportation service in which the transporter supplies service between cities where the maximum distance is no more than 200 miles.

Short-term debt

An obligation that matures in one year.

SIC codes

See Standard Industrial Classification codes

Single-establishment enterprise

See Establishment

Small business

An enterprise that is independently owned and operated, is not dominant in its field, and employs fewer than 500 people. For SBA purposes, the U.S. Small Business Administration (SBA) considers various other factors (such as gross annual sales) in determining size of a business.

Small Business Administration (SBA)

An independent federal agency that provides assistance with loans, management, and advocating interests before other federal agencies.

Small Business Data Base

A collection of microdata (see separate citation) files on individual firms developed and maintained by the U.S. Small Business Administration.

Small business development centers (SBDC)

Centers that provide support services to small businesses, such as individual counseling, SBA advice, seminars and conferences, and other learning center activities. Most services are free of charge, or available at minimal cost.

Small business development corporation

See Certified development corporation

Small business-dominated industry

Industry in which a minimum of 60 percent of employment or sales is in firms with fewer than 500 employees.

Small Business Innovation Development Act of 1982

Federal statute requiring federal agencies with large extramural research and development budgets to allocate a certain percentage of these funds to small research and development firms. The program, called the Small Business Innovation Research (SBIR) Program, is designed to stimulate technological innovation and make greater use of small businesses in meeting national innovation needs.

Small business institutes (SBI) program

Cooperative arrangements made by U.S. Small Business Administration district offices and local colleges and universities to provide small business firms with graduate students to counsel them without charge.

Small business investment corporation (SBIC)

A privately owned company licensed and funded through the U.S. Small Business Administration and private sector sources to provide equity or debt capital to small businesses.

Small business set asides

Procurement (see separate citation) opportunities required by law to be on all contracts under \$10,000 or a certain percentage of an agency's total procurement expenditure.

Smaller firms

For U.S. Department of Commerce purposes, those firms not included in the Fortune 1000.

SMSA

See Metropolitan statistical area

Socially and economically disadvantaged

Individuals who have been subjected to racial or ethnic prejudice or cultural bias without regard to their qualities as individuals, and whose abilities to compete are impaired because of diminished opportunities to obtain capital and credit.

Sole proprietorship

An unincorporated, one-owner business, farm, or professional practice.

Special lending institution categories

See SBA special lending institution categories

GLOSSARY OF SMALL BUSINESS TERMS

Standard Industrial Classification (SIC) codes

Four-digit codes established by the U.S. Federal Government to categorize businesses by type of economic activity; the first two digits correspond to major groups such as construction and manufacturing, while the last two digits correspond to subgroups such as home construction or highway construction.

Start-up

A new business, at the earliest stages of development and financing.

Start-up costs

Costs incurred before a business can commence operations.

Start-up financing

Financing provided to companies that have either completed product development and initial marketing or have been in business for less than one year but have not yet sold their product commercially.

Stock

A certificate of equity ownership in a business.

Stop-loss coverage

Insurance for a self-insured plan that reimburses the company for any losses it might incur in its health claims beyond a specified amount.

Strategic planning

Projected growth and development of a business to establish a guiding direction for the future. Also used to determine which market segments to explore for optimal sales of products or services.

Structural unemployment

See Unemployment

Sub chapter S corporations

Corporations that are considered noncorporate for tax purposes but legally remain corporations.

Subcontract

A contract between a prime contractor and a subcontractor, or between subcontractors, to furnish supplies or services for performance of a prime contract (see separate citation) or a subcontract.

Surety bonds

Bonds providing reimbursement to an individual, company, or the government if a firm fails to complete a contract. The U.S. Small Business Administration

guarantees surety bonds in a program much like the SBA guaranteed loan program (see separate citation).

Swing loan

See Bridge financing

Target market

The clients or customers sought for a business' product or service.

Targeted Jobs Tax Credit

Federal legislation enacted in 1978 that provides a tax credit to an employer who hires structurally unemployed individuals.

Tax number

A number assigned to a business by a state revenue department that enables the business to buy goods without paying sales tax.

Taxable bonds

An interest-bearing certificate of public or private indebtedness. Bonds are issued by public agencies to finance economic development.

Technical assistance

See Management and technical assistance

Technical evaluation

Assessment of technological feasibility.

Technology

The method in which a firm combines and utilizes labor and capital resources to produce goods or services; the application of science for commercial or industrial purposes.

Technology transfer

The movement of information about a technology or intellectual property from one party to another for use.

Tenure

See Employee tenure

Term

The length of time for which a loan is made.

Terms of a note

The conditions or limits of a note; includes the interest rate per annum, the due date, and transferability and convertibility features, if any.

Third-party administrator

An outside company responsible for handling claims and performing administrative tasks associated with health insurance plan maintenance.

Third-stage financing

Financing provided for the major expansion of a company whose sales volume is increasing and that is breaking even or profitable. These funds are used for further plant expansion, marketing, working capital, or development of an improved product. Also known as Third-round or Mezzanine financing.

Time management

Skills and scheduling techniques used to maximize productivity.

Trade credit

Credit extended by suppliers of raw materials or finished products. In an accounting statement, trade credit is referred to as “accounts payable.”

Trade name

The name under which a company conducts business, or by which its business, goods, or services are identified. It may or may not be registered as a trademark.

Trade periodical

A publication with a specific focus on one or more aspects of business and industry.

Trade secret

Competitive advantage gained by a business through the use of a unique manufacturing process or formula.

Trade show

An exhibition of goods or services used in a particular industry. Typically held in exhibition centers where exhibitors rent space to display their merchandise.

Trademark

A graphic symbol, device, or slogan that identifies a business. A business has property rights to its trademark from the inception of its use, but it is still prudent to register all trademarks with the Trademark Office of the U.S. Department of Commerce.

Trend

A statistical measurement used to track changes that occur over time.

Trough

See Cyclical trough

UCC

See Uniform Commercial Code

UL

See Underwriters Laboratories

Underwriters Laboratories (UL)

One of several private firms that tests products and processes to determine their safety. Although various firms can provide this kind of testing service, many local and insurance codes specify UL certification.

Underwriting

A process by which an insurer determines whether or not and on what basis it will accept an application for insurance. In an experience-rated plan, premiums are based on a firm's or group's past claims; factors other than prior claims are used for community-rated or manually rated plans.

Unfair competition

Refers to business practices, usually unethical, such as using unlicensed products, pirating merchandise, or misleading the public through false advertising, which give the offending business an unequitable advantage over others.

Unfunded accrued liability

The excess of total liabilities, both present and prospective, over present and prospective assets.

Unemployment

The joblessness of individuals who are willing to work, who are legally and physically able to work, and who are seeking work. Unemployment may represent the temporary joblessness of a worker between jobs (frictional unemployment) or the joblessness of a worker whose skills are not suitable for jobs available in the labor market (structural unemployment).

Uniform Commercial Code (UCC)

A code of laws governing commercial transactions across the U.S., except Louisiana. Their purpose is to bring uniformity to financial transactions.

Uniform product code (UPC symbol)

A computer-readable label comprised of ten digits and stripes that encodes what a product is and how much it costs. The first five digits are assigned by the Uniform Product Code Council, and the last five digits by the individual manufacturer.

Unit cost

See Average cost

UPC symbol

See Uniform product code

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U.S. Establishment and Enterprise Microdata (USEEM) File

A cross-sectional database containing information on employment, sales, and location for individual enterprises and establishments with employees that have a Dun & Bradstreet credit rating.

U.S. Establishment Longitudinal Microdata (USELM) File

A database containing longitudinally linked sample microdata on establishments drawn from the U.S. Establishment and Enterprise Microdata file (see separate citation).

U.S. Small Business Administration 504 Program

See Certified development corporation

USEEM

See U.S. Establishment and Enterprise Microdata File

USELM

See U.S. Establishment Longitudinal Microdata File

VCN

See Venture capital network

Venture capital

Money used to support new or unusual business ventures that exhibit above-average growth rates, significant potential for market expansion, and are in need of additional financing to sustain growth or further research and development; equity or equity-type financing traditionally provided at the commercialization stage, increasingly available prior to commercialization.

Venture capital company

A company organized to provide seed capital to a business in its formation stage, or in its first or second stage of expansion. Funding is obtained through public or private pension funds, commercial banks and bank holding companies, small business investment corporations licensed by the U.S. Small Business Administration, private venture capital firms, insurance companies, investment management companies, bank trust departments, industrial companies seeking to diversify their investment, and investment bankers acting as intermediaries for other investors or directly investing on their own behalf.

Venture capital limited partnerships

Designed for business development, these partnerships are an institutional mechanism for providing capital

for young, technology-oriented businesses. The investors' money is pooled and invested in money market assets until venture investments have been selected. The general partners are experienced investment managers who select and invest the equity and debt securities of firms with high growth potential and the ability to go public in the near future.

Venture capital network (VCN)

A computer database that matches investors with entrepreneurs.

WAN

See Wide Area Network

Wide Area Network (WAN)

Computer networks linking systems throughout a state or around the world in order to facilitate the sharing of information.

Withholding

Federal, state, social security, and unemployment taxes withheld by the employer from employees' wages; employers are liable for these taxes and the corporate umbrella and bankruptcy will not exonerate an employer from paying back payroll withholding. Employers should escrow these funds in a separate account and disperse them quarterly to withholding authorities.

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.

Working capital

Refers to a firm's short-term investment of current assets, including cash, short-term securities, accounts receivable, and inventories.

Yield

The rate of income returned on an investment, expressed as a percentage. Income yield is obtained by dividing the current dollar income by the current market price of the security. Net yield or yield to maturity is the current income yield minus any premium above par or plus any discount from par in purchase price, with the adjustment spread over the period from the date of purchase to the date of maturity.