BUSINESS BASICS

BUSINESS
the buying and selling of products and services for a profit

PROFIT
the sum remaining after all costs are deducted from a business' income

COMPETITION
keeps prices low and quality high

QUALITY
the degree of excellence of a product or service

EMPLOYEE
works for a business

ENTREPRENEUR
owns the business and often employes others

PRODUCT
a tangible item that exists in nature or is made by human beings and is sold for money

SERVICE
an intangible service that provides time, skill, or expertise in exchange for money

SHOULD I OWN MY OWN BUSINESS?

Advantages of being an Entrepreneur
independence, satisfaction, financial reward, self-esteem
Disadvantages of being an Entrepreneur
business failure, obstacles, loneliness, financial insecurity, long hours, hard work

A **Sole Proprietor** is when a business is owned by one person.
Advantages - easy to start, few regulations, quick decision making, all the profits
Disadvantages - difficult to raise money, long hours and hard work, liability, failure rate is high, the owner suffers all the losses

A **Partnership** is when a business consists of two or more owners who make decisions for the business.
Advantages - financing is easier to secure, risks and work are shared, different skills and contacts are used
Disadvantages - profits must be shared, disagreements can destroy the business, difficult to the dissolve the business

TYPES OF BUSINESSES

Manufacturing - making a tangible product
Wholesale - buys in quantity from the manufacturer and sells to the retailer
Retail - buys from the wholesaler and sells to the consumer
Service - sells an intangible good to the consumer

A **Production or Distribution Channel** is the consumer chain structure showing how a product reaches the customer.
Manufacturer to Wholesaler to Retailer to Consumer

What is the delivery time to market?
What are the markups at each stage?

PARTS OF A BUSINESS

Production - making or obtaining the product or service
Financing - securing and efficiently using money to develop the business
Marketing - developing strategies for getting the consumer interested
Customer service - maintaining and servicing a product or service once it has been sold, the act of keeping customers happy and loyal to the business

HOW DO I SELECT A BUSINESS?

Can My Product or Service Satisfy a Customer **Need**?
Can My Business Create **Value** (Buy low, Sell high)?
Can I Keep Good **Records**?

is there an OPPORTUNITY?

CREATIVITY

USE YOUR IMAGINATION TO SOLVE A PROBLEM

Use problems, inconveniences and obstacles to *inspire* new business opportunities.

Use your hobbies, interests, skills to *complement* new business opportunities.

> Have an open mind.
> Don't fear failure.
> Challenge assumptions.

HOW DO I RECOGNIZE A BUSINESS OPPORTUNITY?

Where others see problems, entrepreneurs see opportunities.

What frustrates me when trying to buy something?

What product or service can be created to improve life?

What annoys me? Is there a product or service that would eliminate that?

Is it an opportunity or just an idea?
An opportunity takes an idea and validates it based on what consumers want or need.

Is it attractive to customers?
Will it work in my location?
Do I have the resources and skills needed?

Can I supply the product or service at a price people will pay and earn a profit?
Look at Other Roots of an Opportunity
Besides looking at problems you can solve take a look at changes in situations or trends, inventions, technological advances, and if you can beat the competition on price, quality, reliability or hours.

TIME TO ANALYZE THE OPPORTUNITY

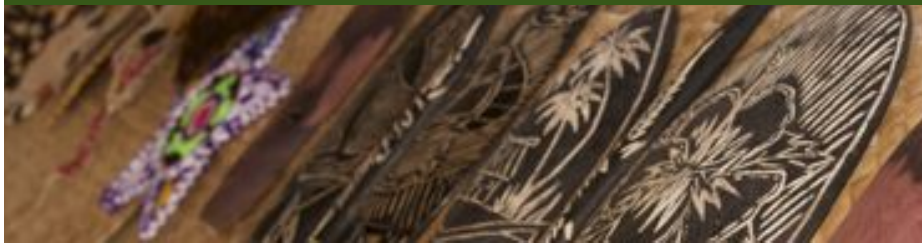
Once you decide on the business opportunity you will pursue, then it is time to test whether the opportunity will work in your area. Does the opportunity capitalize on strengths, minimize weaknesses, take advantage of opportunities, and respond to threats?

SWOT ANALYSIS

INTERNAL ANALYSIS - Strengths & Weaknesses
EXTERNAL ANALYSIS - Opportunities & Threats

S - Strengths - what do I do well? what is a competitive advantage in my marketplace? what resources are unique to my opportunity?
W - Weaknesses - where do I lack of resources? what areas need improvements? are there any obstacles that will get in my way? do I have any unmet needs?
O - Opportunities - am I taking advantage of unmet needs, markets, potential partnerships, gaps in the market?
T - Threats - who is my competition? how is the government stability? will the weather impact my business? can I respond to change? what is my stance on kerekere?

SELLING ADVANTAGE



COMPETITIVE ADVANTAGE

a businesses strategy for beating the competition

COMPETITIVE ADVANTAGE

What is your tool for outperforming the competition?

Decide what is the most important benefit your customers will receive from your product or service then identify how you will deliver it better than your competitors.

WHAT IS YOUR ...

Mission? Decide what your fundamental goal of the business is. Write down your reason for existence.
Strategy? Figure out how you intend to outperform your current and potential competition.
Tactic? Create an action plan to use in carrying out your strategy.
An Example - the mission is to make shirts, the strategy is to create a different look, the tactic is to hire a local artist.

BRAND IMPORTANCE

Branding is the name or symbol of the business recognizable to customers and investors. The best brands communicate what the company does, sells, or makes (rather than the name of the owner).

HOW TO BUILD YOUR BRAND

The best branding strategy is to make what you can sell instead of trying to sell what you make. And to love your customer, not your product - this way you can adapt to needs in the marketplace.

Successful brands promote high-quality products or services, high ethical company standards, they also define the product or service provided clearly, and keep marketing simple and informative.

THINK DIFFERENT

commodity	versus	creative alternative
production	versus	customer focus
manufacturing	versus	marketing
low cost	versus	value add
price risk	versus	relationship risk

Instead of creating a product everyone has and pricing it just like everyone else, create something different and concentrate on your customers needs ... that will build your brand and your customer's loyalty.

MARKETING

MARKETING
the strategy for generating interest in and matching your customer's needs with your product or service

SUCCESSFUL MARKETING
delivery of customer satisfaction at a profit

TARGET MARKET
current and future customers

CONSUMER ANALYSIS
who are your customers? what do they need or want?

MARKET ANALYSIS
what is your market segment? how large is it? how many competitors are there?

PROOF OF CONCEPT
is anyone else doing it, successfully?

BENCH MARKING
is taking a look at the competition and compare key functional metrics (to scale and relative) cost output per unit then use the information to refine your business plan

HOW DO I MARKET (SELL) MY BUSINESS?

Features versus Benefits
Customers aren't looking for a product but rather a solution to their problem or need. A man goes into a store to buy a drill because he needs a hole not a drill. And cosmetic companies sell the idea that their products can and will meet ladies needs to feel more pampered and beautiful instead of just selling makeup.

FEATURE	vs	BENEFIT
durable		will not need to be replaced
washable		will save money on cleaning costs
compact		can be kept in a pocket
many colors		will match different outfits

MARKETING the 4Ps

Communicate your mission to your customers through stating that your:
Product meets a need
Price is low enough that customers will buy but high enough to make a profit
Place is within locational demand
Promotion includes advertising and publicity

PROMOTION IDEAS

banners, billboards, brochures, business cards, direct mail, catalogs, coupons, flyers, free gifts, samples, demos, special events, sponsorships, media ads, web and email

MARKET RESEARCH

uncovers your potential customers and provides information about what they want.

will people buy it? how much are they willing to pay for it? where would you go to buy it? how can it be improved? who is my competition? is it better than the competition? can I differentiate, adjust profit margin and lower production costs?

COST & PRICE

if you don't make any money is it really a business?

KEY WORDS TO KNOW

COSTS
expenses needed to start and run a business

STARTUP COSTS
the original investment, one time expense of starting a business

COST OF GOODS SOLD
the cost of selling one additional unit

OPERATING COSTS
costs necessary to operate a business that do not include COGS

Examples include utilities, salaries, advertising, insurance, interest, rent, depreciation or the reduction of value calculated annually of a long-term asset.

Fixed Costs stay the same & **Variable Costs** change dependent on volume of sales

When starting a business it is imperative that you take a look at the financial burden (costs to start and operate) and potential financial outcome (profits or losses).

A business owner needs to look at the cost of doing business and if he can set the price high enough to cover the costs and enough profit to make doing business worthwhile. Usually, the higher the costs of doing business, the higher the risk that it will fail.

the UNIT of SALE

To analyze the financial situation of the business first a business owner needs to define the business' **Unit of Sale**.

How much does it cost to create one unit of the product or one hour of the service?

BREAK EVEN ANALYSIS

Then you will need to find out what selling price you need to make a profit and then decide if your customers pay this.

The **Break Even Point** is when the business neither earns a profit nor sustains a loss or when the net profit is zero.

Break Even Units = Monthly Fixed Costs / Gross Profit per Unit - Estimated Variable Cost per Unit

FINANCIAL ANALYSIS

Once you know your costs and your selling price below are some formulas to keep in mind to determine the feasibility of the business.

Gross Profit = Selling Price - Cost of Product or Service Sold
Total Gross Profit = Total Revenue - Total Cost of Goods Sold
Gross Profit per Unit = Selling Price - Cost of Goods Sold
Net Profit = Gross Profit - Operating Costs
Profit per Unit = Profit / Units Sold
Average Sale per Customer = Total Sales / Number of Customers

COST & PRICE

PRICE STRATEGIES

Once you know the cost of a unit of sale then you will need to determine a selling price. Here are some methods of pricing:

Value Pricing - finding a balance between price and quality so customers feel they are getting a value for their money
Keystoning - when retailers double the wholesale cost
Cost Plus - take your cost and add desired profit margin
Penetration Strategy - using a low price to gain market share - take note, this is useful in the beginning but not sustainable throughout the entire cycle
Skimming Strategy - charging a high price during the introductory stage of the product life cycle if the item is new and has few competitors
Meet or Beat the Competition - pricing just at or right below the competition

MARKUP

In pricing your product and service the most important item to consider is the **Markup**, the price of the product or service is increased to cover expenses and generate a profit at every stage.

**Reminder* - COGS is Cost of Goods Sold

Sales Markup = COGS x Markup %

Sales Markup % =
Markup / COGS x100

Gross Profit = Selling Price - COGS

Gross Profit Margin per Unit =
Gross Profit per Unit / Selling Price x 100

Profit Margin = Profit / Sales x 100 Margin

QUALITY

the degree of excellence of a product or service. Quality products last longer and quality services will be more satisfying.

QUALITY IS CHEAPER

1. You don't have to fix it
2. Satisfied customers are the best sellers
3. Customer loyalty generates more profits

WAYS TO IMPROVE QUALITY

1. Strive for continuous improvement
2. Be consistent
3. Do it right the first time
4. Develop relationships based on loyalty and trust
5. Focus on quality not quantity
6. Develop a customer service training program
7. Ask for comments and evaluations from employees and customers

ETHICS

are the standards and rules that help determine right from wrong and govern parties in business. Ethical business behavior to suppliers, partners, employees, customers includes punctuality, reliability, respect, courteousness, good physical impression and direct and open communication. In return suppliers give you their best, employees work harder, and customers stay loyal.

THE GOLDEN RULE

do unto others as you would have them do unto you

FINANCIALS

keeping good records helps you to be successful

habit.

Keeping track of the flow of money in and out of your business will help make it successful. You can try to lower certain expenses or increase income to improve your balance. Record the money you earn and spend each day. Keep receipts for every purchase you make.

Don't expect to keep your financial transactions in your head during the day and then write them down at night. You are bound to forget an item or mix up a number and then your business ledger will not show an accurate balance. The balance is determined by subtracting total disbursements from total receipts. The actual physical amount of money you have in your hand after a day of business will match the balance in your journal if you have been keeping good records.

BOOKKEEPING

needs to be an everyday habit of entering items into a business ledger to properly show cash flow and to provide internal controls of money

INCOME (+) IN

a credit entry
cash received

EXPENSE (-) OUT

a debit entry
cash disbursed

CHECKS & BALANCES

Each line item in a ledger book corresponds to receipts received in a customer receipt book or invoices paid in bills. Example, your cash on hand should be the same as the ending balance in your ledger book.

an example.

Nika has a tshirt silkscreening business. Below are his transactions for the month of July. The transactions are recorded on the business ledger pages.

1. To start his business, Nika buys a silkscreen frame, ink, a wedge, and other basic supplies on the first of July. These items cost a total of $250.
2. On July 2 he buys 48 tshirts from a wholesaler for $240.
3. On July 6 Nika registers to sell his tshirts each weekend in July at the market. Registration costs him $100. He then goes to a print shop and spends $20 on business cards and $10 on flyers.
4. On July 7 Nika goes to the market. He sells all his tshirts at $12 each.
5. On July 10 Nika goes back to the wholesaler and buys 60 tshirts for $300.
6. On July 14 he sells 48 tshirts at $12. To get rid of his last 12 tshirts he drops the price to $10 each.
7. On July 16 Nika buys 60 shirts for $300. He spends $50 for designs for his flyers and $10 on printing them.
8. Nika is back at the market on July 21, but it rains in the afternoon and he only sells 36 tshirts at $12 each.
9. On July 25 he buys and screens 24 more shirts for $120.
10. At the market on July 26, Nika sells all his remaining shirts (48 tshirts) for $12 each.

BUSINESS LEDGER

date	explanation	to / from	cash received (+) IN	cash disbursed (-) OUT	balance (=)
Jun 6, 2010	start up cash				$1,000
Jul 1, 2010	silkscreen start up supplies	Ace Arts		$250	$750
Jul 2, 2010	48 tshirts	Jone Wholesale		$240	$510
Jul 6, 2010	monthly registration fee	Market		$100	$410
Jul 6, 2010	business cards	Print Shop		$20	$390
Jul 6, 2010	flyers	Print Shop		$10	$380
Jul 7, 2010	sold 48 tshirts at $12 each	Market Sales	$576		$956
Jul 10, 2010	60 tshirts	Jone Wholesale		$300	$656
Jul 14, 2010	sold 48 tshirts at $12 each sold 12 tshirts at $10 each	Market Sales	$696		$1,352
Jul 16, 2010	60 tshirts	Jone Wholesale		$300	$1,052
Jul 16, 2010	silkscreen ink	Print Shop		$50	$1,002
Jul 16, 2010	flyers	Print Shop		$10	$992
Jul 21, 2010	sold 36 shirts at $12 each	Market Sales	$432		$1,424
Jul 25, 2010	24 shirts	Jone Wholesale		$120	$1,304
Jul 26, 2010	sold 48 tshirts at $12 each	Market Sales	$575		$1,880
TOTALS			**$2,280**	**$1,400**	**$1,880**

FINANCIALS

CASH FLOW
the difference between the money you take in and the money you spend during a set period

Cash Receipts
- Cash Disbursements
CASH FLOW

CASH INFLOW
(+) income, receipts or sales

CASH OUTFLOW
(-) expenses, invoices or disbursements or bills, COGS, operating costs

CASHFLOW TIPS

> Collect cash not credit.

> Pay bills as late as possible but before the due date.

> Always know your cash balance.

PROFIT
when the income is greater than expenses

LOSS
when the income is less than expenses

INCOME STATEMENTS show whether or not the business is profitable and how to examine where the business is losing money.

SALES is how much money the company receives for selling a product.

TOTAL COST OF GOODS (or services) SOLD is the cost of goods sold for one unit times the number of units sold.

GROSS PROFIT is the sales minus cost of goods sold (it is not the net profit because operating costs and taxes have not been subtracted).

OPERATING COSTS are items that must be paid to operate a business (rent, utilities, salaries, insurance, depreciation).

FIXED COSTS are all operating costs that stay the same within a range of sales.

VARIABLE COSTS are all operating costs that vary with sales.

PROFIT BEFORE TAXES is the business profit after all costs have been paid and before paying taxes.

TAXES are income or sales taxes owed to the government.

NET PROFIT (or loss) is the business final profit or loss.

TIP!!
To increase gross profit you would cut costs or increase sales.

OTHER CALCULATIONS ...
Net Worth = Assets - Liabilities
Debt Ratio = Total Debt / Total Assets
Debt to Equity Ratio = Total Debt / Equity
Current Ratio = Current Assets / Current Liabilities
Profit Margin or Return on Sales = net profit or loss / sales

Number of Months before Cash Runs Out =
Cash on Hand / Negative Cash Outflow per Month

$$$$$$

NIKA'S income statement

REVENUE (SALES)	$2,280	180 tshirts x $12 per tshirt 12 tshirts x $10 per tshirt
LESS TOTAL COST OF GOODS SOLD	$960	cost of purchasing tshirts
GROSS PROFIT	**$1,320**	Sales - COGS = Gross Profit
LESS OPERATING COSTS **Fixed Costs** **Variable Costs**	$190	market registration, cards, flyers, ink Fixed + Variable = Operating Costs
PROFIT BEFORE TAXES	**$1,130**	Gross Profit - Operating Costs = Profit
TAXES	$282.50	Money Owed to the Government
NET PROFIT OR LOSS	**$847.50**	Profit Before Taxes - Taxes = Net Profit

is the business profitable?

RETURN on INVESTMENT

To analyze the success of your business you must take a look at your Return on Investment or Rate of Return.

When you invest in something you put money, time or energy into it with an expectation of gaining something in return. An example would be tertiary education, you pay for school expecting to make more money in the future.

End of Period Wealth - Beginning of Period Wealth
/ Beginning of Period Wealth x 100
= Return on Investment

"What you made over what you paid, times a hundred"

COST / BENEFIT ANALYSIS

Is your business investment worth it?

Costs are money and time invested
Benefits are the rate of return on investment
Opportunity Cost is the cost of your next-best investment

Example of an Opportunity Cost: you decide not to go college and instead work at your uncle's shop to immediately make some money but not as much as you would if you had a college education.

Should I farm dalo or bake bread?

I can earn $1,000 a month farming dalo or I can earn $2,000 a month baking bread. However, the costs incurred to farm dalo is only $100 and the costs incurred to open a bakery are $1,300. The labor required to farm dalo is 200 hours and the labor required in the bakery is only 100. What business should I pursue?

ANSWER? bake bread.

$1,000 - $100 = $900 / 200 hours
= You can earn $4.50 per hour farming

$2,000 - $1,300 = $700 / 100 hours
= You can earn $7 per hour running a bakery

BALANCE SHEET
a snapshot of the business tracking performance over time, a financial statement showing assets listed on the left, liabilities (debts) listed on the right and net worth, both sides must show the same total

FISCAL YEAR
a twelve month period chosen by the business, can be different from a calendar year

ASSETS
all items of worth owned by the business (cash, inventory, furniture, machinery, etc)

LIABILITIES
debts owed by the business (loans, mortgages, purchases made on credit, etc)

CAPITAL
owners equity, net worth

DEPRECIATION
a certain portion of an asset that is amortized (spread) over each time period until the assets value reaches zero, reflects the wear and tear of an asset over time, must be subtracted from

START UP CAPITAL
the money needed to start a business

DEBT
borrowing money at an interest rate to be paid back over a set period of time

advantage - the lender has no say in the future or direction of the business, payments are predictable

disadvantage - if payments are not made the business will be bankrupt and will be forced to sell assets

EQUITY
giving up a percentage of ownership for money, the investor receives a percentage of future profits based on the percentage of ownership

advantage - money does not need to be paid back unless the business is successful

disadvantage - through giving up ownership, the owner can lose control of the business to equity holders

Debt / Equity
= Debt to Equity Ratio

Debt / Assets
= Debt Ratio

GETTING $

A **Financing Strategy** is the use and manipulation of money which takes into account the cost of investment, profit or loss, and critical success factors.

Banks make a profit by taking money of depositors and lending it to others with an added interest rate charge.

A **Savings Account** is a low-risk yet low-yield investment but keeps your money safe in the bank.

A **Checking Account** makes it easier to keep receipts and records than cash.

When investing, first you have to weigh the **RISK** - the possibility of losing your money. Usually, the higher the risk, the higher the rate of return or the more money you make.

Second you have to evaluate the **LIQUIDITY** - the ease of turning the investment into cash. Usually, the longer you have to wait for payback the greater the return. The easier your money is to retrieve the lower the return.

When you take a loan, you must pay back the principal & the interest. The **Principle** is the loaned amount and the **Interest** is the cost or charge of investing.

Number of Years for the Investment to Double = 72 / ROI

OTHER KEY WORDS TO FOCUS ON IN THE FUTURE ...

PRESENT VALUE OF MONEY
how much a given amount of money in the future is worth today

FUTURE VALUE OF MONEY
the amount it will accrue in interest over time through investment

COMPOUND INTEREST
money making money through investment

BUSINESS PLAN

a road map or plan for the business as a written agreement for all the parties involved

CREATION

A **Business Plan** explains who, what, when, where, and how you are going to start and run your business. A successful business plan includes the following parts:

Executive Summary - A concise summary of the entire business plan, must contain a “hook of interest” to entice the reader to finish reading the entire document.

Description of Business - This section fully describes the products and services that will be provided, a SWOT analysis, and a description of the business location, managers, and customers or target market.

Strategic Plan - A statement of the vision, goals & objectives, action plan, and why the business will be successful.

Marketing Plan - This section describes the supply & demand of the marketplace, pricing structure, market players, and competition. And then how the business will gain market share, the sales forecast, promotion strategy, marketing cost and budget, and any marketing risks.

Production Plan - A description of the business’ assets, sources, layout, capacity, raw material costs, labor requirements, and finally the production costs and budget.

Management & Organization Plan - A statement of those in ownership, the form of business, operation plan, organization chart and structure, qualifications and experience of employees, pre-operating activities and expenses, training documentation, and seasonal needs.

Financial Plan - This section is critical when asking for investors and must include documentation of each of the following: the total projection costs, composition of funding (invest, private, personal), depreciation schedule, amortization schedule, loan schedule, cash flow forecast, projected profit & loss statement, and projected balance sheet.

Schedule or Work Plan - This section is a timeline or calendar depicting the tasks needed, person responsible, and projected deadlines for each item.

Appendixes - An area for miscellaneous items such as financial statements, resumes, job descriptions, certificates, maps, and letters of references.

EVALUATION

> make conservative assumptions for volume, capacity, and price
> fully explain you understand your market and customers, as well as competition
> demonstrate you realize gaining market share is difficult
> prove you have enough start-up investment to not do it half-way
> show you are not too close to or emotional about the product
> explain how you will deal with mismanagement of funds and kerekere
> demonstrate you have put adequate internal controls in place
> explain how your location chosen is critical to the success of the business
> make sure your goals are SMART - specific, measurable, attainable, rewarding, time oriented

MANAGE

EMPLOYMENT paying an individual for work

1. Get the right people
2. Provide a fair salary and good working conditions
3. Share the vision for the company
4. Provide incentives to work hard
5. Define responsibilities and boundaries
6. Give employees control over their work

MANAGEMENT FUNCTIONS

planning, organizing, leading, directing, staffing, controlling, coordinating, representing, innovating, motivating

NEGOTIATIONS & COMPROMISES

At some point in your business you will need to reach a compromise with a supplier, customer or employee. A successful negotiation is when a compromise is reached achieving goals through give-and-take. A win/win agreement means both parties are satisfied and thus will more than likely stick to the arrangement.

An example would be you are at the market and conduct price negotiations with a customer until an agreement of sales price is reached.

NEGOTIATION TIPS

1. Set your goals and organize your thoughts. What do you want to achieve?
2. Decide what your boundaries are. What is the minimum you are willing to accept?
3. Put yourself in their position. What does the other party want from the negotiation?
4. Let the other party reveal their position first. Don't talk specific dollars until you have to.
5. Try extremes. If the other party won't reveal their position, throw out a very high or low (depending on your position) number.
6. Show willingness to bargain. Respond to each counter-offer by giving up something in return.
7. Listen. You will gain information you need.
8. Be silent. This will prompt the other party to speak.
9. Always ask for more than was offered. You may have to settle, but that is better than the original demand.

SELLING YOU & THE PRODUCT

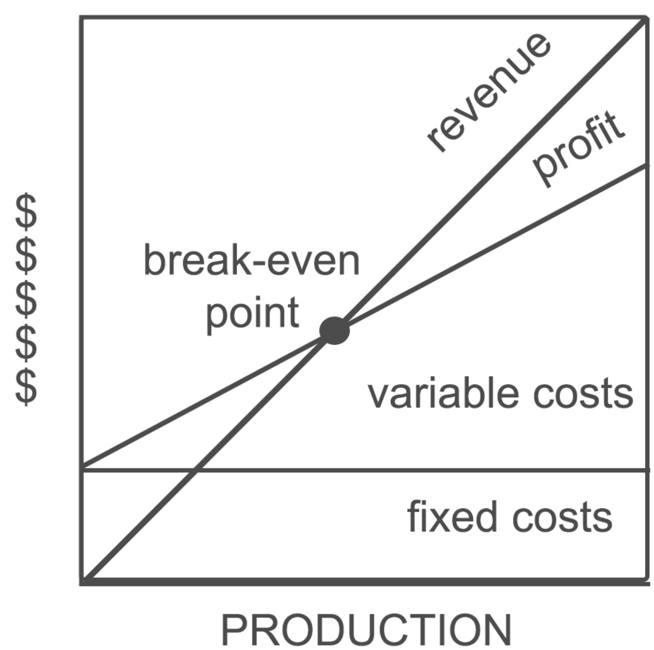
A **Sale** is when you match a product or service to a consumer's need or want. Good **Sales Contracts** should avoid misunderstanding, assure work, assure payment, and avoid liability. **Sales Methods** include sales calls, markets, direct mail, door to door, telephone, internet, catalog, store front, through other stores, print media, radio, and tv.

Ways to Present Successfully
1. Make a good personal impression
2. View selling as teaching
3. Know and believe in your product or service
4. Know your customers and competition
5. Keep good records
6. Listen so you can match needs to benefits
7. Close the deal with either a yes or not now
8. Follow up

Typical Sales Call Includes:
1. Preparation - analyze the customer, competition, and product or service
2. Greeting - introductions, get the customer's attention
3. Show - present the product or service
4. Listen - get the customer's reaction, learn the customer's needs and wants - can you solve their problem?
5. Answer Objections - acknowledge concerns and clarify misunderstandings
6. Close - review benefits and ask for commitment or sale
7. Follow Up - receive evaluation, ask if further assistance is needed, develop customer loyalty
8. Ask for References - ask for referral to potential customers

-+/=? business formulas

RETURN ON INVESTMENT	ending wealth - beginning wealth / beginning wealth x 100
BREAK EVEN IN UNITS	fixed costs / gross profit per unit
DEBT TO EQUITY RATIO	debt / equity x100
DEBT RATIO	debt / assets x100
MARKUP PERCENTAGE	markup / wholesale cost x 100
GROSS PROFIT MARGIN PER UNIT	gross profit per unit / retail price x 100
PROFIT MARGIN	profit / sales x 100
QUICK RATIO	cash + marketable receivables / current liabilities
CURRENT RATIO	current assets / current liabilities
BREAK EVEN POINT	monthly fixed costs / gross profit per unit - estimated variable cost per unit



accounts payable - money a business owes its suppliers
accrue - to increase or grow because interest is being added periodically
assembly line - continuous moving line in a factory where parts are put together
assets - any item of value owned by a business : cash, inventory, furniture, machinery, etc.
audit - a formal study of accounts to determine whether the financials are correct
balance - 1. the difference between the credit (+) and debit (-) side of a ledger 2. the difference between the assets and liabilities of a financial statement 3. to calculate differences or settle an account by paying debts
balance sheet - a financial statement summarizing the assets, liabilities and thus net worth of a business
brand - a name or symbol that distinguishes a business from its competition and makes the company recognizable to the customer
budget - a plan to spend or save money
burn rate - a negative cash flow reached by dividing the cash on hand by monthly operating costs (ratio that indicates how many months a business can cover its overhead without making a profit)
business - the buying and selling of goods and services in order to make a profit
capital - money or property owned or used in business
cash flow - cash receipts less cash disbursements over a period of time
charge account - credit extended by a store allowing qualified customers to make purchases up to a specific limit without paying cash at the time of purchase (*kerekere*)
checking account - a bank account against which the account holder can write checks
collateral - property or assets pledged by a borrower to a lender to secure a loan
competition - rivalry in business for customers or markets, competition leads to lower prices and better quality of goods and services
competitive advantage - a benefit that you can deliver to the consumers in your market better than any of your competitors
compromise - a settlement in which each side in a negotiation has given in on dome demands
consumer - a person or business that buys goods and services for its own needs, not for resale or to use for production
contingency - an unforeseen or unpredictable event
contract - a formal written agreement between two or more people legally binding each party to fulfill his or her obligations as specified
core competency - a fundamental knowledge, ability, or expertise in a special subject area or skill set which is critical to the success of a business
corporation - a legal entity composed of stockholders that is granted the right to buy, sell and inherit possessions
cost - an expense or the amount of money, time, or energy spent on something
cost of goods sold - the cost of selling one additional unit, also called variable costs
cost / benefit analysis - a decision making process in which the costs of taking an action are compared to the benefits, if the benefits outweigh the costs then action is taken
creativity - the ability to invent something using your imagination or to perceive an existing item in a new way
credit - a recording of income in bookkeeping
debit - a recording of an expense in bookkeeping
debt - an obligation to pay bay a loan, a liability
debt ratio - the ratio of debt (liabilities) to assets
debt to equity ratio - a comparison that expresses financial strategy by showing how much of a company is financed by debt and how much by equity
deductible - the portion of an insured loss or damage not covered by insurance, the higher the deductible the lower the premium payment
deduction - expenses incurred during the course of doing business which usually can be subtracted from income when figuring income tax due
demand - the willingness and desire for a commodity together with the ability to pay for it, the amount customers are ready and able to buy at the price offered in the marketplace
demographics - population statistics
depreciation - the amount of value of an asset subtracted each year until the asset value becomes zero, reflects the wear and tear on the asset
discount - the difference between a listed price and the actual price when sold
dividend - each stockholder's portion of the profit per share paid out by the corporation
donation - a gift or contribution to a charitable organization or church
draft - a version of a contract or agreement with the understanding that it will be developed further or rewritten
economy - the financial structure of a country or area that determines how resources and wealth are distributed
employee - a person hired by a business to work for wages (salary) or commission
entrepreneur - a person who organizes and manages a business, assuming the risk for the sake of the potential return
equity - 1. ownership in a company received in exchange for money invested 2. in accounting, equity is equal to assets minus liabilities
ethics - a system of morals or standards of conduct and judgement
face value - the value printed on a bill, not necessarily its market value
fiscal year - a 12 month period between settlements of financial accounts
fixed costs - business expenses that must be paid whether or not any sales are being generated and are the same amount each month (utilities, salaries, rent, etc)
franchise - a business that markets a product or service developed by the franchisor, in the manner specified by the franchisor
franchisee - owner of a franchise unity
franchisor - person who develops a franchise or a company that sells franchises
fraud - intentional failure by a business owner to inform a customer that he or she could be hurt in some way by the business's product or service
free enterprise system - economic system in which businesses are privately owned and operate relatively free of government interference
future value - the amount an investment is worth in the future if invested at a specific rate of return
goodwill - an intangible asset generated when a company does something positive that has value (reputation, brand recognition, relationships in the community, etc.)
gross domestic product (GDP) - the annual estimated value of all products and services produced within a country
gross national product (GNP) - the annual market value of all products and services produced by the resources of a country
gross profit - total sales revenue minus total cost of goods sold
incentive - something that motivates a person to take action
income - the amount received from customers before subtracting costs
income statement - a financial statement that summarizes income and expense activity over a specified period and shows net profit or loss
inflation - a continuous increase in the prices of goods and services, usually resulting from an increase in the amount of money in circulation in an economy
installment - payment on a loan or debt made at regular intervals
insurance - a system of protection provided by insurance companies to protect people or businesses from having their property or wealth damaged or destroyed
insurance policy - a contract between an insurance company and a person or business being insured that describes the premium (payment) to be paid and the insurance companies obligations
intellectual property - intangible property created using intellect (inventions, books, paintings, music, etc)
interest - payment for using someone else's money, payment received for lending money
interest rate - money paid for the use of money expressed as a percentage per unit of time
inventory - items on hand to be sold

investment - something into which one puts money, time, or energy with the hope of gaining profit or satisfaction in spite of risks
invoice - an itemized list of goods delivered or services rendered as the amount due (bill)
layaway - store policy allowing a customer to make a down payment on an item to secure it and then make monthly payments on the remaining balance, the store keeps the item until it is paid in full
leveraged - financed by debt, not equity
liable - to be responsible for lawsuits, unpaid bills, faulty merchandise, or other business problems
liability - an entry on a balance sheet showing the debts of a business
license - authorization by a governing entity to do some specified thing
logo - a distinctive company trademark or sign identifying a company or person
manufacture - to make or produce a tangible product
market - a group of people potentially interested in buying a product or service, a designated location where trade occurs
market segment - a group of consumers who have a similar response to a particular type of marketing
marketing - the development and use of strategies for getting a product or service to the consumer and generating interest in it
marketing mix - the combination of product, price, place, and promotion that communicate a marketing vision to consumers
market clearing price - the price at which the amount of a product or service demanded by consumers equals the amount the supplier is willing to sell at that price, the price at which the supply and demand meet (equilibrium price)
markup - an increase in the price of a product to cover expense and create a profit for the seller
media - means of communication (radio, print, television, internet) that reaches the general public in relations to advertising
mission statement - a short, written statement that informs your customers and employees what your business goal is and describes the strategy and tactics you intend to use to meet it
monopoly - a market with only one producer, the control of the pricing and distribution of a product or service in a given market as a result of lack of competition
negotiation - discussion or bargaining in an effort to reach agreement between parties with differing goals
net - the profit or loss remaining after all costs have been subtracted
networking - the act of exchanging valuable information and contacts with other businesspeople
operating cost - overhead, each cost necessary to operate a business, not including cost of goods sold
opportunity - a chance or occasion that can be turned to one's advantage in business
opportunity cost - the value of what must be given up in order to obtain something else
optimist - a person who consistently looks on the bright side of situations or outcomes
overhead - the continuing fixed costs of running a business, the costs a business has to pay to be able to operate
partnership - an association of two or more people in a business enterprise
patent - an exclusive right, granted by a governing entity to produce, use, and sell an invention or process
percentage - a given part of 100, a number expressed as a part of a whole, with the whole being 100%
pilferage - stealing by employees or customers of a business's inventory
premium - 1. the amount above a price that an item is selling in the marketplace 2. the cost of insurance in a monthly or yearly payment from the business to the insurance company
present value - the amount an investment is worth discounted back to the present
principal - the amount of a debt or loan before interest is added
product - something that exists in nature or is made by human industry, usually to be sold in a marketplace
product / distribution structure - the manufacturer to wholesaler to retailer to consumer chain along which a product progresses
profit - the sum remaining after all costs are deducted from the income of a business
profit and loss statement - an income statement showing the gain and loss from business transactions and summarizing the net profit or loss
profit per unit - the selling price minus the cost of goods sold of an item
profit margin - the percentage of each dollar of revenue that is profit, profit divided by revenue times 100
projection - a forecast or prediction of financial outcome in the future, business plans include projections of financial statements
promissory note - a written promise to pay a certain sum of money on a specified date
promotion - the development of the popularity and sales of a product or service through advertising and publicity
prototype - a model or pattern that serves as an example of how a product would look and operate if it were manufactured
publicity - free promotion, as opposed to paid advertising
quality - the degree of excellence of a product or service
rate of return - the return on an investment expressed as a percentage of the amount invested
recession - an economic downturn which results in less employment and business activity
return on investment - profit on an investment expressed as a percentage
revenue - the amount received from customers before subtracting costs
risk - the chance of loss
sales tax - consumption tax levied on items that are sold by businesses to consumers
savings account - a bank account in which money is deposited and the bank pays interest to the depositor
service - intangible work providing time, skills, or expertise in exchange for money
share - a single unity of stock in a corporation
socially responsible business - a business venture that expresses the entrepreneurs ethics and core values
sole proprietorship - a business owned by one person, the owner receives all profits and is legally liable for all debts or lawsuits incurred
speculative - very uncertain or risky
start-up cost - an expense involved in getting a business going, the original investment needed to start a business
statistics - facts collected and presented in numerical fashion
strategy - the plan for how a business intends to outperform its own performance and that of its competition
stock - an individual's share in the ownership of a corporation based on how much he or she has invested
supply - a schedule of the quantities that a business will make available to consumers at different prices
tactics - the practical ways in which a business carries out its strategy
tariff - a tax imposed by a government on an import
tax - a percentage of a business's gross profit or an individual's income taken by the government
tax evasion - deliberate avoidance of the obligation to pay taxes that leads to penalties, fines, or jail
tax exempt - the condition of an entity that is allowed to produce income sheltered from taxation
test market - to offer a product or service to a limited, yet representative, segment of consumers in order to receive feedback and improve the product or service before attempting to place it in a larger market
trademark - any word, name, symbol, or device used by a manufacturer or merchant to distinguish a product
trade-off - an exchange in which one benefit or advantage is given up in order to gain another
value pricing - a strategy based on finding the balance between price and quality that will attract the most consumers
variable cost - any cost that changes based on the volume (number) of units sold, COGS