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Glossary

An A-Z business glossary for creative entrepreneurs

DBACE 2019
The Deutsche Bank Awards for Creative Entrepreneurs

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Glossary

DBACE resources for creative entrepreneurs

This is an A- Z glossary of common business terms to help you in running your business and in completing elements of the DBACE application process.

The glossary provides definitions and acronyms commonly used in business planning, marketing, finances and across a broad range of business areas.

Accounts: The term has several different meanings in financial terms and can refer to a current, deposit or a business banking account. This can also refer to a book-keeping/ record of a business's financial position. Companies must produce an annual set of accounts.

Angel Investment: An angel investor is an affluent individual who provides capital for a business start-up, usually in exchange for convertible debt or ownership equity.

Assets: Things owned by a business, e.g. buildings, vehicles, stock and money in the bank.

Auditors: Are accountants who must certify that the company's account prepared and signed by the board of directors, are a 'true and fair view' of the company's financial position.

Balance sheet is a summary of the financial value of a company, usually published at the end of the business's financial year.

Base rate: The country's base rate of interest is set each month by the Bank of England's monetary policy committee, control for setting interest the rate transferred to the Bank of England in 1997. This is important as high street banks and finance houses tend to take the Bank of England's base rate as a guide when they come to set their own cost of borrowing, while certain financial products (such as tracker rate mortgages) are tied directly to the base rate.

B2B: The term used to describe an exchange of products, services or information between businesses, rather than between businesses and consumers.

Benchmark: A benchmark is a standard or guideline used to compare some aspect of a business to some objective or external standard measure. For example, when a banker compares a business' profitability to standard financial ratios for that type of business, the process is sometimes referred to as “benchmarking.” Equally business also measure performance against their competitors to gauge and identify strengths and weaknesses.

Book-keeping: Weekly or monthly record-keeping of money that comes in and goes out of the business.

Bonds: A bond is a debt of security under which the issuer owes the holders a debt and (depending on the terms of the bond) is obliged to pay them interest

Bottom line: The final line in the accounts of a company or organisation, stating the total profit or loss that has been made.

Brand: Refers to the words and symbols such as a name, logo and slogan that represent a business’s identity.

Brand recognition: Positions customer’s relative perceptions of one brand to other competitive alternatives.

Break-even: The amount of sales a business needs to make to cover all its costs.

Business expenses: Money spent on business activities during an accounting period (usually 1 year from the date you start trading this can be aligned to the tax year)

Business plan: A document that describes a business’s aims and objectives and a plan for how they can be achieved.

Capital assets: Are long-term assets, such as plant and equipment, or fixed assets. The terms are interchangeable. Assets are generally divided into short-term and long-term assets, the distinction depending on how long they last. Usually the difference between short term and long term is a matter of accounting and financial policy.

Capital expenditure: Money spent on buying or improving items that will be owned by a business for a long time, e.g. buildings or equipment.

Carbon footprint: A measure of the impact that human activities have on the climate in terms of the total amount of greenhouse gases produced.

Cash flow: Cash flow is the money that is moving (flowing) in and out of your business in a month. Predicted cash flow shows a forecast of the money that will come in and go out of the business over a period of time.

Collateral: Security held against a loan by a Lender i.e. a major asset.

Community Interest Company (CIC): CIC is a new type of limited company designed for social enterprises that want to use their profits and assets for the public good. This is achieved by a "community interest test" and "asset lock", which ensures that the CIC is established for community purposes and the assets and profits are dedicated to these purposes. Registration of a company as a CIC must be approved by the regulator who also has a continuing monitoring and enforcement role.

Competitive advantage: The strategic development where customers choose a firm's product or service over its competitors based on significantly more favourable perceptions or offerings.

Competitive analysis: Assessing and analysing the comparative strengths and weaknesses of competitors; may include their current and potential product and service development and marketing strategies.

Corporation tax: Paid by UK companies on their profits

Creative industries: Can be described as 'those which have their origin in individual creativity, skill and talent. They also include industries that have the potential to create wealth and jobs through the development, production or exploitation of intellectual property. The sector is made up of 13 distinct industries – advertising, architecture, art and antiques, crafts, design, designer fashion, film, interactive leisure software, music, performing arts, publishing, software and computer services and TV and radio.'

Credit: A contractual agreement in which a borrower receives something of value now and agrees to repay the lender at some later date with consideration, generally with interest. Credit also refers to an accounting entry that either decreases assets or increases liabilities and equity on the company's balance sheet.

Creditor: Somebody to whom a business or individual owes money.

Crowdfunding: is the process of getting a large crowd of people to pay small amounts of money investing in an idea or product, with the promise that when said idea comes to fruition, they will get first access to it.

Direct costs: Costs that can be traced directly to the production of a specific unit of product e.g. materials used, production labour, certain production expenses. Also known as variable costs

Depreciation: An accounting and tax concept used to estimate the loss of value of assets over time. For example, cars depreciate with use.

Dividend: When a firm makes profits, it may decide to reward its shareholders by paying them a dividend (return on their investment). Not all companies pay dividends particularly when shareholders are getting a good return on their investment in the form of the rising share price of the company.

Early adopters: Buyers that follow "innovators" rather than be the first to purchase.

Economies of scale: The benefit that larger production volumes provides. This allows for fixed costs to be spread over more units lowering the average unit costs and offering a competitive price and margin advantage. Large volume production often generates economies of scale. The per-unit cost of something goes down with volume because vendors charge less per unit for larger orders, and often production techniques and facilities cost less per unit as volume increases.

Elevator pitch: A 60 to 90 seconds summary that explains (i) what your business does (ii) who your customers are and (iii) what makes your business different from the competition.

Equity: A stock or any other security representing an ownership interest, shares are bits of equity. This may be in a private company, in which case it is a private equity. On a company's balance sheet, the amount of the funds contributed by the owners or shareholders plus the retained earnings (or losses).

Equity stake: Is the percentage of a business owned by the holder of some number of shares of stock in that company. An equity stake can be acquired through purchasing equity shares or companies can create such a stake for an investor through a contract.

Equity financing: is the process of raising capital through the sale of shares in an enterprise. Equity financing essentially refers to the sale of an ownership interest to raise funds for business purposes.

Expenditure: Money paid spent on something

Expenses: Common expenses are rent, salaries, advertising, travel, etc. expenses for the purpose of business accounting is that expenses are deductible against taxable income

Financial year: A firm's financial year can run over any 12-month period it chooses, although the most common year-ends are March 31 and December 31.

Fiscal year: The UK fiscal year runs from April 6 to April 5

Fixed assets: Things a business owns or controls for a long time, such as premises or equipment.

Fixed costs: Costs that a company incurs in making goods regardless of how much it is producing.

Fixed liabilities: Debts; money that must be paid. Usually, debt on terms of longer than five years are fixed liabilities. (Also called Long-term Liabilities.) Fixed liabilities, in contrast to Floating Liabilities, are secured by assets with a stable value, such as a building or a piece of equipment.

Focus group: Small groups of people, usually representing the target audiences, that are brought together to discuss a topic that will offer insight for product development and/or marketing efforts.

GDPR: The General Data Protection Regulation (GDPR) is a legal framework that sets guidelines for the collection and processing of personal information of individuals within the European Union (EU). GDPR came into effect across the EU on May 25, 2018.

Gross profit margin: The difference between sales and the cost of goods or services sold. Also known as gross margin.

Gross profit: Total income/revenue from a business's sales minus the direct costs of making the sales (this does not include a business's overheads or running costs).

Guerrilla marketing concept: Guerrilla Marketing is an advertising strategy that focuses on low-cost unconventional marketing tactics that yield maximum results. The original term was coined by Jay Conrad Levinson in his 1984 book 'Guerrilla Advertising'.

Guarantor: If a lender thinks there is a risk you will not be able to meet your repayments, they may ask you to provide a guarantor. Essentially, this is a third party who agrees to honour your debts if you don't.

Income streams: Are sources / routes through which your business will derive monies from.

Indirect costs: Costs that cannot be traced directly to the production of a unit of product e.g. property costs, administration and selling costs. Also known as fixed costs, running costs or overheads.

Inventory: List of items such as property or goods held in stock.

Investment trust: A company quoted on the stock exchange that exists only to invest in other companies.

Key messages: The things you most want customers to remember about your business.

Letter of intent: A signed statement / document from a potential customer containing a declaration of the intentions of the writer

Liabilities: A company's legal financial debts or obligations that arise during business operations. Often viewed as claims on a company's assets liabilities are settled through the transfer of economic benefits including money, goods or services.

Liquid asset: An asset which can be converted easily into cash.

Loyalty programs: Activities designed to encourage repeat purchasing through a formal program enrolment process and the distribution of benefits. Loyalty programs may also be referred to as frequency marketing.

Limited company: A private company whose owners are legally responsible for its debts only to the extent of the amount of capital they invested.

Margin: The difference between the selling price of a product/ service and its costs.
The higher the margin, the more profit that is made.

Marketing: Any activity a business does to try and contact potential customers. A set of planned activities designed to positively influence the perceptions and purchase choices of individuals and organisations.

Marketing Plan: Outlines a company's overall marketing direction. It outlines how a business will implement its marketing plan, using a combination of resources to achieve business objectives including sales targets or customer acquisition. Plans tend to include; aims and objectives, an overview and picture of the environment in which the business will be operating, a SWOT analysis, the strategy with deadlines and budgets.

Market penetration strategy: A product market strategy hereby an organisation seeks to gain greater dominance in a market in which it already has an offering. This strategy often focuses on capturing a larger share of an existing market.

Market positioning: How a business presents its products/services in relation to its competitors; higher quality, cheaper, etc.

Market segmentation: The categorisation of potential buyers into groups based on common characteristics such as age, gender, income, and geography or other attributes relating to purchase or consumption behaviour.

Market share: Total sales of an organisation divided by the sales of the market they serve.

Minimum wage: Nearly all UK workers have a legal right to a minimum level of pay (Exceptions are some apprentices are not entitled to the minimum wage). The minimum wage is set by the government each year based on the recommendations of the independent Low Pay Commission.

Merger: The combining of two or businesses on a more or less equal footing.

Mission statement: A sentence to describe where your business is going or what you want to achieve in the long-term.

Monopoly: A market with only one supplier. i.e. British Gas use to be the only provider of gas. Consumers now have the choice of numerous other providers including Scottish Power, EDF, Powergen.

National insurance: National insurance is a form of tax which everyone in work must pay in order to qualify for benefits, including the state pension.

Net cash flow: This is the projected change in cash position, an increase or decrease in cash balance.

Net profit: A business's total income minus its total costs.

Non-executive director: A director of a company who is not involved in the day-to-day running of the business but provides the company an independent view on areas such as performance, standards and strategy.

Objectives: Things a business wants or sets out to achieve.

On-costs: Labour costs in addition to salaries and wages; that is, payroll tax, workers' compensation and other liability insurance, the cost of subsidised services to employees, training costs, etc

Operations: The day-to-day activities that take place within a business.

Operating profit/loss: The profit or loss a company makes from its principal trading activity and before any exceptional items are considered.

Opportunity cost: A consequence of pursuing one activity among several possibilities. Potential benefits foregone as a result of choosing an alternative course of action.

Option: An option is the right, but not the obligation, to buy or sell securities at a fixed price within a specified period.

Ordinary share: A fixed unit of a company's share capital.

Outsourcing: Purchasing an item or a service from an outside vendor to replace performance of the task within the organisation's internal operations.

Overdraft: An overdraft allows you to borrow an agreed amount of money on top of your bank balance. Depending on the account provider, you may pay interest or fees - or both - in return.

Partnership: A type of business company that is owned by two or more people. There usually exists a merging of financial resources, skills, etc and sharing of profits and loss in accordance with terms of a partnership agreement.

Positioning: Arranging an organisation's offering and image to occupy a unique and valued place in the customer's mind relative to competitive offerings. A product or service can be positioned on the basis of an attribute or benefit, use or application, user, class, price, or quality.

Privately owned: A company whose shares are not publicly traded on a stock market. Such companies usually have less restrictive reporting requirements than publicly traded companies.

Proof of concept: Evidence the business idea you have developed is feasible and has potential to be used. It is the testing of concept to reality.

Profit: The figure representing the amount by which sales are more than expenses.

Profit and loss account: Shows a business's total income and expenditure for a given period of time.

Prospect: Someone who could become a customer.

Public company: A company whose shares are available through a stock exchange.

Public relations: (PR) Two-way communication between a business and anyone who is interested in it. Communications often in the form of news distributed in a non-personal form which may include newspaper, magazine, radio, television, Internet or other form of media.

Publicly traded: A company owned by shareholders who are members of the general public and trade shares publicly, as on the stock market.

Real rate of interest: The rate of interest, less the current rate of inflation. For example, if a bank account pays 5% interest and inflation is 2% then the real rate of interest is 3%.

Rate of return: The annual income from an investment as a percentage of the original investment.

Referral: A customer gained through a recommendation from someone else.

Return on investment (ROI): Net profits divided by net worth or total equity; yet another measure of profitability. Also called ROI.

Resources: The money, people, time and equipment needed to run a business.

Revenue: The total sales income of the organisation for a period, regardless of whether the customer has paid. Also known as sales revenue or turnover.

Scalable: Used to describe a business or system that is able to grow or to be made larger

Security: A financial asset such as a share or bond. This can also refer to what may be requested by a person acting as a Guarantor.

Seed capital: An investment that is contributed at a very early stage of a new venture, usually in relatively small amounts. It comes even before what they call "first round" venture capital.

Share option: Executives frequently receive share options - the right to buy shares in the company at some point in the future at a favourable price - if they hit specific performance targets. The idea is that executives have an incentive to do their best to drive up the value of the company.

Shareholders: Individuals or companies that legally own one or more shares of stock in a company.

Short-term assets: Cash, securities, bank accounts, accounts receivable, business equipment, assets that last less than 5-years or are depreciated over terms of less than 5-years. Also called current assets.

Social entrepreneur: A person who establishes an enterprise with the aim of solving social problems or effecting social change.

Social impact: The effect business activities have on the well-being of the community. M&S are an example of a business who, have developed an emphasis on cutting waste, saving energy, trading fairly and animal welfare.

Sole trader: This is the easiest and quickest form of corporation for a small, privately-owned business. Sole Trader are personally liable for all its actions and debts, that would accrue to those running public companies. Sole traders are not required to register their business with Companies house.

Stock: Has several meanings (1) All the raw materials and finished goods owned by a business. This includes goods on hand, either finished goods or materials to be used to manufacture goods. Also called Inventory. (2) Stock can also refer to privately held or publicly traded shares or securities representing investment in, or partial ownership of, a business. Public trading of such stock occurs on the stock market.

Strapline: A catchy phrase that sums up a business's message, for example: "A Mars a day helps you work rest and play".

Sustainability: Business sustainability has significantly developed snice the late 1980's. Defined as managing the triple bottom line, profits, people and planet. Business sustainability is a process by which companies manage their financial, social and environmental risks, obligations and opportunities. Considerably evidence exists that demonstrates that business whom engage in ethical business practises outperform those that don't.

SWOT analysis: SWOT is an acronym for an organisation's internal Strengths and Weaknesses and external Opportunities and Threats. It is a formal framework used to assist in identifying and framing organisational growth opportunities.

Takeover: When one company tries to take over another, it will usually offer a price higher than the current market price, so shareholders of the target company stand to make instant profits.

Target market: The group of customers a business chooses to focus its marketing efforts on.

Traction: Having a measurable set of customers or users that serves to prove to a potential investor that a start-up is "going places". It is the progress and the momentum gained as the business grows.

Turnover: A business's total sales income for a year.

USP: (Unique Selling Point) A benefit that a business offers to its customers that its competitors do not have.

Values: The principles and beliefs that guide what a business does and how it does it.

Variable costs: Costs that vary in line with a business's level of sales.

VAT: Value added tax is a tax paid on most goods and services in the UK. VAT is normally included in the price of the goods or services sold, not all goods attract VAT. Some goods are zero-rated, food, books, newspapers, children's clothes and equipment for disabled people.

Valuation: A business valuation is what is worth. The term is used when discussing the sale or purchase of a business. The valuation is the price of a share times the number of shares outstanding.

Venture capital: (VC) Venture capital is a type of funding for a new or growing business. It usually comes from venture capital firms that specialize in building high risk financial portfolios. With venture capital, the venture capital firm gives funding to the start-up company in exchange for equity in the start-up.

Viable: If a business idea is viable, it means that it should work and the business should be a success.

Vision: A business's long-term goals

Working capital: The accessible resources needed to support the day-to-day operations of an organization. Working capital is commonly in the form of cash and current (short-term) assets, including accounts receivable, prepaid expenses, accounts payable for goods and services, and current unpaid income taxes.

Yield: The income from an investment. The annual dividend or interest payment multiplied by 100 and divided by the market price.