

# Business related terminologies for a newbie

Sometimes , we just want to explore the domain of business and entrepreneurship and it is very important to know the basic terminologies. If you are interested in this industry or even if you are not , you will come across these terms at some stage of your life for sure. So , let's know more about what these terms are and what they mean.

So let's explore:

- Accounting - it's all about recording all the financial transactions sent or received by a company and also systematically managing it.
- Revenue - It is the total sum of money that you will generate from your business and mostly , you will be asked about annual revenue which means revenue that you generated in a year.
- Expenses - It is the total sum of money that you spend on your business. It is tax deductible.
- Equity - This is the percentage of shares or percentage of business that your partner holds. For example, a person has 25% equity means one-fourth of your business is owned by that business.
- Net profit /loss - total revenue minus total expenses is called net profit if it is positive and net loss if negative. Taxes are paid on the basis of net profit.
- B2B or business to business , it means you are providing service or selling products to other businesses.
- B2C or business to consumer , it means you directly providing services or selling products to many single consumers.
- Accounts payable and receivable - accounts payable represents the amount you will have to pay your suppliers and accounts receivable represents the amount that you will receive from your consumers.
- ROI or return on investment is the ratio of net profit and total investment multiplied by 100. It is represented in percentage.
- Debt - This is the amount that you receive temporarily and then you have to return the amount+interest to the person or institution.
- Investors - these are people who will give you an amount in exchange of equity or debt at some interest.

- Assets- These are all the things that your business owns , the things which are useful in carrying out your business . For example , machineries , equipments , land , etc
- Liabilities-This represents the amount of money that you owe to other entities . This includes accounts payable , debts ,etc.
- One basic equation to remember is :  $\text{Assets} = \text{liabilities} + \text{equity}$
- Quarter - this represents the three month time period. The year is divided into four quarters. Quarter one is from January to March , quarter two from April to June and so on upto december.
- Cash flow statement -It measures the flow of cash . It includes cash gone and cash received in a given period.
- Profit margin - It has three types : gross , net and operating

Gross profit means the profit that you made after subtracting all the manufacturing costs and costs which you spend on selling. Operating profit also includes taxes and interests and subtracting taxes and interests , you will get net profit.

Profit margin is  $(\text{profit}/\text{revenue}) \times 100$  and it is represented in the form of percentage.

- Deck - it is a term used to represent powerpoint presentation.
- Balance sheet - It is a document that contains all the details about assets , equity , liabilities , debts , etc
- Deliverable- As the name suggests , it is the final product that you deliver to the client
- Evaluation - It is the amount that shows how much worth is your business and how well you are doing. For example , if you ask for 30 lacs in exchange for 50 percent equity , it means your evaluation is 60 lacs. Got my point , right?
- Income statement - It represents the final amount which is either net profit or net loss left after all the spending and earning.
- Liquidity-It indicates how quickly your asser can be converted into cash . The more liquid your assets, the more liquidity and flexibility you have.
- Balloon loan - It works this way. First you pay small amounts on defined time intervals and at the end , you give a big amount which is known as balloon amount.
- Bankrupt - This is a danger sign for your business. When your business is facing very critical financial issues and not able to survive or benefit you , that is when you are in the zone of bankruptcy.
- Bootstrapping- It means you are the investor of your business. You are providing the finances to build and grow your startup.
- Acquisition - Capturing other's business is included in acquisition.

- Digital marketing - using digital space like social media , emails , messages , websites to market your product and for brand awareness.
- Commodity - It is an item that can be sold or bought. For example , a shampoo bottle is a commodity.
- Dividend - It is the amount that is regularly provided to shareholders or equity holders.
- Export - It represents selling your product or service overseas.
- COGS or cost of goods sold - This is the expense that goes into producing goods. For example , cost of raw materials+production cost+amount paid to labourers for producing the product.
- Bond - it represents that loan provider will receive principal amount+interest
- Coupon - This represents the annual interest that goes based on the bond.
- Leverage - It is the ratio of debt upon equity.
- Core competency skills- This is the list of skills that is needed for a business. It is divided into various types like business skills , personal skills , interpersonal skills ,etc. Some examples are accounting , leadership qualities , marketing skills , tech skills , innovation ,etc
- Fiscal year - This allows you to start your year whenever you want. Large businesses use the fiscal year to start their accounting year at any time.
- Inventory - This represents all the goods that you own and you want to sell those.
- Depreciation - reduction in the worth of an asset over time because of certain reasons.
- Merge - Here , two companies form an alliance to form a new entity to tackle each others' weakness and increase their resources , strengths and overall profit. This is different from acquisition because in acquisition , a company purchases another company by taking over the assets or acquiring more than 51% of the shares.
- Royalty - It is the amount paid by a third party to an owner of a product for using their product.
- Franchising - Under company's name and trademark , if someone wants to sell products, that is called franchising . It helps to distribute the product over a wide region. Franchisees have to pay initial fee and royalty to the owner for running a franchise of the company.

- Variable cost - It is the expense that changes according to the production. It means that it will increase when production is increased and vice versa.
- Deductible - These are the expenses that can be subtracted before being subjected to taxation. The IRS(internal revenue system) has denied these expenses as “expenses which are helpful and appropriate for a business”.

Well , congratulations because you have learnt many of the basic terminologies that you will come across. Of course , if you want to specialise in a particular field , you will need to get more and in-depth knowledge of more specific terms. But I have tried to make you understand some of the very important terms in a very simple way. I hope you have understood this and also you might be interested in knowing more about this. And trust me , these terms will be a life saver when discussing about business. Keep exploring!

Hope you liked it, thank you!