# Vocabulary from the case study ‘The Firm’

# Company

A [voluntary](http://www.businessdictionary.com/definition/voluntary.html) [association](http://www.businessdictionary.com/definition/association.html) formed and [organized](http://www.businessdictionary.com/definition/organized.html) to carry on a [business](http://www.businessdictionary.com/definition/business.html). [Types](http://www.businessdictionary.com/definition/type.html) of companies include [sole proprietorship](http://www.businessdictionary.com/definition/sole-proprietorship.html), [partnership](http://www.businessdictionary.com/definition/partnership.html), [limited liability](http://www.businessdictionary.com/definition/limited-liability.html), [corporation](http://www.businessdictionary.com/definition/corporation.html), and [public limited company](http://www.businessdictionary.com/definition/public-limited-company.html)**.**

# company profile

Concise [description](http://www.businessdictionary.com/definition/description.html) which, among other [items](http://www.businessdictionary.com/definition/item.html) of [information](http://www.businessdictionary.com/definition/information.html), includes (1) firm's history, (2) number and [quality](http://www.businessdictionary.com/definition/quality.html) of its human, [financial](http://www.businessdictionary.com/definition/financial.html), and physical [resources](http://www.businessdictionary.com/definition/resource.html) (3) [organizational](http://www.businessdictionary.com/definition/organizational.html) and [management](http://www.businessdictionary.com/definition/management.html) [structure](http://www.businessdictionary.com/definition/structure.html), (4) past, [current](http://www.businessdictionary.com/definition/current.html) and anticipated [performance](http://www.businessdictionary.com/definition/performance.html), and (5) its [reputation](http://www.businessdictionary.com/definition/reputation.html), and the standing of its [goods](http://www.businessdictionary.com/definition/goods.html) or [services](http://www.businessdictionary.com/definition/services.html).

**organization chart**

Visual [representation](http://www.businessdictionary.com/definition/representation.html) of how a firm intends [authority](http://www.businessdictionary.com/definition/authority.html), [responsibility](http://www.businessdictionary.com/definition/responsibility.html), and [information](http://www.businessdictionary.com/definition/information.html) to [flow](http://www.businessdictionary.com/definition/flow.html) within its [formal](http://www.businessdictionary.com/definition/formal.html) [organizational structure](http://www.businessdictionary.com/definition/organizational-structure.html). It usually depicts different [management](http://www.businessdictionary.com/definition/management.html) [functions](http://www.businessdictionary.com/definition/function.html) ([accounting](http://www.businessdictionary.com/definition/accounting.html), finance, [human resources](http://www.businessdictionary.com/definition/human-resources.html), [marketing](http://www.businessdictionary.com/definition/marketer.html), [production](http://www.businessdictionary.com/definition/production.html), R&D, etc.) and their [subdivisions](http://www.businessdictionary.com/definition/subdivision.html) as boxes linked with [lines](http://www.businessdictionary.com/definition/lines.html) along which [decision making](http://www.businessdictionary.com/definition/decision-making.html) [power](http://www.businessdictionary.com/definition/power.html) [travels](http://www.businessdictionary.com/definition/travel.html) downwards and answerability travels upwards.

# Board of Directors

Governing body ([called](http://www.businessdictionary.com/definition/call.html) the [board](http://www.businessdictionary.com/definition/board.html)) of an [incorporated](http://www.businessdictionary.com/definition/incorporation.html) firm. Its [members](http://www.businessdictionary.com/definition/member.html) ([directors](http://www.businessdictionary.com/definition/director.html)) are elected normally by the [shareholders](http://www.businessdictionary.com/definition/stockholder.html) of the firm (generally at an [annual general meeting](http://www.businessdictionary.com/definition/annual-general-meeting-AGM.html) or AGM) to [govern](http://www.businessdictionary.com/definition/govern.html) the firm and look after the [shareholders](http://www.businessdictionary.com/definition/stockholder.html)' [interests](http://www.businessdictionary.com/definition/interest.html). The board has the ultimate [decision-making](http://www.businessdictionary.com/definition/decision-making.html) [authority](http://www.businessdictionary.com/definition/authority.html) and is empowered to (1) set the [company's](http://www.businessdictionary.com/definition/company.html) policy, [objectives](http://www.businessdictionary.com/definition/objective.html), and overall direction, (2) adopt [bylaws](http://www.businessdictionary.com/definition/bylaw.html), (3) name members of the [advisory](http://www.businessdictionary.com/definition/advisory.html), executive, finance, and other [committees](http://www.businessdictionary.com/definition/committee.html), (4) [hire](http://www.businessdictionary.com/definition/hire.html), [monitor](http://www.businessdictionary.com/definition/monitor.html), evaluate, and [fire](http://www.businessdictionary.com/definition/fire.html) the [managing director](http://www.businessdictionary.com/definition/managing-director.html) and [senior executives](http://www.businessdictionary.com/definition/senior-executive.html), (5) determine and [pay](http://www.businessdictionary.com/definition/pay.html) the [dividend](http://www.businessdictionary.com/definition/dividend.html), and (6) [issue](http://www.businessdictionary.com/definition/issue.html) additional [shares](http://www.businessdictionary.com/definition/share.html).

The board may constitute of executive and non-executive directors.

Executive director is a [working](http://www.businessdictionary.com/definition/worker.html) director of an organization who is usually also its full-time [employee](http://www.businessdictionary.com/definition/staff.html), and has a specified [decision making](http://www.businessdictionary.com/definition/decision-making.html) [role](http://www.businessdictionary.com/definition/role.html) as director of finance, [marketing](http://www.businessdictionary.com/definition/marketer.html), [operations](http://www.businessdictionary.com/definition/operations.html), etc., [on](http://www.businessdictionary.com/definition/overnight-O-N.html) an on-going basis.

Non-working director of a firm is not an executive director and, therefore, does not participate in the day-to-day [management](http://www.businessdictionary.com/definition/management.html) of the firm. He or she is usually involved in [planning](http://www.businessdictionary.com/definition/planning.html) and [policy](http://www.businessdictionary.com/definition/policy.html) [making](http://www.businessdictionary.com/definition/maker.html), and is sometimes included to lend prestige to the firm [due](http://www.businessdictionary.com/definition/due.html) to his or her standing in the [community](http://www.businessdictionary.com/definition/community.html). Also [called](http://www.businessdictionary.com/definition/call.html) external director.

**When the board delegates those tasks to one of the directors, that person becomes known as a managing director (or MD). When the tasks are delegated to an executive, that person does not automatically become a member of the board. They may be given a title such as chief executive, general manager (or GM), executive officer (or EO) and so on. These job titles report to the board but are not part of it.**

# Share

   A [unit](http://www.businessdictionary.com/definition/unit.html) of [ownership](http://www.businessdictionary.com/definition/ownership.html) that [represents](http://www.businessdictionary.com/definition/represent.html) an equal [proportion](http://www.businessdictionary.com/definition/proportional.html) of a [company's](http://www.businessdictionary.com/definition/company.html) [capital](http://www.businessdictionary.com/definition/capital.html). It entitles its [holder](http://www.businessdictionary.com/definition/holder.html) (the [shareholder](http://www.businessdictionary.com/definition/shareholder.html)) to an equal [claim](http://www.businessdictionary.com/definition/claim.html) on the company's [profits](http://www.businessdictionary.com/definition/profit.html) and an equal [obligation](http://www.businessdictionary.com/definition/obligation.html) for the company's [debts](http://www.businessdictionary.com/definition/debt.html) and losses.

Two major [types](http://www.businessdictionary.com/definition/type.html) of shares are (1) [ordinary shares](http://www.businessdictionary.com/definition/ordinary-share.html) ([common stock](http://www.businessdictionary.com/definition/common-stock.html)), which entitle the shareholder to share in the [earnings](http://www.businessdictionary.com/definition/earnings.html) of the company as and when they occur, and to vote at the company's [annual general meetings](http://www.businessdictionary.com/definition/annual-general-meeting-AGM.html) and other official [meetings](http://www.businessdictionary.com/definition/meeting.html), and (2) [preference shares](http://www.businessdictionary.com/definition/preference-shares.html) which entitle the shareholder to a fixed periodic [income](http://www.businessdictionary.com/definition/income.html) ([interest](http://www.businessdictionary.com/definition/interest.html)) but generally do not give him or her [voting rights](http://www.businessdictionary.com/definition/voting-right.html).

Shareholder is an [individual](http://www.businessdictionary.com/definition/individual.html), [group](http://www.businessdictionary.com/definition/group.html), or [organization](http://www.businessdictionary.com/definition/organization.html) that owns one or more [shares](http://www.businessdictionary.com/definition/share.html) in a [company](http://www.businessdictionary.com/definition/company.html).

**Capital** is Money invested in a [business](http://www.businessdictionary.com/definition/business.html) to generate [income](http://www.businessdictionary.com/definition/income.html).

**The turnover** of a company is the total sales proceeds received over a financial year. It includes he annual [sales volume](http://www.businessdictionary.com/definition/sales-volume.html) and the [volume](http://www.businessdictionary.com/definition/volume.html) or [value](http://www.businessdictionary.com/definition/value.html) of [shares](http://www.businessdictionary.com/definition/share.html) [traded](http://www.businessdictionary.com/definition/trade.html) on a [stock exchange](http://www.businessdictionary.com/definition/stock-exchange.html).

# Profit The [surplus](http://www.businessdictionary.com/definition/surplus.html) remaining after [total costs](http://www.businessdictionary.com/definition/total-cost.html) are deducted from [total revenue](http://www.businessdictionary.com/definition/total-revenue.html), and the basis on which [tax](http://www.businessdictionary.com/definition/tax.html) is computed and [dividend](http://www.businessdictionary.com/definition/dividend.html) is paid. It is the best known [measure](http://www.businessdictionary.com/definition/measure.html) of [success](http://www.businessdictionary.com/definition/success.html) in an [enterprise](http://www.businessdictionary.com/definition/enterprise.html). Also [called](http://www.businessdictionary.com/definition/call.html) [earnings](http://www.businessdictionary.com/definition/earnings.html), [gain](http://www.businessdictionary.com/definition/gain.html), or [income](http://www.businessdictionary.com/definition/income.html).

The profit made after tax is called net profit.

# Dividend

A [share](http://www.businessdictionary.com/definition/share.html) of the [profit](http://www.businessdictionary.com/definition/profit.html) of a company, distributed to its [shareholders](http://www.businessdictionary.com/definition/shareholder.html) according to the number and [class of shares](http://www.businessdictionary.com/definition/class-of-stock.html) [held](http://www.businessdictionary.com/definition/held.html) by them.

# Earnings per share (EPS)

# [Net income](http://www.businessdictionary.com/definition/net-income.html) of a firm divided by the number of its [shares](http://www.businessdictionary.com/definition/share.html) [held](http://www.businessdictionary.com/definition/held.html) by the [stockholders](http://www.businessdictionary.com/definition/stockholder.html)

# Ordinary Shares Capital

# the amount of money which is raised by the companies from the issue of the common shares of the company from the public and the private sources and it is shown under owner’s equity in the liability side of the balance sheet of the company.

# A friendly takeover is where the target company agrees to the acquisition offer in a peaceful manner and in this case the takeover is subject to the approval of the shareholders of the target company as well as that of the regulators to check if the deal complies with the antitrust laws.

# A hostile takeover is a kind of acquisition by the target company by another company referred to as an acquiring company, where even though the target company’s management is not in the favor of the acquisition but still the bidder uses other channels to acquire the company such as acquiring the company through tender offer by directly make offer to the public to  buy the shares of target company at the pre-specified price which is more than the prevailing market prices.