



## Guide 4:

# Financial Management Essentials



## Guide 4: Financial Management Essentials for the Entrepreneur

### ■ INTRODUCTION

Welcome to the Citibank Small Business information guide series. This is one of ten guides that have been developed just for you, a person who is thinking about starting a small business or who has made the commitment to start one. It is targeted to people who are considering starting a small business as well as small business owners who want to learn more about successful strategies and skills. Citibank worked with a team of small business owners like you to develop, write, and produce this series. All of us know how important it is to have clear and concise information to make smart business decisions. Our goal is to share experiences about the dynamic, exciting small business community.

What do you know about finance and business management? Some entrepreneurs are wizards at finance, accounting, cash management, and all the other financial skills. Of course, that's an advantage.

But what if you're among the many people who are thinking of starting a small business or are a start-up owner but have no financial management knowledge, experience, or skills? Relax. There's plenty of help available. You'll learn all about it in this **Guide 4, Financial Management Essentials for the Entrepreneur**. You'll also expand your finance and business management skills to make smart decisions for your company's success.

The Citibank Small Business guide series has been conceived, written, and produced by small business owners like you. Our goal is to share information so you can develop business skills and grow your business according to your plan.

✓ **The Voice of Experience:** Don't be surprised if you find financial management interesting, even fascinating. Think of your financial data as pieces of a puzzle.



**This guide will help you learn about and sort through financial management.**



Depending on how you record, sort, organize, and analyze the data, you can get many different pictures of your company's financial strength, market position, and potential. Remember, the goal of financial management is to give you the information and perspective you need to make business decisions. The first step is to know what data you need and how to gather that data. Start right now.

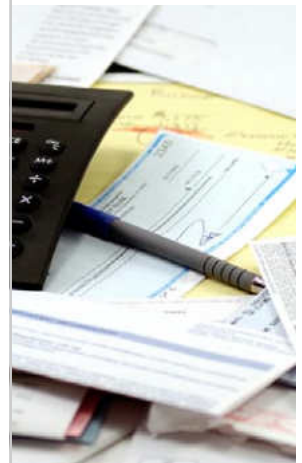
**Financial Management Essentials for the Entrepreneur** will help you to:

- understand the importance of financial management.
- know what financial data must be recorded.
- learn what professionals, as well as software and online resources, are available for the financial management of small businesses.
- choose financial management resources for your business.
- understand and use financial management reports to measure performance and make business decisions.
- recognize the importance of accurate and complete financial records to secure financing and investments.

All of that? Yes, really. You can do it. In fact, you must do it. Your small business success depends on it.

## ■ Overview

The bottom line for your small business is not just a dollar figure. It's not even the profit your business generates. The real bottom line is you. You are the person responsible for every action and reaction of your business. That means you are responsible for the expenses, income, and taxes. Literally, the well-being of your family and your employees is in your hands. It's a big responsibility — one that you are very capable of managing.



**The purpose of financial management is to allow you to make wise decisions.**

First, consider your resources:

- **Your basic math skills** – what you absolutely, positively have to know about financial management you learned early on: How to add, subtract, multiply, and divide.
- **Accounting software** – there are many reliable, outstanding computer programs. The most well-known and reliable ones even help you set up your financial records with a series of questions and answers. After that, all you have to do is record checks, sales, and other basic data, then click a button and the financial report you want is ready.
- **Professional advisors** – every small business should have an accountant, preferably a CPA, to help set up your general ledger of business expenses and costs, review your financial records, and help complete business tax forms. It's also essential to have a business lawyer to write or review contracts, employment offers, and other legal documents.

As your business expands, you also may want to hire **other professionals** that can assist with the growth of your business. (i.e. a business planner; an advertising or marketing specialist who can provide necessary research about the financial value of business decisions you are considering; etc.)

- **Banking services** – a business checking account is essential because business records must be kept separate from personal or family records to avoid tax problems and other complications. Citibank and other banks offer small business services that are very important: business credit cards, lines of credit, loans, cash management, currency, wire transfers, letters of credit, and payroll services, as well money management, investment, retirement and many other financial management and planning services. A strong banking relationship can be an important business asset.

Begin by taking a good look back and forward. Review the financial questions or comments you had when you read **Guide 1: So You Want To Be An Entrepreneur?**, **Guide 2: Developing Your Small Business Idea**, and **Guide 3: Building a Business Model for Success**. Next, look through this guide and make a copy of all the



**Smart business owners count as resources not only their own skills, but others' too.**

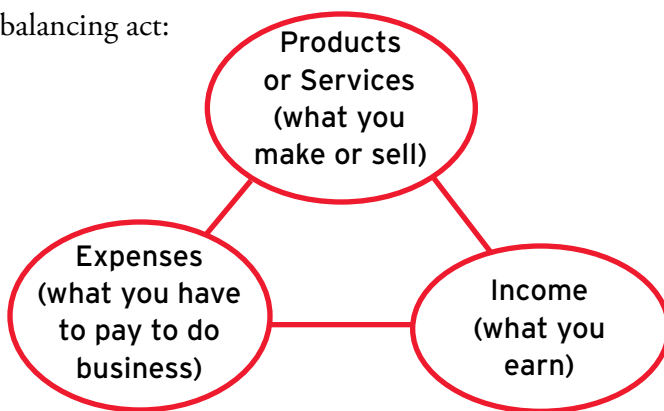
worksheets in it. That way, you'll be prepared to record your thoughts as well as your financial facts.

**Another Good Idea:** Learn the language of financial management. Every science or discipline, including financial management, has specific definitions for terms and systems. If you are just starting to think about accounting, cash management, and profit and loss statements, take a few minutes to review the terms in the Glossary on pages 19-22. Refer to it often as you read through this guide. Soon, you will be more comfortable talking about liquid assets, amortization, balance sheets, and more. Your skill in being able to “talk the talk” will be important as you build your small business.

## I. Accounting - Say it With Numbers

Accounting allows you to communicate with numbers. It helps you tally up what you have spent, what you need to spend, your assets, income, debts, and everything else that adds up to define your business.

Your business basically is a balancing act:



Accounting systems allow you to keep these three elements in balance.

✓ **Example:** Carmen designs and makes elegant, original pillows. She buys the best fabrics and trims and has a small workshop where six women sew the pillows. Her clients are interior designers, so she can charge a good price for each pillow. Still, it may be months before a particular pillow style becomes popular.



**Learning the terminology of finance is a good way to begin understanding it.**

### ✓ Ask Yourself:

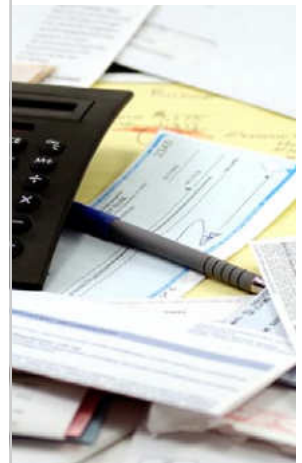
- How can she pay her workers each week if the income from her pillow sales is weeks or months away?
- Where can she get the funds she needs to buy supplies to keep her workers producing pillows?
- What will happen to her potential profit if she makes pillows that don't sell?
- How could she save money on supplies? Sewing? Selling?
- What strategies might make this business more profitable?
  - Get more customers?
  - Have an end-of-season sale for items that didn't sell?
  - Expand the product line to include swags and fabric accessories?

Do you see how this very simple example helps you look at a business from a financial management point of view? It pays to develop your “financial vision” to look at the small business you are planning. What are the fundamental financial facts that you need to consider? Where do you find them?

### Add, Subtract, Multiply, and Divide

The best way to find the financial facts about your business is to add, subtract, multiply, and divide — the same way you calculate other important measurements in your life.

Measurement	How it's calculated
Body weight (scale)	Add up all the pounds you weigh
The success of a diet	Subtract the pounds you lost
1 Tbsp. of coffee per cup; how many for an 8-cup pot?	Multiply the amount for 1 cup x 8 cups
Miles per gallon	Divide the miles by the gallons: 6 gallons used, 140 miles driven = 23.3 miles per gallon



**Money will flow in and out of your business and it's important to keep track of that flow.**

Here are some financial measurements that are calculated in the same basic way:

	<b>ADD</b>	<b>SUBTRACT</b>	<b>MULTIPLY</b>	<b>DIVIDE</b>
	Expenses	Sales minus Returns	Annual Expenses	Hourly Wage
	Debits	Income After Expenses	Payment w/ Interest	Monthly Insurance
All financial measurements are in these categories. How many can you name?				

## II. Small Business Basics: Financial Data That Must Be Recorded

There are three basic financial reports that are important for small businesses:

1. Income Statement (Profit and Loss Statement)
2. Cash Flow Statement
3. Balance Sheet

If you're familiar with all of them, that's fine. Most new small business owners are not. The following sections give the basic facts about each report.

### An Income Statement (Profit and Loss Statement)

An Income Statement, also called a Profit and Loss Statement, shows where and how money goes in and out of a company for a period of time. Monthly, quarterly, and annual Profit and Loss reports show the strength of a business.



**The basics of business are the basic calculations you learned in beginning math.**

Income Statement	
Business:	Year Ending:
Revenues/ gross sales	
Less returns	
Less discounts	
Less bad debt	
Interest, rent, royalties	
Refunds, reimbursements	
<b>Total Income</b>	
<b>EXPENSES</b>	
Cost of goods sold	
Payroll	
Taxes, except income tax	
Sales expenses	
Office rent, other expenses	
Equipment costs, other	
Telephone	
Marketing, ads, promotion	
Interest on loans	
Bank charges	
Travel and entertainment	
Contributions	
Utilities	
Benefits, health	
Benefits, disability	
Insurance, business	
Professional fees	
Mileage	
Shipping and postage	
Storage, other	
Miscellaneous	
<b>Total Expenses</b>	
<b>Net Income</b>	
Less Income Tax	
<b>NET INCOME AFTER TAX</b>	





## Cash Flow Statement

A Cash Flow Statement shows how cash is moving into and out of the business. It is one of the most useful financial management tools because it shows you:

- Net cash flow from operating activities – collections from customers, cash paid to suppliers and employers, cash paid for interest and taxes, cash revenue from dividends or interest
- Net cash flow from investing – purchases or sale of equipment
- Net cash flow from financing activities – funds available from sales of common stock, loans, both principal and interest
- Net change in cash and marketable securities – if the cash flow is positive, the business is generating the cash you need for ongoing operations, with some cash left over; if the cash flow is negative, the business needs more cash through the sale of stocks, loans, or other strategies.

Cash Flow Statements can help you decide on business strategies.

If Cash Flow is Negative, you may decide to...	If Cash Flow is Positive, you may decide to...
• increase sales.	• reduce prices to increase volume.
• be more aggressive in collecting invoices.	• consider investing “extra” funds.
• slow spending; delay major new purchases.	• plan for expansion.
• see if there’s a seasonal pattern.	• pay back debts.
• reduce draw or cut payroll.	• hire more staff.

✓ **Ask Yourself:** Is my business more likely to have a negative or positive cash flow during the first six months? Why? What strategies will I have ready, in case cash flow is less than I plan?



## 6-Month Cash Flow Statement

Business: \_\_\_\_\_ Time Period: \_\_\_\_\_

	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Notes
Sources of Cash Flow							
Net Income After taxes							
Depreciation							
Decrease in Inventory							
Increase in Accounts Payable							
Increase in Long-Term Debt							
Other liabilities							
Capital and Operating Costs							
Owners Draw/ Dividends							
Inventory increases							
Increases accounts receivable							
Decrease, accounts payable							
Capital expenditures							
Long-term debt							
Asset increases							
Decrease in liabilities							
TOTAL CASH DISBURSEMENTS							
Monthly Cash Flow							
Cumulative Cash Flow							
+ or -							



## Balance Sheet

A Balance Sheet is a financial snapshot of your business. It shows the overall financial condition of your company, including all the major assets and liabilities.

Study this Balance Sheet example:

Balance as of:	Company:	Date:
	Last Month	This Month
<b>Assets</b>		
Cash		
Investments		
Accounts Receivable		
Inventory		
Prepaid Expenses		
Other Current Assets		
Land		
Buildings		
Long-term Investments		
Intangibles		
Other Assets		
<b>TOTAL ASSETS</b>		
<b>Liabilities &amp; Equity</b>		
Short-Term Notes		
Long-Term Debt		
Accounts Payable		
Accrued Expenses		
Taxes Payable		
Stockholder Loans		
Other Current Liabilities		
Bonds Payable		
Common Stock		
Paid-in Capital		
Retained Earnings		
Other:		
<b>TOTAL LIABILITIES &amp; EQUITY</b>		
Net Worth (Total Assets - Total Liabilities = Net Worth)		



### ✓ Ask Yourself:

- How much financial information do I know about my business?
- Could I create an Income Statement, a Cash Flow Statement, and a Balance Sheet?

If your answer is NO, don't be discouraged. In fact, there is plenty of useful information available for you on the Internet and from your bank or accountant.

### Choose Financial Management Resources: Take an Online Tour, or Several

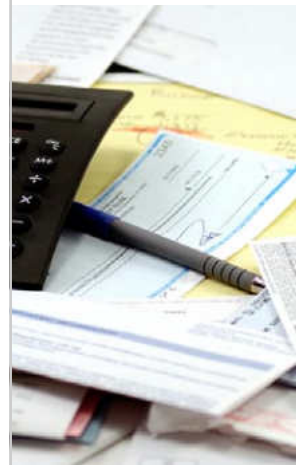
The amount of financial management information on the Internet is stunning. See for yourself.

Review the list of online resources at the end of this guide. All of them are well-known companies that provide important information. Visit any or all of these Internet sites. It will be time well spent.

You can:

- read business news, especially about the business category you are planning to enter.
- try sample accounting and other software systems; they are widely available online.
- learn about costs and other criteria for selecting financial management resources and services.

**CAUTION:** Remember that there are some dishonest website operators, scam artists, or thieves. Never give financial information to anyone on the Internet or to people who contact you after you have visited small business websites — you could be a victim of identity theft or unqualified “business advisors.” Avoid problems by visiting only reputable websites, such as those listed in this guide. Report any suspicious activities or messages to your Internet service provider or other authorities.



### III. Count on Financial Management Professionals

The help you get from your professional financial management team is only as good as the people you choose. Take all the time you need but make sure that the major team players are in place before you open for business.

There are several reasons:

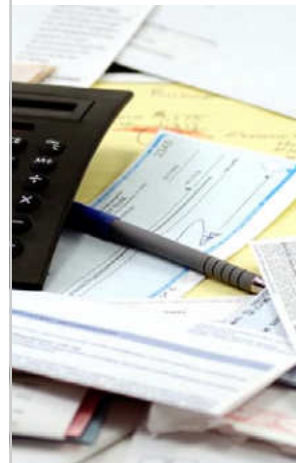
- since they have experience working in the business community, they may be able to give you some good advice about business sites, suppliers, security, and more.
- they can be excellent references for you.
- they have helped other people manage businesses like yours.
- they can help you apply for and qualify for SBA loans, business credit, and other important financial resources.
- they are objective, professional experts who can give you the information you must have to make business decisions.

Every small business owner is concerned about the money necessary to set up the business. However, it's important to realize that the money you spend on professional advice could be money very well spent.

Compare the Price vs. the Value of these Expenditures:

New desk	vs.	Attorney fees to set up company
Office rent	vs.	Accounting software
Business entertainment	vs.	Accountant monthly review

All businesses only have so much money to spend. Starting out, spend yours where it really counts – for information and advice that will put you in a better position to succeed.



**The Internet has both good and bad advice – always carefully consider the source.**

## Select Your Accountant

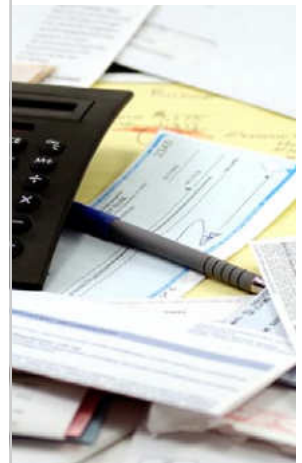
The American Institute of Certified Public Accountants (AICPA) ranks the top 10 opportunities for helping small business, in order:

1. family or investor relations
2. growth planning
3. government rules and regulations
4. employee and labor issues
5. obtaining financing or credit
6. income taxes and estate planning
7. competition from larger companies
8. getting new customers
9. insurance costs and availability
10. sales trends

You should expect your accountant to be able to help you with all of these responsibilities and more. That's why it's so important to make every effort to find an accountant you can rely on. Visit <http://www.aicpa.org> for more details.

Here are some useful strategies:

- Ask around. If you know people who already run a business similar to the one you are planning, ask them to recommend an accountant. Or, interview several accountants.
- Explain your business. Prepare a 1-page description of your business; use the information you organized in **Guide 3: Building a Business Model for Success**.
- Organize your questions. Write down some typical questions to ask:
  - Are you a Certified Public Accountant (CPA)?
  - Do you have other clients whose businesses are like the one I am planning?
  - What do you like about working with businesses this size?
  - What do you like about working with businesses in this industry?

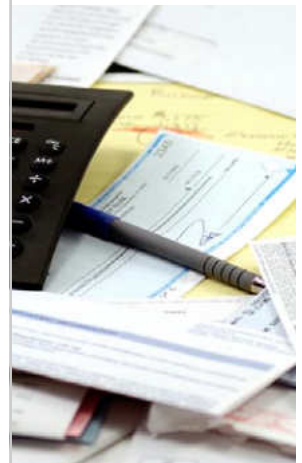


**Sometimes the smartest solution is to hire other professionals to assist you.**

- Will you be working with me directly? If not, who will be?
- Will you be reviewing my financial statements regularly? How often? How? (i.e., with meetings, e-mail, letters or by phone)
- What accounting software program do you use?
- Do you set up my books, or do you help me do it?
- What is the fee schedule for your services? How do you like to be paid?
- Annual plan that includes basic accounting and tax services?
- Retainer?
- Hourly?
- Preferred payment policies?
- Credit card?
- Invoice to be paid within 10 or 30 days?
- What do you want to know from me about my business?

After you have interviewed several accountants, choose one as carefully as you would choose an on-site employee. Select an accountant who seems to be the best match for your small business.

**✓ The Voice of Experience:** Do you have to have an accountant who is a CPA? Technically, no. There are some well-qualified, reliable accountants who have not applied for or received CPA accreditation, or who have not taken continuing education courses and let their CPA certification become “inactive.” But how would you know how qualified or reliable an uncertified accountant is if you don’t know much about accounting? For small business owners who are risking their own financial resources setting up business deals with other corporations, seeking investors, and perhaps SBA loans or other funding, an accountant who has earned and maintained an active CPA certification is a wise choice.



**An accountant can shoulder many of the financial aspects of your business.**

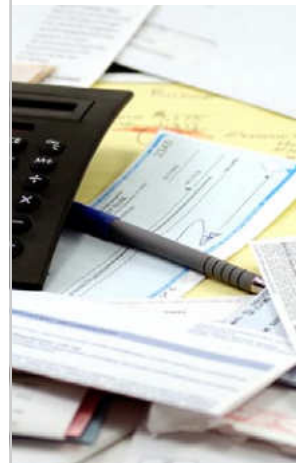
## Set Up a Banking Relationship

Maybe your only relationship with a bank is your personal checking and savings account and a mortgage. You are in for a surprise when you start researching small business services provided by banks. There's a wide range of banking services available, with each one planned to meet the financial needs of your small business.

Citibank knows how important banking services can be for small business start-ups. It's one reason that the company created this series of guides. In addition, find experienced small business advisors and custom financial resources for cash management, credit card processing, investment, and more; locate offices and learn about business strategies and programs at <http://www.citibank.com/us/citibusiness>.

Here is a general list of Citibusiness services:

<ul style="list-style-type: none"><li>• <b>Banking</b><ul style="list-style-type: none"><li>• Checking</li><li>• Money Market</li><li>• Savings/CD</li><li>• Card Access</li><li>• CitiEscrow<sup>SM</sup></li><li>• CitiBusiness<sup>®</sup> Online</li><li>• CitiGold<sup>®</sup></li></ul></li><li>• <b>Credit Cards</b><ul style="list-style-type: none"><li>• CitiBusiness<sup>®</sup> Credit Cards</li><li>• CitiBusiness<sup>®</sup> Card with Thank You Network<sup>SM</sup></li><li>• CitiBusiness<sup>®</sup>/AAdvantage<sup>®</sup> Card</li><li>• CitiBusiness<sup>®</sup> Card</li><li>• Diners Club<sup>®</sup> Card</li></ul></li><li>• <b>Credit</b><ul style="list-style-type: none"><li>• Lines of Credit</li><li>• Term Loans</li><li>• Leasing Alternatives</li><li>• SBA Loans</li><li>• Commercial Mortgages</li></ul></li></ul>	<ul style="list-style-type: none"><li>• <b>Cash Management</b><ul style="list-style-type: none"><li>• Account Reconciliation</li><li>• Positive Pay</li><li>• Lockbox</li><li>• Cash Concentration</li><li>• Currency Services</li><li>• Controlled Disbursement</li><li>• Wire Transfers</li><li>• ACH</li></ul></li><li>• <b>Investments</b><ul style="list-style-type: none"><li>• Investment Sweep Services</li><li>• Online Investing</li></ul></li><li>• <b>Trade</b><ul style="list-style-type: none"><li>• Letters of Credit</li><li>• Documentary Collections</li></ul></li><li>• <b>Relocation Mortgage Services</b><ul style="list-style-type: none"><li>• Employee Mortgage Benefits</li><li>• Corporate Relocation Program</li></ul></li></ul>	<ul style="list-style-type: none"><li>• <b>Brokerage / Smith Barney</b></li><li>• <b>Credit Card Processing</b></li><li>• <b>Foreign Exchange</b></li><li>• <b>Leasing</b></li><li>• <b>Insurance &amp; Estate Planning</b></li><li>• <b>Real Estate</b></li><li>• <b>Retirement Plans</b></li><li>• <b>401K Plans/ CitiStreet<sup>SM</sup></b></li></ul>
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Citibank, like many other banks, offers many different types of SBA-guaranteed loans: term loans, lines of credit, commercial mortgages, and equipment financing to small business owners and professionals. Amounts available vary by SBA program. Learn more about the SBA loans and how to qualify for them by making an appointment with a Citibank small business advisor, or a banking advisor from another bank in your community.

Shop around for the best small business banking services. It's very worthwhile.

### **Volunteer Advisors and Other Start-Up Support**

There is a wealth of good, solid information available to you from people who have walked the same path you are starting on. For example, SCORE is a national network of retired executives, and NAWBO is a similar network of women business owners. These and many other community-based or national organizations offer essential advice, counsel, and information for small business owners. Check the resources listed on the following pages. In particular, find out if your area is part of a Regional or National Economic Development Plan or Enterprise Development Zone. Also, if applicable, research special training and funding opportunities for women and minority small business owners.

### **■ Summary**

This guide explains why finance and business management is a key to success. It gives you the basic facts about the basic math skills, accounting software, professional advisors, and banking services that you need to know. You learned how to create an income statement (profit and loss statement), a cash flow statement, and a balance sheet — the three fundamental financial reports for a small business. Most important, you learned how to choose your financial management team — an accountant (ideally a CPA), a banker, an attorney, plus experienced business executive volunteers from SCORE, NAWBO, or similar programs.

So, are you ready to tackle the financial management responsibilities that come with being an entrepreneur?



#### IV. So, What's Next?

We hope this guide has been helpful. Next, in **Guide 5**, you will explore **Marketing Matters for Your Small Business** and see how effective marketing of your product and/or services is important to the success of your business. Be sure to review and use the other guides in this series as you continue your exploration of entrepreneurship.



**Some groups  
exist to advise  
and guide new  
business owners  
– at no cost!**

## V. Glossary

### **Accounting**

a system for documenting, recording, and reporting all financial transactions; used to develop a financial profile of the business volume, profits, growth, and other measures to create financial statements

### **Accounts Payable**

money owed by the business to landlords, suppliers, employees, and others

### **Accounts Receivable**

money owed to the business by distributors, customers, and others

### **Amortization**

expensing or charging the value of equipment or other assets against future revenues

### **Balance Sheet**

a financial statement that provides a description of a business's financial position at a specific time, usually the close of an accounting period

### **Bootstrap**

an expression that means "without help" but has been adapted by business to mean starting up a business from scratch or helping to start a new business

### **Brand Equity**

the value or worth of a brand; brand recognition or improved price-point

### **Breakeven Analysis**

a study to identify the point at which assets exceed debits; a strategy to find out when a business is making a profit because income is larger than spending

### **Breakeven Point**

when assets or revenues exceed liabilities or expenses; the time a business begins to show a profit

### **Budget**

planned spending by categories

### **Budgeting**

the process of planning spending

### **Business Model**

a diagram or blueprint of how a business works to provide value to its target market and produce profit

### **Business Plan**

a complete view of the business resources, goals, activities, and strategies aimed at producing a profit

### **Capital**

the financial investment needed to start and/or operate a business

### **Capital Expenditures**

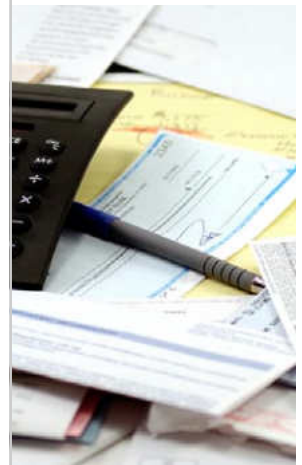
spending for equipment, space, and other assets needed to run a business

### **Cash-Based Accounting**

an accounting method that enters income and expenses into the books at the time when payment is received or expenses incurred; usually, this is the recommended accounting strategy for small business start-ups

### **Cash Flow**

how money moves in, through, and out of a business



**Cash Flow Statement**

shows the actual cash flowing into and out of the business during a defined period, such as a month, quarter, or year; a cash flow statement also records the effects of changes in balance sheet accounts

**Cash Management**

the discipline of using cash most efficiently to have positive cash flow, make a profit, and maintain a healthy balance sheet

**Collateral**

business assets that can be used to guarantee a loan

**Collection Agencies or Services**

businesses that collect payments for past-due invoices

**Competitive Strategy**

the unique value or advantage that a business offers, compared to its competition

**Cost Structure**

how revenue is generated by sales, service fees, advertising, subscriptions, or contract fees

**CPA**

the abbreviation for Certified Public Accountant; candidates have to be graduates of an accredited college accounting program, work a certain number of years in a professional accounting capacity, and pass a rigorous examination to certify their capacity, integrity, and objectivity in reporting financial data

**Credit**

access to spending resources based on your promise to pay

**Credit Policies**

the payment schedule and penalties you establish for your business

**Credit Rating** (also called a **Credit Score**)

a number or score based on your history using and paying for credit; a good credit rating is an important asset for personal and business finance

**Credit Reporting Companies**

private companies that are in business to collect and report on the financial history of an individual or company. The major companies that report on businesses are Dun & Bradstreet, Equifax, Experian, and TransUnion. Each credit reporting company has its own system for collecting data and calculating credit scores. You have the legal right to see the information that is in your credit report. Make it a policy to review the credit reporting company records for your own business, as well as for your suppliers and customers on a regular basis. That way, you can correct errors in your own record and adjust your company credit or payment policies, as necessary, based on the current records of your suppliers or customers.

**D&B – Dun & Bradstreet**

a leading credit reporting company that concentrates on businesses

**Debt/Equity Ratio**

long-term debt divided by stockholder equity; compares assets from creditors to assets from shareholders to measure the financial strength or leverage of a company

**Debit**

a cost, expense, or depreciation that is charged against assets to establish the current value of an asset or company

**Demographics**

population trends and characteristics reported through surveys and other studies



**Depreciation**

the loss of value over time; used to record the value of business assets such as equipment that will eventually need to be replaced

**Earnings**

income from sales, commissions, rents, and other money-making efforts

**Entrepreneur**

a person who sets up a new business

**Equity**

the value of property, equipment, inventory, and other assets minus the outstanding balance due on them; total business assets after liabilities are subtracted

**Financial Statement**

a summary assets and liabilities for a specific period of time

**Fixed Assets**

also called long-term assets; non-liquid assets that are important to the day-to-day business operations; examples include plants, computers and manufacturing equipment, furniture, and real estate

**Fixed Costs**

routine business costs that are contracted or agreed to, such as salaries, insurance, lease expenses, and utilities

**Functional Area**

an operating segment of a business, such as manufacturing or sales; functional areas can be separated to provide detailed financial information about where and how profits or losses are being generated within the total business

**General Ledger**

the “books” of a business; all financial transactions are recorded here

**Guarantee**

a promise; in business finance, the term refers to the borrower’s promise to pay off a loan in full plus interest

**Income**

earnings from all sources including rents, sales, and interest

**Income Statement**

also known as a Profit and Loss Statement; a summary of a company’s income minus expenses for a specific time period such as a month, a quarter, or a year

**Interest**

the amount paid for the use of money; that is, the “rental cost” for using loan funds or credit

**Invoice**

the bill for products or services provided by a business

**Line of Credit (LOC)**

a pre-approved amount of credit; often a useful business asset

**Liquid Assets**

business assets that can be turned into cash quickly, usually within a few months but no longer than a year

**Management Accounting**

financial reports created from accounting data to help management make plans and decisions

**Maturity**

date when the term of an investment ends and the principal and interest are due to investor

**Niche**

when used in business, a target opportunity that is well-suited to the situation or audience



**Principal**

the amount of loan, not counting the interest

**Profit**

revenue minus costs; the money earned by providing customers with a product or service

**Profit and Loss Statement**

also known as an Income Statement, a summary of a company's income minus expenses for a specific time period such as a month, a quarter, or a year

**References**

personal or business contacts who will vouch for your professional competence, honesty, or credit-worthiness

**Retainer**

a fee received on a regular basis, usually monthly or quarterly, for a pre-determined amount of work; usually established for long-term projects or ongoing business relationships; for example, an attorney may be on a retainer basis to be available to answer questions or provide a certain number of hours per month

**Return**

earnings on investment, often described in a percentage

**SBA Loan**

a loan that is provided by a bank or other financial institution and insured by the Small Business Administration

**Supporting Schedules**

financial reporting forms used to document expenses, depreciation, or other business expenses; often used to explain tax deductions or to detail plans for using a credit line or loan

**Sustainable Competitive Advantage**

an advantage that allows a business to continue to provide more value to its customers and to generate ongoing profits

**Target Market**

the customers a business is organized to serve

**Underlying Assumptions**

the facts or conditions used to support a decision

**Value Chain**

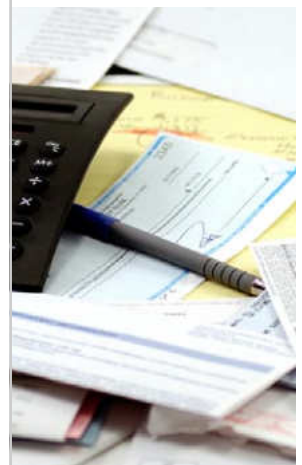
how a business is organized so owners and staff provide value to customers

**Value Proposition**

the value that is created for the target customer; "the customer problem you are solving"

**Venture**

a new business



## VI. Additional Resources

Every day, there are new business opportunities and events that affect the business climate or business strategies. These print and online resources can keep you well-informed.

### Websites

#### American Marketing Association

Industry reports, detailed dictionary of marketing terms, and educational resources  
<http://www.marketingpower.com>

#### Association for Enterprise Opportunity (AEO)

The national association of organizations committed to microenterprise development  
<http://www.microenterpriseworks.org>

#### Business Week magazine

<http://www.businessweek.com>

#### Citibank

Experienced small business advisors and custom financial resources for cash management, credit card processing, investment, and more; locate offices and learn about business strategies and programs  
<http://www.citibank.com/us/citibusiness>

#### Dun & Bradstreet credit reporting company

<http://www.dnb.com> or 1-800-234-3867

#### eBay

Information about how to set up an online business  
<http://www.ebay.com>

#### Entrepreneur magazine

Online resources, plus small-business blog  
<http://www.entrepreneur.com>

#### Export-Import Bank of the United States

Provides information and training to promote international trade by small business  
<http://www.exim.gov/products/special/smallbus.html>

#### Fast Company magazine and its Small Business Intelligence Center

Offers a variety of articles, resources, and tools  
<http://www.fastcompany.com>

#### FORBES magazine

<http://www.forbes.com>

#### FORTUNE Small Business

<http://www.fortune.com/fsb>

#### INC Magazine

The daily resource for entrepreneurs  
<http://www.inc.com>

#### Kauffman Foundation

Encourages entrepreneurship across America and improves the education of children and youth by focusing its operations and grantmaking on entrepreneurship and education  
<http://www.kauffman.org>

The trusted guide for entrepreneurs on the path to high growth

<http://www.eventuring.org/>

#### National Association for the Self-Employed (NASE)

Supporting the needs of micro-business and the self-employed  
<http://www.nase.org>

#### National Association of Women Business Owners (NAWBO)

Networking and support, education programs, and more  
<http://www.nawbo.org>





### **National Business Association**

A not-for-profit association, specifically designed and actively managed to assist the Self-Employed and Small Business Community in achieving their professional goals

<http://www.nationalbusiness.org>

### **Online Women's Business Center**

Helps women to achieve their dreams and improve their communities by helping them start and run successful businesses

<http://www.onlinewbc.gov>

### **Service Corps of Retired Executives (SCORE)**

An organization of volunteers who provide free online and in-person education for small businesses

<http://www.score.org>

### **Small Business Administration**

Strives to maintain and strengthen the nation's economy by aiding, counseling, assisting and protecting the interests of small businesses and by helping families and businesses recover from national disasters.

<http://www.sba.gov> and

<http://www.sba.gov/sbdc/>

### **Society for Hispanic Professionals**

A unique source of opportunity in professional development, educational services, and personal fulfillment for Hispanics

<http://www.nshp.org>

### **U.S. Department of Labor**

The Department of Labor fosters and promotes the welfare of the job seekers, wage earners, and retirees of the United States.

<http://www.dol.gov>

### **U.S. Patent and Trademark Office**

Promotes the progress of science and the useful arts by securing for limited times to inventors the exclusive right to their respective discoveries

<http://www.uspto.gov/>

### **Young Presidents Club**

An educational organization aimed at providing better leadership through education and friendship

<http://www.ypo.org/learning.html>

### **The Wall Street Journal Center for Entrepreneurs**

Contains current stories and extensive resources on trends that affect you and your business

<http://www.startupjournal.com/>

### **Publications**

Minniti, Maria and William D. Bygrave. 2004.

**National Entrepreneurship Assessment - United States of America, 2003 Executive Report.** Babson College and the Kauffman Foundation.

Mandel, Stan, August 2004. **"Educating the Successful Entrepreneur,"** ViewPoint.





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