FULL COLOR INTERIOR

185 BUSINESS BASICS EXPLAINED SIMPLY

KEY WORDS, CONCEPTS & IDEA TO UNLOCK YOUR LITERACY, KNOWLEDGE AND CAPACITY IN THE CHANGING SMALL BUSINESS WORLD

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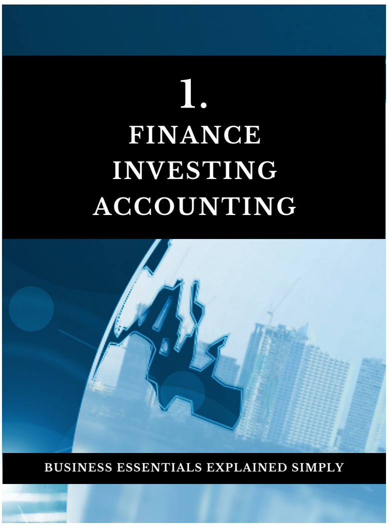
WHAT'S INSIDE HERE

This book of clear, concise short-form explanations consists of two General Business sections with three more targeted categories underneath each General section. The General sections are broken out by their similarities in the various areas of business.

SECTION 1:	SECTION 2:
Finance	Marketing
Investing	Strategy
Accounting	Management

The goal here is to create understanding of important business terms, concepts, and ideas for New and Beginner business people, who may not have a traditional or formalized business education or training.



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FINANCE

BUSINESS BASICS EXPLAINED SIMPLY

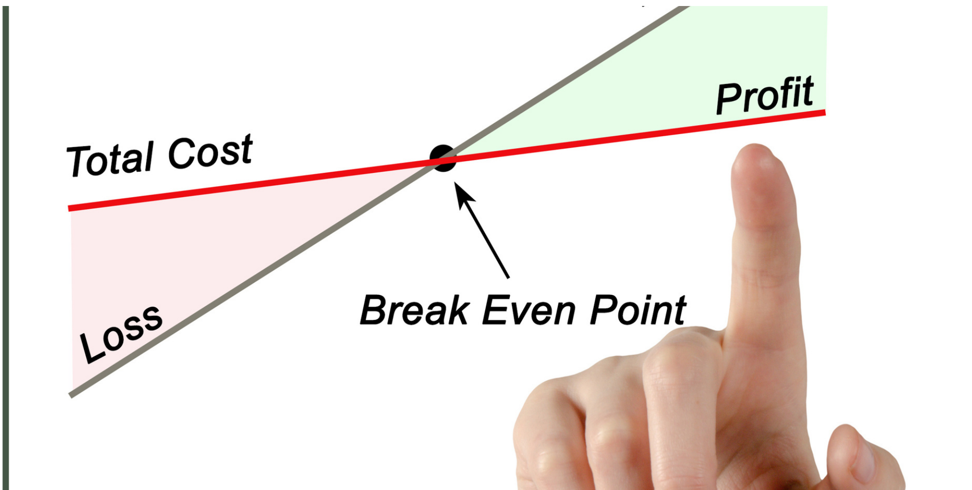
FINANCE

1.

"BREAK-EVEN"

A **break-even** is the point where a business or a product is not at a profit or a loss in its activities, but it's in a state of equilibrium as pertains to the balance of revenue and expenses. Many companies or products lose money early on in their activities. So the **break-even** analysis calculates the point where that equilibrium of revenue and expense meets.

Generally to calculate a break-even, we develop a gross margin figure, the amount of money we make on a unit of sales, as a dollar amount or percentage of revenue, then divide that in the total fixed expenses. The result will be the Break-even point.



FINANCE

2.

"LIQUID / ILLIQUID"

In Business, Liquid means how easy an asset can be turned into cash that can be used. Obviously that means that cash is the most liquid of assets. But other assets can be made liquid relatively quickly like public-traded stocks or a business's Accounts Receivable.

Illiquid assets are those that cannot be easily turned into cash for use. A Picasso painting for instance is a valuable asset, but not very liquid.

Liquidity is also a measurement of how liquid a person's or a business's assets are. One is said to be liquid when the have a sufficient level of liquid assets and the converse is true with illiquidity.

3.

"WORKING CAPITAL"

Working Capital is an accounting term that describes a net quantity of liquid assets a company has. It is calculated as the difference between Current Assets minus Current Liabilities.

Current Assets are those assets that are or can be turned into cash easily like Cash, Accounts Receivable and ready Inventory. Current Liabilities are those liabilities that must be paid in a short period of time, usually less than one year. The difference between these two Current calculations, which is Working Capital, generates a figure that speaks to a company's ability to pay its bills and other expenses in a soon-to-come period of time.

Generally, one wants their company to have higher, but not excessive, working capital.

FINANCE

4.

"TIME VALUE OF MONEY"

This is an important concept in the valuation of assets. Put simply, a dollar received today is worth more than a dollar received a year from now. Because if I receive a dollar today, I can invest it and receive interest on it for a year. Therefore, in a year I will have my dollar plus some interest more. This is the Time Value of Money.

In business, even more options exist. A dollar received today can be invested in high-returning projects or could pay off high-rate credit card debts.

So when discussing terms with both vendors and customers, remember the maxim that a dollar today is worth more than a dollar tomorrow and use it to make decisions accordingly.

FINANCE

5.

"PRINCIPAL AND INTEREST"

Principal and Interest are two financial elements of a loan agreement. Principal is the total amount of money that is borrowed in the loan and Interest is the rate of payment made for the pleasure of having that loan.

As an example, we can have a loan for $10,000 with an interest of 10%. Here the principal amount is the $10,000 and that is the total amount that needs to be repaid. Additionally, most loans come with an interest payment requirement, which means the borrower must pay a fee based on a rate times the total principle amount. In our scenario, 10% of $10,000 or doing the math, $1,000.

So in this scenario the total payments of Principal and Interest from borrower to lender is $11,000.

FINANCE

6.

"SECURED/UNSECURED DEBT"

The debt a company has, ie., monies owed to either a person, business or institution, can be Secured or Unsecured. The difference between these two is whether some asset of the company has been pledged specifically against the money owed. This becomes very important if a company were to go bankrupt.

An example: A company has borrowed $20,000 from a bank and pledged a building purchased with the money against that loan. Now that loan (read: debt) is secured by the value of the building. If the company were to go bankrupt, the bank would have the right to sell the building to recoup the money on its loan.

Unsecured debt is not tied to any specific asset, and is much riskier as a result. The lender can only recoup money if there are leftover assets in the business.

FINANCE

7.

"ALTERNATIVE LENDING"

While this term always sounds a little bit like loan sharking related to the mafia, Alternative Lending is a legitimate and often necessary lending avenue for many small businesses struggling with their business's cash flow needs. The term Alternative Lending encompasses many different lending vehicles that traditional Banks and other mainstream lending institutions do not offer include workday loans, loans at high interest rates, loans against specific revenue payments and other even more creative vehicles.

It is specifically that traditional banks don't make these type of loans that the name alternative comes into play. These funding sources are not recommended for the long-term as their rates are prohibitive. But when necessary...do what you must do.