Entrepreneurship © 2013
Chapter 9: Business Funding—Glossary

accounts payable. Money a business owes to suppliers for goods or services received.

accounts receivable. Money owed to a business by customers for goods or services delivered.

angel investor. Private investors who want to fund promising start-up businesses. Also known as an *angel*.

assets. Property or items of value owned by a business. Assets may be fixed or liquid.

bootstrapping. Cutting all unnecessary expenses and operating on as little cash as possible.

break-even point. Amount of revenue a business must generate to equal its expenses.

collateral. Asset pledged that will be claimed by the lender if the loan is not repaid.

cosigner. Person who signs a loan with the applicant and takes on equal responsibility for repaying it.

debt financing. Borrowing money for business purposes, which can help to start or expand a business.

equity. Amount of ownership a person has in a business.

equity financing. Raising money for a business in exchange for a percentage of the ownership.

fixed assets. Items of value that may take time to sell.

fixed expenses. Expenses that remain the same every month.

liabilities. Business' debts, or what it owes to others.

line of credit. Specific dollar amount that a business can draw against as needed.

liquid assets. Items easily turned into cash.

long-term liabilities. Business' debts that extend beyond the current year.

operating capital. Money needed to support day-to-day business operations.

owner's equity. Difference between a business' assets and its liabilities.

peer-to-peer lending. Borrowing money from investors via a website.

pro forma balance sheet. Reports a business' assets, liabilities, and owner's equity.

pro forma cash flow statement. Reports the anticipated flow of cash into and out of the business.

pro forma income statement. Projects the financial progress of the business.

short-term liabilities. Business' debts expected to be paid within the current year, which includes salaries and accounts payable.

start-up capital. Cash used to start the business.

start-up costs. Initial expenses necessary to open the doors of a business.

trade credit. Practice of one business granting a line of credit to another business for a short time to finance the purchase of the first business' goods.

variable expenses. Expenses that can change on a monthly basis.

venture capitalist. Professional investor or group of investors looking to fund new start-ups or expansions of existing companies. Also known as *VC*.