

Investments & Projects

Wikipedia

Organized & Concluded By Dr.Mehdi Said Hayder



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by

Dr.Mehdi Said Hayder

Sweden , December 2014,

Dedicated

To the

Absolutely necessary person

The Reader

Mehdi Said Hayder

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Introduction

If you really want to be investor or trader in business project;

The most common, and the one that I see 95% of them falling into is the autopilot crowd.

They might change a few things up here and there, but for the most part, they just go with the flow and let others tell them what to do, or follow the herd. Most of the time, they end up just doing nothing. They put their money in one spot and they hope for the best.

I also like to think of these people as "Broke." Or "About to be broke."

Then there's the minority. The small group of dedicated investors who are always on the hunt for a better, smarter and more profitable way of investing. They're not afraid to do something that's a little traditional and they're not afraid to learn from someone who's "been there and done that." This is the engineering way to handle things.

What I like to call these people is action takers. They simply take action and find a better way of operating.

A better way that changes financial futures, both yours and your family's.

Dr.Mehdi Said Hayder,

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University Lecturer,

Consultant

CHAPTER -1-
LEARNING – PART 1
Concept and Meaning⁽¹⁾
A - Z

A

Abandon

To choose not to exercise or sell an option. Abandonment occurs when the option is out of the money on the expiration date.

To voluntarily relinquish the rights of property ownership, usually real estate.

Abatement

- 1. Commerce: Reduction in the amount of a bill or charge such as demurrage, overtime penalty, or rent.**
- 2. Environment: Elimination or reduction of polluting or hazardous substances (such as asbestos) by either removing them completely or lessening their effect through better waste management.**
- 3. Legal: Suspension of a court action, or bringing it to a close before the final decision.**
- 4. Taxation: Rebate given in levies or taxes under special circumstances, such as in aftermath of natural disasters.**

Absorption costing

A method of costing a product in which all fixed and variable costs are apportioned to cost centers where they are accounted for using absorption rates. This method ensures that all incurred costs are recovered from the selling price of a good or service. Also called full absorption costing. See also direct costing, marginal costing.

Abstract

Statement of what a scholarly or complex written work contains, presented as a summary usually by someone other than the author of the work. An abstract aims to present only the gist of the subject matter, stresses brevity, and makes no attempt to preserve the flavor or style of the original. See also abridgment, digest, and outline, précis, summary, and synopsis.

To give my readers an overview of my findings, I created an abstract that presented a brief summary of my work.

Abusive draw

Cashing of a bond or guarantee by its obligee although no breach of the underlying agreement or contract has been committed by the obligor.

Acceleration life insurance

Type of policy which pays a portion (typically 25 percent) of the death benefits (face amount of the policy less any outstanding loans, fees, etc.) in case of a specified illness or medical emergency.

Acceptable use policy (AUP)

Corporate, organizational, or internet service provider's rules governing use of computers, networks, and associated resources. In general, an AUP states that

employees, or users

- (1) should not try to access system areas for which they do not have authorization,
- (2) Are accountable for what they do,
- (3) Should use the system only for its designed purposes,
- (4) Are responsible for the confidentiality of their passwords,
- (5) Should refrain from illegal activities, and unethical or obscene online (internet) behavior, and
- (6) Should not access pornographic material on the internet.

Accessibility

1. Extent to which a consumer or user can obtain a good or service at the time it is needed.
2. Ease with which a facility or location can be reached from other locations.
3. Ease of contact with a person or organization.
4. Authorization, opportunity, or right to access records or retrieve information from an archive, computer system, or website.

The ski rental company had the advantage of accessibility because it was located right on the mountain slope, while other companies located back in town were at a disadvantage and had a harder time bringing in customers.

Accountability

The obligation of an individual or organization to account for its activities, accept responsibility for them, and to disclose the results in a transparent

manner. It also includes the responsibility for money or other entrusted property.

Accounting concepts

An approach to gathering data that uses a readily available sample group, such as all consumers who visit a store on a given day. In convenience sampling, no attempt is made to use a random sample or a sample that represents a specific subset of the population. Statisticians have a low opinion of convenience sampling.

Although convenience sampling may be quick and inexpensive, it is typically not as accurate as other sampling methods and can lead to future problems and criticism.

Accounts receivable

Money which is owed to a company by a customer for products and services provided on credit. This is often treated as a current asset on a balance sheet. A specific sale is generally only treated as an account receivable after the customer is sent an invoice.

Accredited investor

The SEC designation for an individual or entity meeting any of the criteria listed below. Certain restricted offerings, limited partnerships, and angel investor networks are open only to accredited investors. SEC criteria: Any director, executive officer, or general partner of the issuer of the securities being offered or sold, or any director, executive officer or general partner of a general partner of that issuer. Any natural person whose individual net worth, or joint net worth with that person's spouse, at the time of his purchase exceeds \$1,000,000. Any natural person who had individual income in excess of \$200,000 in each of the two most recent years or joint income with that person's spouse in excess of \$300,000 in each of those years and has a reasonable expectation of reaching the same income level in the current year. Any trust with total assets in excess of \$5,000,000, not formed for the specific purpose of acquiring the securities offered, whose purchase of the securities is directed by a person who has such knowledge and experience in financial and business matters that he is capable of evaluating the merits and risks of the prospective investment. Any organization that was not formed for the purpose of acquiring the securities being sold, with total assets in excess of \$5,000,000. And, any entity in which all of the equity owners are Accredited Investors. opposite of no accredited investor.

Ad hoc

Action taken for a particular reason or in a special situation, such as an ad hoc committee formed to consider a specific, urgent matter. Latin for, for this purpose.

After a significant drop in product sales, my manager created an ad hoc team to pinpoint out what wasn't working with the current marketing strategy and propose a new plan of attack.

Adjustable life insurance

Type of policy which allows (within certain limits) the policyholder to

- (1) raise or lower the face amount of the policy,
- (2) lengthen or shorten the protection period and the associated premium,
- (3) change the type of protection.

Advertising

Description or presentation of a product, idea, or organization, in order to induce individuals to buy, support, or approve of it.

In recent years digital advertising spending has been growing at a faster pace than traditional advertising, i.e. TV, print, and radio.

Aggregate demand

Total level of demand for desired goods and services (at any time by all groups within a national economy) that makes up the gross domestic product (GDP). Aggregate demand is the sum of consumption expenditure, investment expenditure, government expenditure, and net exports.

Alienation

1. Human resource management: Sense of estrangement felt by employees, reflected in their lack of warmth towards the organization and in believing that their job/work is not meaningful to other aspects of their lives. Alienation is caused commonly by factors such as a lack of involvement in even basic decision making, lack of human contact, little hope for betterment, and a feeling of powerlessness.

2. Law: Voluntary, complete, and without-reserve conveyance, sale, or transfer of an asset or property from one party to another. In a loan agreement or insurance policy, a borrower's or insured's right of alienation is usually restricted by inclusion of alienation clause.

Alimony

Payments made to a separated or divorced spouse as required by a divorce decree or separation agreement. Alimony is different from child support, because it is based on the idea that a husband and wife must both support each other. A court may order an individual to pay alimony based on the circumstances, and may take into consideration a variety of factors including how long the couple has been married, how much money each individual is likely to make in the future, and if either party has any specific needs (such as health issues) which have a high financial expense. In general, women are granted alimony more frequently than men. Alimony is

counted as income for the person receiving it, and is deducted from the income of the person paying it.

Alpha

A coefficient which measures risk-adjusted performance, factoring in the risk due to the specific security, rather than the overall market. A high value for alpha implies that the stock or mutual fund has performed better than would have been expected given its beta (volatility).

Amortization

- 1. The gradual elimination of a liability, such as a mortgage, in regular payments over a specified period of time. Such payments must be sufficient to cover both principal and interest.**
- 2. Writing off an intangible asset investment over the projected life of the assets.**

Analysis

1. A systematic examination and evaluation of data or information, by breaking it into its component parts to uncover their interrelationships. Opposite of synthesis.
2. An examination of data and facts to uncover and understand cause-effect relationships, thus providing basis for problem solving and decision making.

Amendment

A change or addition to a legal document which, when properly signed, has the same legal power as the original document.

Amortization

1. The gradual elimination of a liability, such as a mortgage, in regular payments over a specified period of time. Such payments must be sufficient to cover both principal and interest.
2. Writing off an intangible asset investment over the projected life of the assets.

Angel investor

Usually, a former entrepreneur or professional who provides starting or growth capital in promising ventures, and helps also with advice and contacts. Unlike venture capitalists, angel investors usually operate alone (or in very small groups) and play only an indirect role as advisors in the operations of the investee firm. They are deemed to be 'angels' in comparison with grasping investors who are termed 'business angels'.

Ansoff matrix

Strategic marketing planning tool that links a firm's marketing strategy with its general strategic direction and presents four alternative growth strategies as a table (matrix). These strategies are seeking growth:

(1) Market penetration: by pushing existing products in their current market segments.

(2) Market development: by developing new markets for the existing products.

(3) Product development: by developing new products for the existing markets.

(4) Diversification: by developing new products for new markets. Named after its inventor, the father of strategic management, Igor Ansoff (1941-), and first published in 1957 in Harvard business review.

Apostles

Additional authentication required for international acceptance of notarized documents including (but not limited to) adoption papers, affidavits, birth certificates, contracts, death certificates, deeds, diplomas and degrees, divorce decrees, incorporation papers, marriage certificates, patent applications, powers of attorney, and school transcripts. Instituted by 'The Hague Convention Abolishing The Requirements Of Legalization For Foreign Public Documents' of 1961, its objective is obviate "the requirements of diplomatic or consular legalization" and thus replace the cumbersome 'chain authentication method' that called for verification by multiple authorities. As prescribed by the convention, an apostle (French for, notation) .

Appraisal value

Appraiser's opinion (not determination) of the current worth of a property based on factors such as area, location, improvements, and amenities. Generally, this value is arrived at by using one of three methods:

- (1) Cost approach,
- (2) Income approach, or
- (3) Market comparison approach. Not to be confused with assessed value. Also called appraised value.

Asset turnover ratio

Indicates how successful a firm is in utilizing its assets in generation of sales revenue. A high ratio is considered desirable, but what is considered high in one industry may be low for another. Asset turnover ratios are computed for specific assets, such as 'cash to sales' (cash / sales revenue), 'inventory to sales' (value of inventory / sales revenue), and 'fixed assets to sales' (fixed assets / sales revenue). When computed as total 'assets-to-sales' ratio (total assets / sales revenue), it is called capital intensity.

Attribute

1. **Marketing:** A characteristic or feature of a product that is thought to appeal to customers. Attributes usually represent a manufacturer's or a seller's perspective and not necessarily that of a customer. Attributes of instant coffee, for example, may include its aroma, flavor, color, caffeine content, packaging and presentation, price, shelf-life, source, etc. Attributes have only two possible ratings (negative or positive) expressed as acceptable or unacceptable, desirable or undesirable, good or bad, etc.
2. **Engineering:** A visual but no dimensional characteristic that is quantified by applying a numerical scale (such as Liker Scale) between the two extreme values, such as acceptable-not acceptable, good-bad, or satisfactory-unsatisfactory.
3. **Statistics:** A characteristic of a system for which...

Attrition

1. The unpredictable and uncontrollable, but normal, reduction of work force due to resignations, retirement, sickness, or death.
2. Loss of a material or resource due to obsolescence or spoilage.

Authority

- 1. Institutionalized and legal power inherent in a particular job, function, or position that is meant to enable its holder to successfully carry out his or her responsibilities.**
- 2. Power that is delegated formally. It includes a right to command a situation, commit resources, give orders and expect them to be obeyed, it is always accompanied by an equal responsibility for one's actions or a failure to act.**
- 3. An agency or body created by a government to perform a specific function, such as environment management, power generation, or tax collection.**
- 4. Judgment of a court or judicial opinion quoted in support of a legal argument.**

Autonomy

Human resource management: A degree or level of freedom and discretion allowed to an employee over his or her job. As a general rule, jobs with high degree of autonomy engender a sense of responsibility and greater job satisfaction in the employee(s). Not every employee, however, prefers a job with high degree of responsibility.

B

Baby boomers

People born between the ends of World War 2 (1945) and the late 1960s, period during which the populations and economies of certain nations (particularly the US) boomed. This term was coined in 1974 when the advertisers recognized the spending power and very different demands of these (then) youngsters.

Back to back letter of credit (L/C)

Arrangement in which one irrevocable letter of credit serves as the collateral for another; the advising bank of the first letter of credit becomes the issuing bank of the second letter of credit. In contrast to a transferable letter of credit, permission of the ultimate buyer (the applicant or account party of the first letter of credit) or that of the issuing bank is not required in a back-to-back letter of credit. It is used mainly by intermediaries to hide the identity of the actual supplier or manufacturer. Also called counter credit or reciprocal letter of credit.

Bait and switch

An illegal tactic in which a seller advertises a product with the intention of persuading customers to purchase a more expensive product. When a seller uses this tactic, they frequently tell the customer that the original product is sold out or no longer available (even if the product is indeed still available), and push hard for the customer to purchase the costlier product. This tactic can be considered false advertising if the seller is not actually providing the original product, but if the item is available but the seller strongly encourages the customer towards another item, in general no legal action can be taken.

Balance

The amount of money in an account, equal to the net of credits and debits at that point in time for that account. also called account balance.

The amount remaining to be paid toward an obligation. For example, a homeowner who has paid down \$25,000 of a \$100,000 mortgage has a principal balance of \$75,000. Balance also refers to the appraisal principle that states the greatest value in a property will occur when the type and size of the improvements are proportional to each other as well as the land.

Balance of payments (BOP)

Set of accounts that record a country's international transactions, and which (because double entry bookkeeping is used) always balance out with no surplus or deficit shown on the overall basis. A surplus or deficit, however, can be shown in any of its three component accounts:

(1) Current account, covers export and import of goods and services,

(2) Capital account, covers investment inflows and outflows, and

(3) Gold account covers gold inflows and outflows. BOP accounting serves to highlight a country's competitive strengths and weaknesses, and helps in achieving balanced economic-growth

Balance sheet

A condensed statement that shows the financial position of an entity on a specified date (usually the last day of an accounting period). Among other items of information, a balance sheet states

(1) What assets the entity owns,

(2) How it paid for them,

(3) What it owes (its liabilities), and

(4) What is the amount left after satisfying the liabilities? Balance sheet data is based on a fundamental accounting equation (assets = liabilities + owners' equity), and is classified under subheadings such as current assets, fixed assets, current liabilities, Long-term Liabilities. With income statement and cash flow statement, it comprises the set of documents indispensable in running a business. An audited balance sheet is often demanded by investors, lenders, suppliers, and taxation authorities; and is usually required by law. To be considered valid, a balance sheet must give a true and fair view of an organization's state of affairs, and must follow the provisions of GAAP in its preparation. Also called statement of condition, statement of financial condition, or statement of financial position.

Balance sheet ratios

Comparisons of balance sheet items to gain insight into the

- (1) Changes in the financial position,
- (2) Strength/weakness of the financial position, and
- (3) Relationship between different items. Two basic balance sheet ratios are the debt ratio (total debt / total assets) and debt to equity ratio (total debt / total equity).

Barriers to entry

Economic, procedural, regulatory, or technological factors that obstruct or restrict entry of new firms into an industry or market. Such barriers may take the form of

- (1) Clear product differentiation, necessitating heavy advertising expenditure to introduce new products,
- (2) Economies of scale, necessitating heavy investment in large plants to achieve competitive pricing,
- (3) Restricted access to distribution channels,
- (4) Collusion on pricing and other restrictive trade practices (such as full-line forcing) by the producers or suppliers,
- (5) Well established brands, or
- (6) Fierce competition. Barriers to exit, paradoxically, also serve as barriers to entry because they make it difficult to cut one's losses and run. Also called barriers to competition, entry barriers, or market entry barriers.

Barter

Trading in which goods or services are exchanged without the use of cash. Resorted-to usually in times of high inflation or tight money, barter is now a common form of trading in deals such as offers to buy surplus goods in exchange for advertising space or time. Advent of internet has transformed bartering from largely person-to-person to mainly business-to-business exchange where items ranging from manufacturing capacity to steel and paper are bartered across international borders on a daily basis

Bear

An investor who believes that a security, a sector, or the overall market is about to fall. Opposite of bull.

Beneficiary

An individual, institution, trustee, or estate which receives, or may become eligible to receive, benefits under a will, insurance policy, retirement plan, annuity, trust, or other contract.

“Naming a beneficiary in your will ensures that your assets will go where you choose upon your death.”

Beta

Beta is a statistical measure of the impact that stock market movements have historically had on a stock's price. By comparing the returns of the Standard & Poor's 500 (S&P 500) to a particular stock's returns, a pattern develops that indicates the stock's exposure to stock market risk. This will help you decide whether you want to take on a riskier stock that moves with a higher correlation to the market or a stock that is less susceptible to market fluctuations.

Bid

1. **General:** Indication of willingness to buy or sell goods or services or to undertake a task, at a specific price and within a specific timeframe.
2. **Contracting:** Complete proposal (submitted in competition with other bidders) to execute specified job(s) within prescribed time, and not exceeding a proposed amount (that usually includes labor, equipment, and materials). The bid-receiving party may reject the bid, make a counter offer, or turn it into a binding contract by accepting it. See also offer and proposal.
3. **Financial markets:** Highest price at which prospective buyers are willing to buy commodities, foreign exchange, or securities.

Bill of lading (B/L)

A document issued by a carrier, or its agent, to the shipper as a contract of carriage of goods. It is also a receipt for cargo accepted for transportation, and must be presented for taking delivery at the destination. Among other items of information, a bill of lading contains

- (1) Consignor's and consignee's name,

- (2) Names of the ports of departure and destination,
- (3) Name of the vessel, (4) dates of departure and arrival,
- (5) Itemized list of goods being transported with number of packages and kind of packaging,
- (6) Marks and numbers on the packages,
- (7) Weight and/or volume of the cargo,
- (8) Freight rate and amount. It serves as a proof of ownership (title) of the cargo, and may be issued either in a negotiable or non-negotiable form.

Black economy

Usually untraceable, business dealings that are not reflected in a country's gross domestic product (GDP) computations. An integral part of most third-world and many first-world economies, it is cash based system in which transaction records are kept in secret account books (called 'number two' accounts). Though it employs illegal (and even criminal) methods, it is a survival practice in repressive tax regimens or where legitimate expression of entrepreneurial activity is made unnecessarily difficult by a maze of regulations. Black economy and black money go hand in hand. Also called parallel economy, shadow economy, or underground economy. See also informal economy.

Blue collar

Refers to employees whose job entails (largely or entirely) physical labor, such as in a factory or workshop. For a piece of work to be termed blue collar, it should be directly related to the output generated by the firm, and its end result should be identifiable or tangible. Historically, in the West, manual workers wore blue shirt collars but clerical workers wore white.

Bond

- 1. A written and signed promise to pay a certain sum of money on a certain date, or on fulfillment of a specified condition. All documented contracts and loan agreements are bonds.**
- 2. Construction: A three-party contract (variously called bid bond, performance bond, or surety bond) in which one party (the surety, usually a bank or insurance company) gives a guaranty to a contractor's customer (obligee) that the contractor (obligor) will fulfill all the conditions of the contract entered into with the obligee. If the obligor fails to perform according to the terms of the contract, the surety pays a sum (agreed upon in the contract and called liquidated damages) to the customer as compensation. A surety bond is not an insurance policy and, if cashed ...**

Governments issue bonds on a regular basis to finance projects and activities when they do not have the funds on hand to do so.

Brand management

The process of maintaining, improving, and upholding a brand so that the name is associated with positive results. Brand management involves a number of important aspects such as cost, customer satisfaction, in-store presentation, and competition. Brand management is built on a marketing foundation, but focuses directly on the brand and how that brand can remain favorable to customers. Proper brand management can result in higher sales of not only one product, but on other products associated with that brand. For example, if a customer loves Pillsbury biscuits and trusts the brand, he or she is more likely to try other products offered by the company such as chocolate chip cookies.

Breach of contract

Contracting party's actual failure or refusal to perform (or a clear indication of its intentions to not perform) its obligations under the contract. A breach could be effected by

(1) Repudiation of obligations before the beginning of the contract,

(2) Repudiation of obligations before its completion, or

(3) A conduct that prevents the contract's proper performance (such as interfering with the other party's performance). Breach of a major term (condition) of the contract (called 'fundamental breach') entitles the aggrieved party to (1) Treat the contract as discharged, (2)

Consider itself free from its own obligations under the contract, and

(3) Sue the offending party for damages arising from the breach.

Breach of a minor term (warranty) .

Bull market

A prolonged period in which investment prices rise faster than their historic average. Bull markets can happen as a result of an economic recovery, an economic boom, or investor psychology. The longest and most famous bull market is the one that began in the early 1990s in which the U.S. equity markets grew at their fastest pace ever.

Bureaucracy

System of administration distinguished by its

(1) Clear hierarchy of authority,

(2) Rigid division of labor,

(3) Written and inflexible rules, regulations, and procedures, and

(4) Impersonal relationships. Once instituted, bureaucracies are difficult to dislodge or change. See also Parkinson's Law and Peter Principle.

Business performance management (BPM)

A business management approach which looks at the business as a whole instead of on a division level. Business performance management entails reviewing the overall business performance and determining how the business can better reach its goals. This requires the alignment of strategic and operational objectives and the business' set of activities in order to manage performance. Because BPM seeks to aggregate available information, managers are more informed about the company's position and are able to make better decisions. Also called corporate performance management.

Business-To-Business

B2B. A transaction that occurs between two companies, as opposed to a transaction involving a consumer. The term may also describe a company that provides goods or services for another company.

“B2B selling is drastically different from B2C selling since the purchaser is another business rather than an individual consumer

Business plan

Set of documents prepared by a firm's management to summarize its operational and financial objectives for the near future (usually one to three years) and to show how they will be achieved. It serves as a blueprint to guide the firm's policies and strategies, and is continually modified as conditions change and new opportunities and/or threats emerge. When prepared for external audience (lenders, prospective investors) it details the past, present, and forecasted performance of the firm. And usually also contains pro-forma balance sheet, income statement, and cash flow statement, to illustrate how the financing being sought will affect the firm's financial position.

C

Capitalism

Economic system based (to a varying degree) on private ownership of the factors of production (capital, land, and labor) employed in generation of profits. It is the oldest and most common of all economic systems and, in general, is synonymous with free market system.

Capital expenditure (CAPEX)

An amount spent to acquire or upgrade productive assets (such as buildings, machinery and equipment, vehicles) in order to increase the capacity or efficiency of a company for more than one accounting period. Also called capital spending.

Capital gain

The amount by which an asset's selling price exceeds its initial purchase price. A realized capital gain is an investment that has been sold at a profit. An unrealized capital gain is an investment that hasn't been sold yet but would result in a profit if sold. Capital gain is often used to mean realized capital gain. For most investments sold at a profit, including mutual funds, bonds, options, collectibles, homes, and businesses, the IRS is owed money called capital gains tax. Opposite of capital loss.

Capital expenditure

Money spent to acquire or upgrade physical assets such as buildings and machinery. Also called capital spending or capital expense.

As the company's customer base grew, it had to also expand its operations and allocated extra capital expenditure to build a new factory.

Capitalize

To classify a cost as a long-term investment, rather than charging it to current operations. A capitalized cost does not appear on the income statement, but instead appears as a debit on the long-term assets account and a credit on the cash account of the balance sheet. However, the depreciation expense related to the capitalized cost will appear as an expense on the income statement. Since the long-term assets account is larger due to the effect of capitalization, the depreciation costs are also proportionately larger. Thus, the timing of expense recognition is changed, but eventually all expenses do get recognized on the income statement.

To reduce the negative impact of many large purchases on the company's current revenue, the accounting department decided to capitalize the expense and record it as a long-term asset, thus changing the time that the expense is recognized.

Cash flow

Incomings and outgoings of cash , representing the operating activities of an organization.

In accounting, cash flow is the difference in amount of cash available at the beginning of a period (opening balance) and the amount at the end of that period (closing balance). It is called positive if the closing balance is higher than the opening balance, otherwise called negative. Cash flow is increased by

(1) Selling more goods or services,

(2) Selling an asset,

(3) Reducing costs,

(4) Increasing the selling price,

(5) Collecting faster,

(6) Paying slower,

(7) Bringing in more equity, or

(8) Taking a loan. The level of cash flow is not necessarily a good measure of performance, and vice versa: high levels of cash flow do not necessarily mean high or even any profit; and high levels of profit do not automatically translate into high or even positive cash flow.

Checks and balances

1. Corporate: Internal control mechanism that guards against fraud and errors due to omission. In a system with checks and balances, the authority to make a decision, and the associated responsibility to verify its proper execution, is

distributed among different departments. This department is kept logically and physically apart, and no one department can complete a transaction all on its own. For example, the purchasing department orders goods, the stores-department receives and compares them with the respective purchase orders, the quality assurance department inspects and verifies their quality, the accounts department verifies the invoice amount, and only then the comptroller authorizes the payment for the purchase. This process emphasizes interdependence without interference, and creates a data trail or paper trail for auditing.

2. Governmental: Extension of the separation of powers doctrine, under which each branch of a government can (if necessary) counter the actions or decisions of the other branches. This arrangement ensures transparency, and prevents domination of the government by any branch.

Civil rights

Personal rights acquired by an individual by being a citizen or resident, or automatic entitlements to certain freedoms conferred by law or custom. Certain civil rights (such as the right to equality, freedom, good governance, justice, and due process of law) are inalienable like human rights and natural rights, whereas others (such as the right to hold a public office) depend on one's conduct and can be lost. Also called civil liberties.

Martin Luther King Jr. was a very well-known civil rights leader who fought for equality for all in the United States in the 1950's and 1960's.

Closed-end fund

A fund with a fixed number of shares outstanding , and one which does not redeem shares the way a typical mutual fund does. Closed-end funds behave more like stock than open-end funds: closed-end funds issue a fixed number of shares to the public in an initial public offering, after which time shares in the fund are bought and sold on a stock exchange, and they are not obligated

to issue new shares or redeem outstanding shares as open-end funds are. The price of a share in a closed-end fund is determined entirely by market demand, so shares can either trade below their net asset value ("at a discount") or above it ("at a premium"). Also called closed-end investment company or publicly-traded fund.

Unlike an open-end fund that creates additional shares to meet demands from an investor, closed-end funds have a fixed number of shares that can only be sold and purchased in the market.

Closing costs

Fees and expenses , over and above the price of the property, incurred by the buyer and/or the seller in the property ownership transfer. Examples are title searches, lawyer's fees, survey charges, and deed filing fees. Also called settlement costs.

“When you are considering a home, having cash for the down payment is very important, but not at the expense of having no money to handle your closing costs up front.”

Cognitive

To classify a cost as a long-term investment, rather than charging it to current operations. A capitalized cost does not appear on the income statement, but instead appears as a debit on the long-term assets account and a credit on the cash account of the balance sheet. However, the depreciation expense related to the capitalized cost will appear as an expense on the income statement. Since the long-term assets account is larger due to the effect of capitalization, the depreciation costs are also proportionately larger. Thus, the timing of expense recognition is changed, but eventually all expenses do get recognized on the income statement.

COLA

Cost of Living Adjustment. An annual adjustment in wages to offset a change (usually a loss) in purchasing power, as measured by the Consumer Price Index. The Consumer Price Index is used rather than the Producer Price Index because the purpose is to offset inflation as experienced by the consumer, not the producer.

“To counteract the effect of inflation, COLA is made to Social Security and supple wages to offset the change.”

Collaboration

- 1. General:** Cooperative arrangement in which two or more parties (which may or may not have any previous relationship) work jointly towards a common goal.
- 2. Knowledge management (KM):** Effective method of transferring 'know how' among individuals, therefore critical to creating and sustaining a competitive advantage. Collaboration is a key tenet of KM.
- 3. Negotiations:** Conflict resolution strategy that uses both assertiveness and cooperation to seek solutions advantageous to all parties. It succeeds usually where the participants' goals are compatible, and the interaction among them is important in attaining those goals.

Collateral

- 1. Secondary, subordinate , or supplementary item accompanying a primary item.**
- 2. Specific asset (such as land or building) pledged as a secondary (and subordinate) security by a borrower or guarantor. The principal security is usually the borrower's personal guaranty, or the cash flow of a business.**

Except for highly creditworthy customers (who can get loans against only their signatures) lenders always demand a collateral if the primary security is not considered to be reliable or sufficient enough to recover the loan in case of a default. A lien is created when the collateral is registered in the public records office, giving the registered lender priority over other lenders on the same asset or property. Lenders have the legal right to seize and sell collateral if the borrower cannot pay back the loan as agreed. Sometimes the asset being financed (such as accounts receivable, inventory, and machinery) is itself used as collateral; in home mortgages the property being bought serves as collateral. See also collateral value and cross collateral clause.

Businesses in the startup phase must provide a lot of documentation , business planning, and personal collateral for a bank to be willing to risk lending the funds to your new business.

Commodity

A reasonably homogeneous good or material , bought and sold freely as an article of commerce. Commodities include agricultural products, fuels, and metals and are traded in bulk on a commodity exchange or spot market.

Commodity money

The use of a specific commodity as a form of money. Commodities such as gold and silver have been used for years as a method of payment. Oil has also become a precious resource that is used in this form.

Before the creation of modern paper money, commodity money such as gold and silver were used as a form of payment.

Common stock

Securities representing equity ownership in a corporation, providing voting rights, and entitling the holder to a share of the company's success through dividends and/or capital appreciation. In the event of liquidation, common stockholders have rights to a company's assets only after bondholders, other debt holders, and preferred stockholders have been satisfied. Typically, common stockholders receive one vote per share to elect the company's board of directors (although the number of votes is not always directly proportional to the number of shares owned). The board of directors is the group of individuals that represents the owners of the corporation and oversees major decisions for the company. Common shareholders also receive voting rights regarding other company matters such as stock splits and company objectives. In addition to voting rights, common shareholders sometimes enjoy what are called "preemptive rights". Preemptive rights allow common shareholders to maintain their proportional ownership in the company in the event that the company issues another offering of stock. This means that common shareholders with preemptive rights have the right but not the obligation to purchase as many new shares of the stock as it would take to maintain their proportional ownership in the company. Also called junior equity.

In the case of a company's liquidation, holders of common stock have rights to the assets but only after preferred shareholders and bondholders have received their money.

Communication

Two-way process of reaching mutual understanding, in which participants not only exchange (encode-decode) information, news, ideas and feelings but also create and share meaning. In general, communication is a means of connecting people or places. In business, it is a key function of management--an

organization cannot operate without communication between levels, departments and employees.

Competence

1. A cluster of related abilities, commitments, knowledge, and skills that enable a person (or an organization) to act effectively in a job or situation.

Competence indicates sufficiency of knowledge and skills that enable someone to act in a wide variety of situations. Because each level of responsibility has its own requirements, competence can occur in any period of a person's life or at any stage of his or her career.

2. Law: The capacity of a person to understand a situation and to act reasonably. Disputes regarding the competence of an individual are settled by a judge and not by a professional (such as a doctor or a psychiatrist) although the judge may seek expert opinion before delivering at a judgment. Also called legal capacity.

Competition

The existence within a market for some good or service of a sufficient number of buyers and sellers such that no single market participant has enough influence to determine the going price of the good or service. Opposite of monopoly.

Compliance

Certification or confirmation that the doer of an action (such as the writer of an audit report), or the manufacturer or supplier of a product, meets the requirements of accepted practices, legislation, prescribed rules and regulations, specified standards, or the terms of a contract. See also conformance.

Before manufacturing began, an inspector came through the warehouse to ensure compliance on all city and state regulations.

Concession

1. A syndicate's per-share compensation.
2. A rebate, allowance, or reduction in price or other terms of an agreement.
3. Cash, or the equivalent, that the landlord pays or allows in the form of rental abatement, additional tenant finish allowance, moving expenses, or other costs expended in order to persuade a tenant to sign a lease.

Confidential information

Privileged communication shared with only a few people for furthering certain purposes, such as with an attorney for a legal matter, or with a doctor for treatment of a disease. Receiver of confidential information is generally prohibited from using it to take advantage of the giver. Also called privileged information. See also proprietary information.

Conflict of interest

- 1. A situation that has the potential to undermine the impartiality of a person because of the possibility of a clash between the person's self-interest and professional interest or public interest.**
- 2. A situation in which a party's responsibility to a second-party limits its ability to discharge its responsibility to a third-party.**

When the board of directors voted on the firing of a particular employee, one member had to step out because the employee was a family member and there would have been a conflict of interest.

Consignee

A party (usually a buyer) named by the consignor (usually a seller) in transportation documents as the party to whose order a consignment will be delivered at the port of destination. The consignee is considered to be the owner of the consignment for the purpose of filing the customs declaration, and for paying duties and taxes. Formal ownership of the consignment, however, transfers to the consignee only upon payment of the seller's invoice in full.

The company picked an employee it trusted greatly as their consignee to receive and sign for the large amount of supplies needed for the manufacturing process.

Consumer product

Merchandise or other item of common or daily use, ordinarily bought by individuals or households for private consumption. See also consumer goods.

Find out how to use consumer product in a sentence.

Consumer price index (CPI)

A measure of changes in the purchasing - power of a currency and the rate of inflation . The consumer price index expresses the current prices of a basket of goods and services in terms of the prices during the same period in a previous year, to show effect of inflation on purchasing power. It is one of the best known lagging indicators. See also producer price index.

Contingent liability

Hypothetical liability which depends on a possible (but hardly likely) event or situation to occur before becoming an actual liability. Contingent liabilities are different for every type of business and profession, and management makes provision for them by setting aside appropriate funds as reserves. Examples include acts of employees, credit guaranties, incomplete contracts, pending court cases, third party indemnities, unfilled purchase orders, unsettled disputes, etc. Under corporate-legislation, contingent liabilities must be disclosed in a balance sheet via an explanatory note (footnote).

Contract

1. A binding agreement between two or more parties for performing, or refraining from performing, some specified act(s) in exchange for lawful consideration.

2. The unit of trade for a financial or commodity future.

“When you are trying to hedge the risk of your stock portfolio using a futures contract, you want a contract that is close in value to the value of your portfolio.”

Contribution

1. Payment to an annuity or retirement plan.

2. Mortgage: A term that can have several meanings in the context of insurance. A contribution can be the portion of a loss paid by each insurer, when the same loss is covered by two or more insurers. Or the term can mean the portion of a premium paid by the insured. The term can also mean the portion of the loss paid by the insurer under coinsurance.

Consistency principle

Accounting: The idea in accounting that once an accounting method is adopted, it should be followed consistently from one accounting period to the next. If, for any reason, the accounting method is changed, a full disclosure of the change and an explanation of its effects on the items of the financial statements must be given. One of the duties of an auditor is to make sure the consistency principle is being followed because, without this, any change might make correct interpretation of the financial data impossible. Also called consistency concept.

Constitution

Fundamental and entrenched rules governing the conduct of an organization or nation state, and establishing its concept, character, and structure. It is usually a short document, general in nature and embodying the aspirations and values of its writers and subjects. The oldest (1787) written national constitution is that of the US.

Consumer Price Index

CPI. An inflationary indicator that measures the change in the cost of a fixed basket of products and services , including housing, electricity, food, and transportation. The CPI is published monthly. Also called cost-of-living index .

Control

Manufacturing: Device or mechanism installed or instituted to guide or regulate the activities or operation of an apparatus, machine, person, or system. **Law:** Ownership of controlling shares in a company. See management control.

Convenience sampling

An approach to gathering data that uses a readily available sample group, such as all consumers who visit a store on a given day. In convenience sampling, no attempt is made to use a random sample or a sample that represents a specific subset of the population. Statisticians have a low opinion of convenience sampling.

Curriculum vitae

CV. A summary of a job applicant's professional experience and educational background, along with other relevant information regarding the candidate's qualifications. The curriculum vitae is similar to a resume, but is used more frequently by candidates who have published works in journals, such as scientists or academic professionals.

When applying for a job, make sure to include relevant experience in your curriculum vitae that will show how you are a good fit for the open position.

Customer service

All interactions between a customer and a product provider at the time of sale, and thereafter. Customer service adds value to a product and builds enduring relationship.

Despite the higher prices, I continue to shop at Nordstrom's because they value customer service and I always have a good experience when shopping there.

Copyright

Legal monopoly that protects published or unpublished original work (for the duration of its author's life plus 50 years) from unauthorized duplication without due credit and compensation. Copyright covers not only books but also advertisements, articles, graphic designs, labels, letters (including emails), lyrics, maps, musical compositions, product designs, etc. According to the major international intellectual-property protection treaties (Berne Convention, Universal Copyright Convention, and WIPO Copyright Treaty) five rights are associated with a copyright: the right to:

- (1) Reproduce the work in any form, language, or medium.
- (2) Adapt or derive more works from it.
- (3) Make and distribute its copies.
- (4) Perform it in public...

A copyright protects the original authorship of different artistic works and therefore differs from a trademark which protects words, phrases and logos that are used in trade.

Cosigner

An individual other than the borrower who signs a promissory note and thereby assumes equal liability for it. Also called co maker.

When applying and signing for my new apartment, my father was included as the cosigner so that the landlord trusted I would not default on my rent payments.

Cost of capital

The opportunity cost of an investment; that is, the rate of return that a company would otherwise be able to earn at the same risk level as the investment that has been selected. For example, when an investor purchases stock in a company, he/she expects to see a return on that investment. Since the individual expects to get back more than his/her initial investment, the cost of capital is equal to this return that the investor receives, or the money that the company misses out on by selling its stock.

Corporate strategy

The overall scope and direction of a corporation and the way in which its various business operations work together to achieve particular goals.

Corporate social responsibility

A company's sense of responsibility towards the community and environment (both ecological and social) in which it operates. Companies express this citizenship

- (1) through their waste and pollution reduction processes,
- (2) by contributing educational and social programs, and
- (3) by earning adequate returns on the employed resources. See also corporate citizenship.

Many organizations have learned that corporate social responsibility not only benefits their surrounding community but it can also be good for business by helping the company grow and addressing shareholder concerns.

Correlation

Degree and type of relationship between any two or more quantities (variables) in which they vary together over a period; for example, variation in the level of expenditure or savings with variation in the level of income. A positive correlation exists where the high values of one variable are associated with the high values of the other variable(s). A 'negative correlation' means association of high values of one with the low values of the other(s). Correlation can vary from +1 to -1. Values close to +1 indicate a high-degree of positive correlation, and values close to -1 indicate a high degree of negative correlation. Values close to zero indicate poor correlation of either kind, and 0 indicates no correlation at all. While correlation ...

Cost benefit analysis (CBA)

Process of quantifying costs and benefits of a decision, program, or project (over a certain period), and those of its alternatives (within the same period), in order to have a single scale of comparison for unbiased evaluation. Unlike the present_value (PV) method of investment appraisal, CBA estimates the net present_value (NPV) of the decision by discounting the investment and returns. Though employed mainly in financial analysis, a CBA is not limited to monetary considerations only. It often includes those environmental and social costs and benefits that can be reasonably quantified. See also feasibility study.

Cost control

The process or activity on controlling costs associated with an activity, process, or company. Cost control typically includes

- (1) Investigative procedures to detect variance of actual costs from budgeted costs,
- (2) Diagnostic procedures to ascertain the cause(s) of variance, and
- (3) Corrective procedures to effect realignment between actual and budgeted costs.

Covenant

A clause in a contract that requires one party to do, or refrain from doing, certain things. Often, a restriction on a borrower imposed by a lender.. also called restrictive covenant.

A covenant can protect the lender or a loan in case the borrower defaults on

his or her financial obligations.

CPA

Certified Public Accountant . An individual who has passed the uniform CPA examination administered by the American Institute Of Certified Public Accountants, and who has received state certification to practice accounting. To achieve this designation, an individual usually has to complete 5 years of education, and a certain degree of work experience. Additionally, once an individual becomes a CPA, they typically must complete a certain number of hours of continuing education each year.

“Before submitting your tax filing to the IRS, it would be beneficial to have a CPA look over it to ensure that your tax filing is correct.”

Credit default swaps

A specific kind of counterparty agreement which allows the transfer of third party credit risk from one party to the other. One party in the swap is a lender and faces credit risk from a third party, and the counterparty in the credit default pays the insured the remaining interest on the debt, as well as the principal.

After paying a premium, the buyer of the credit default swap was able to transfer the risk of his mortgage backed securities in case of a debt default.

Credit report

A report containing detailed information on a person's credit history, including identifying information, credit accounts and loans, bankruptcies and late payments, and recent inquiries. It can be obtained by prospective lenders with the borrower's permission, to determine his or her creditworthiness.

Criterion

A standard by which something can be judged or decided. In a typical context, there is more than one criterion under consideration and thus the plural 'criteria' is more commonly encountered.

The most important criterion for the company's new office search was that the office was located within one mile of public transportation

Culture

Broadly, social heritage of a group (organized community or society) . It is a pattern of responses discovered, developed, or invented during the group's history of handling problems which arise from interactions among its members, and between them and their environment. These responses are considered the correct way to perceive, feel, think, and act, and are passed on to the new members through immersion and teaching. Culture determines what is acceptable or unacceptable, important or unimportant, right or wrong, workable or unworkable. It encompasses all learned and shared, explicit or tacit, assumptions, beliefs, knowledge, norms, and values, as well as attitudes, behavior, dress, and language. See also organizational culture.

Current ratio

Indicator of a firm's ability to meet short-term financial obligations, it is the ratio of current assets to current liabilities. Though every industry has its range of acceptable current-ratios, a ratio of 2:1 is considered desirable in most sectors. Since inventory is included in current assets, acid test ratio is a more suitable measure where salability of inventory is questionable.

Formula: $\text{Current assets} \div \text{Current liabilities}$.

Curriculum vitae

CV. A summary of a job applicant's professional experience and educational background , along with other relevant information regarding the candidate's qualifications. The curriculum vitae is similar to a resume, but is used more frequently by candidates who have published works in journals, such as scientists or academic professionals.

When applying for a job, make sure to include relevant experience in your curriculum vitae that will show how you are a good fit for the open position.

Customer service

All interactions between a customer and a product provider at the time of sale , and thereafter. Customer service adds value to a product and builds enduring relationship.

Despite the higher prices, I continue to shop at Nordstrom's because they value customer service and I always have a good experience when shopping there.

Cycle time

The period required to complete one cycle of an operation; or to complete a function, job, or task from start to finish. Cycle time is used in differentiating total duration of a process from its run time.

D

Data

1. Information in raw or unorganized form (such as alphabets , numbers, or symbols) that refer to, or represent, conditions, ideas, or objects. Data is limitless and present everywhere in the universe. See also information and knowledge.
2. Computers: Symbols or signals that are input, stored, and processed by a computer, for output as usable information.

Before his marketing strategy presentation, the analyst reviewed all the data he had collected about previous strategies, industry norms and future company projections.

Debenture

A promissory note or a corporate bond which (in the US) is backed generally only by the reputation and integrity of the borrower and (in the UK) by the borrower's specific assets. When unsecured, it is called a bare debenture or naked debenture; when secured by a charge on a specific property, it is called a mortgage debenture.

Debit card

A card which allows customers to access their funds immediately, electronically. Unlike a credit card, a debit card does not have any float.

“One of the best ways to avoid credit card debt is to pay the debt right away, through the use of a debit card.

Deductible

Fixed amount or percentage of an insurance claim that is the responsibility of the insured, and which the insurance company will deduct from the claim payment. Sometimes deductibles are voluntary (to qualify for a lower premium rate) but usually they are imposed by the insurer to avoid paying a large number of small claims. Also called excess. Not to be confused with tax deduction.

Default

1. **General:** Failure to do something required by an agreement, in the performance of a duty, or under a law.
2. **Borrowing:** Failure to meet the terms of a loan agreement. Its two types are (1) **Fiscal:** Failure to make repayment on the due date. Generally, if a payment is 30 days overdue, the loan is in default. (2) **Covenantal:** Failure to live up to one or more covenants of the loan agreement such as exceeding the prescribed total borrowings.
3. **Computing:** Attribute, option, or value assumed by a computer when a user has not chosen or supplied any. Computer's choice is based on how the elements of software or the settings of hardware have been arranged by the manufacturer, or customized by the user.
4. **Contractual:** Failure to comply with the terms.

Deferred compensation

An arrangement in which a portion of an employee's income is paid out at a date after which that income is actually earned. Examples of deferred compensation include pensions, retirement plans, and stock options. The primary benefit of most deferred compensation is the deferral of tax.

To defer a portion of my taxes, I opted for deferred compensation in the form of stock options.

Delivery

1. **General:** Formal and voluntary transfer of possession by actual (physical) delivery, constructive delivery (by an agreement or understanding), or symbolic delivery (by documents) Also called presentation or presentment.
2. **Futures trading:** Transfer of a cash commodity from the seller of a futures contract to its buyer, in accordance with the rules of a particular futures exchange.
3. **Real estate:** Final, unconditional, and absolute transfer of the deed to the buyer (the grantee) in such manner that it cannot be recalled by the seller (the grantor). Even a properly executed deed normally does not pass title until it is delivered to the grantee. See also livery.
4. **Shipping:** Transfer of a shipment's copy of the bill of...

Demography

Study of both quantitative and qualitative aspects of human population. Quantitative aspects include composition, density, distribution, growth, movement, size, and structure of the population. Qualitative aspects are the sociological factors such as education quality, crime, development, diet and nutrition, race, social class, wealth, well being.

Dependent variable

A factor or phenomenon that is changed by the effect of an associated factor or phenomenon called the independent variable.

For example, consumption is a dependent variable because it is caused and influenced by another variable: income. In a mathematical equation or model, the dependent variable is the variable whose value is to be determined by that

equation or model. In an experiment, it is the variable whose behavior under controlled conditions (that are allowed to change in an organized manner) is studied.

Derivative security

Usually takes the form of an agreement to buy or sell an asset or item (commodity, property, security) at a fixed price on or before a certain date. Derivative securities are traded on exchanges like other financial instruments, and their value varies with the value of the underlying assets (which are traded separately from the derivatives). Futures contracts, forward contracts, options and swaps are some common types of derivatives used in hedging or to gain leverage. Also called contingent claim since the payoff from a derivative is dependent upon whether or not some event occurs. See also credit derivative and derivative contract.

Dilution

The change in earnings per share or book value per share that would result if all warrants and stock options were exercised and all convertible securities were converted danger in earnings per share or book value per share that would result if all warrants and stock options were exercised and all convertible securities were converted.

Dilution occurs when each individual share becomes less valuable after the number of shares increases such as when a company issues new stock.

Direct costing

Method in which the cost of a product or operation is determined by allocating to it an appropriate portion of the variable (direct) costs. Direct costing treats fixed costs (overheads such as administrative and selling costs) as period costs (associated with time and not output). Also called contribution costing or variable costing . See also absorption costing and marginal costing.

Discount

1. The amount by which a bond's par exceeds its market price.
2. The amount by which the Net Asset Value per share of a closed-end fund's holdings exceeds its market price.
3. Anything selling below its normal price. Opposite of premium .
4. In the case of a convertible security, the difference between the gross proceeds received on sale and the convertible's price. This difference occurs whenever the market expects that the convertible security will be redeemed before the next coupon date, and so investors will receive accrued interest.

Discrimination

1. Bias or prejudice resulting in denial of opportunity or unfair treatment regarding selection, promotion, or transfer. Discrimination is practiced commonly on the grounds of age, disability, ethnicity, origin, political belief, race, religion, and sex, etc. factors which are irrelevant to a person's competence or suitability.

2. Unequal treatment provided to one or more parties on the basis of a mutual accord or some other logical or illogical reason.

3. Differences in two rates not explainable or justifiable by economic considerations such as costs.

During the hiring process, make sure you are prepared with all the applicants' resumes should allegations of discrimination arise, to prove that you hire the most qualified individuals, regardless of gender, ethnicity or age.

Diversity

1. Accounting: Situation where different batch sizes, distribution channels, product mixes, etc., place different demands on resources due to uneven assignment of costs.

2. HR: Feature of a mixed workforce that provides a wide range of abilities, experience, knowledge, and strengths due to its heterogeneity in age, background, ethnicity, physical abilities, political and religious beliefs, sex, and other attributes.

Dividend

A share of the after-tax profit of a company, distributed to its shareholders according to the number and class of shares held by them. Smaller companies typically distribute dividends at the end of an accounting year, whereas larger, publicly held companies usually distribute it every quarter.

The amount and timing of the dividend is decided by the board of directors, who also determine whether it is paid out of current earnings or the past earnings kept as reserve. Holders of preferred stock receive dividend at a fixed rate and are paid first. Holders of ordinary shares are entitled to receive any amount of dividend, based on the level of profit and the company's need for cash for expansion or other purposes. Corporate legislation generally forbids payment of dividend out of anticipated but not yet received (unrealized) profit. Normally all dividend payments are taxable, often at the source

Double-entry bookkeeping

System of keeping accounting records that recognizes the dual nature (source and disposition) of every financial transaction expressed by the basic accounting equation ($\text{Assets} = \text{Liabilities} + \text{Owners' Equity}$). In this system, every transaction is entered twice in the account books first, to record a change in the assets' side (called a 'debit') and, second, to mirror that change in the equities' side (called a 'credit'). If all entries are recorded accurately, the account books will 'balance' because the total of debit entries will equal the total of credit entries. Double entry bookkeeping is used universally, except in very small or cash-transactions based firms which use 'single entry bookkeeping.' Invented in the 13th century by Venice merchants, it was formalized by the Italian monk Luca Pacioli (1445-1517) in the 1494 book 'Summa de Arithmetical, Geometrical, Proportion et Proportional tie.'

Due diligence

- 1. General:** Measure of prudence, responsibility, and diligence that is expected from, and ordinarily exercised by, a reasonable and prudent person under the circumstances.
- 2. Business:** Duty of a firm's directors and officers to act prudently in evaluating associated risks in all transactions.
- 3. Investing:** Duty of the investor to gather necessary information on actual or potential risks involved in an investment.
- 4. Negotiating:** Duty of each party to confirm each other's expectations and understandings, and to independently verify the abilities of the other to fulfill the conditions and requirements of the agreement. Also called reasonable diligence. Find out how to use due diligence in a sentence.

Due process

Conduct of legal proceedings strictly according to established principles and procedures, laid down to ensure fair trial for every accused. Because the infallibility of court judgments cannot be guaranteed, the legal system aims to secure this second-best but possible option. The guaranty of due process means no accused is punished without an orderly and adequate procedure that is applicable uniformly in all cases. Under a due process, every accused gets an advance notice of trial, and an opportunity to be present, to be heard, and to defend himself or herself. It also includes the rights to

- (1) Legal counsel,**
- (2) Confront and cross examine the witnesses,**
- (3) Refuse self-incriminating testimony, and**

As a part of due process, the convicted felon was offered legal counsel and a fair trial before being sentenced to prison for his actions.

Dynamic

- 1. Capable of changing or being changed; in a state of flux, not static.**
- 2. Characterized or distinguished by continuous change or vigorous activity , high effectiveness, energy, or force.**
- 3. Causative or motivating agent or force, underlying an event or phenomenon. See also dynamics.**

Many political leaders are not seen as dynamic since they typically adhere to their party's values and do not change their opinions regardless of the situation.

E

Education

The wealth of knowledge acquired by an individual after studying particular subject matters or experiencing life lessons that provide an understanding of something. Education requires instruction of some sort from an individual or composed literature. The most common forms of education result from years of schooling that incorporates studies of a variety of subjects. "Jamie knew the importance of an education, so she chose to go to a four-year university after graduating from high school."

Some companies encourage their employees to further their education so that they develop the necessary skills and expertise to advance their careers.

Economics

The theories, principles, and models that deal with how the market process works. It attempts to explain how wealth is created and distributed in communities, how people allocate resources that are scarce and have many alternative uses, and other such matters that arise in dealing with human wants and their satisfaction.

Economic system

An organized way in which a state or nation allocates its resources and apportions goods and services in the national community.

An economic system consists of various processes related to labor, production, distribution and circulation of goods and

Elasticity of demand

A measure of how much the demand for a good or service increases or decreases in response to changes in price. A necessary good such as water or a service such as medical care might have low elasticity, since demand for such goods and service

as remains relatively stable at nearly any price.

Entitlement

1. Distribution or exercise of an absolute privilege or right to an economic benefit (such as old age pension, social security, unemployment stipend) granted by contract or law, automatically upon meeting the required qualification.
2. Claim or right defended by reference to a precedence or established procedure.
3. Government scheme benefiting members of a particular group.
4. Offer or an actual payment of cash or stock (shares) to the holder of a security.

Entrepreneurship

The capacity and willingness to develop organize and manage a business venture along with any of its risks in order to make a profit. The most obvious example of entrepreneurship is the starting of new businesses.

In economics, entrepreneurship combined with land, labor, natural resources and capital can produce profit. Entrepreneurial spirit is characterized by innovation and risk-taking, and is an essential part of a nation's ability to succeed in an ever changing and increasingly competitive global marketplace.

Environmental factors

External elements (economy, politics, regulations, climate , geography, technology, cultural trends, suppliers, competition) and internal elements (financial stability, stakeholder relationships, company culture) which can negatively impact a company's performance or profitability. In business planning, environmental factors must be considered and contingencies developed to counter their influence on future performance.

Entropy

In simple terms, the measure of the level of disorder in a closed but changing system, a system in which energy can only be transferred in one direction from an ordered state to a disordered state. Higher the entropy, higher the disorder and lower the availability of the system's energy to do useful work. Although the concept of entropy originated in thermodynamics (as the 2nd law) and statistical mechanics, it has found applications myriad of subjects such as communications, economics, information science and technology, linguistics, music. In day-to-day life it manifests in the state of chaos in a household or office when effort is not made to keep things in order.

EPS

Earnings per Share . Total earnings divided by the number of shares outstanding. Companies often use a weighted average of shares outstanding over the reporting term. EPS can be calculated for the previous year ("trailing EPS"), for the current year ("current EPS"), or for the coming year ("forward

EPS"). Note that last year's EPS would be actual, while current year and forward year EPS would be estimates.

Equity

Fairness and impartiality towards all concerned, based on the principles of evenhanded dealing. Equity implies giving as much advantage, consideration, or latitude to one party as it is given to another. Along with economy, effectiveness, and efficiency, Equity is essential for ensuring that extent and costs of funds, goods and services are fairly divided among their recipients. See also equitable. Accounting:

(1) Ownership interest or claim of a holder of common stock (ordinary shares) and some types of preferred stock (preference shares) of a company. On a balance sheet, equity represents funds contributed by the owners (stockholders) plus retained earnings or minus the accumulated losses.

(2) Net worth of a person or company computed by subtracting total liabilities from the total assets. In case of cooperatives, equity represents members' investment plus retained earnings or minus losses. Law: (1) The English system of justice that developed during 17th to 19th centuries, separate and distinct from the system of common law. Not bound by the precedents, it tempered the harshness and inflexibility of common law, especially in cases involving families and children. Although both systems of law merged by 1875, the rules of equity prevail in case of a conflict with the rules of common law. (2) Any right to an asset or property, held by a creditor, proprietor, or stockholder (shareholder).

Escrow

1. Documents, real estate, money, or securities deposited with a neutral third party (the escrow agent) to be delivered upon fulfillment of certain conditions, as established in a written agreement.
2. An account held by the lender into which an insurance.

The seller of the home decided to have the buyer use escrow to prove that the buyer was capable of making payment while final inspections were being carried out

Evidence

1. Testimony and presentation of documents, records, objects, and other such items relating to the existence or non-existence of alleged or disputed facts into which a court enquires.
2. Methods and rules that guide and govern the establishment of a fact before a court , collectively called the law of evidence.

The landlord evicted his tenant through a court action for non-payment rent, but the case was dismissed once the tenant submitted evidence of mailed checks that were never cashed by the landlord.

Exchange rate

Rate at which one currency may be converted into another . The exchange rate is used when simply converting one currency to another (such as for the purposes of travel to another country), or for engaging in speculation or trading in the foreign exchange market. There are a wide variety of factors which influence the exchange rate, such as interest rates, inflation, and the state of politics and the economy in each country. also called rate of exchange or foreign exchange rate or currency exchange rate.

Exponential growth

A growth factor in which the rate of growth of a value is proportionate to the previous increase in value . For example, when a value has increased by 300% the rate of growth will also have increased by 300%. The rate may also be expressed as exponential decay in the case of declining growth. Compound interest, which is the increase in the value of money at a constant rate of interest, is a form of exponential growth. Also called geometric growth .

“Compound interest provides exponential growth of capital, given that the interest rate remains at a constant

Expenditure

Payment of cash or cash-equivalent for goods or services, or a charge against available funds in settlement of an obligation as evidenced by an invoice, receipt, voucher, or other such document. See also revenue expenditure, capital expenditure.

Expense

Money spent or cost incurred in an organization's efforts to generate revenue, representing the cost of doing business. Expenses may be in the form of actual cash payments (such as wages and salaries), a computed expired portion (depreciation) of an asset, or an amount taken out of earnings (such as bad debts). Expenses are summarized and charged in the income statement as deductions from the income before assessing income tax. Whereas all expenses are costs, not all costs (such as those incurred in acquisition of income generating assets) are expenses.

Expertise

Basis of credibility of a person who is perceived to be knowledgeable in an area or topic due to his or her study, training, or experience in the subject matter.

Exponential growth

Increase in number or size, at a constantly growing rate. It is one possible result of a reinforcing feedback loop that makes a population or system grow (escalate) by increasingly higher amounts. Compound interest is an example of exponential growth.

Population is an example of exponential growth where the rate of growth increases each year. Unlike money, population growth has a limit because the availability of resources is not infinite.

Extrapolation

Statistical technique of inferring unknown from the known. It attempts to predict future data by relying on historical data, such as estimating the size of a population a few years from now on the basis of current population size and its rate of growth. Extrapolation may be valid where the present circumstances do not indicate any interruption in the long-established past trends. However, a straight line extrapolation (where a short-term trend is believed to continue far in into future) is fraught with risk because some unforeseeable factors almost always intervene. See also interpolation.

F

Face value

The nominal dollar amount assigned to a security by the issuer. For an equity security, face value is usually a very small amount that bears no relationship to its market price, except for preferred stock, in which case face value is used to calculate dividend payments. For a debt security, face value is the amount repaid to the investor when the bond matures

Factors of production

Resources required for generation of goods or services, generally classified into four major groups:

Land (including all natural resources),

Labor (including all human resources),

Capital (including all man-made resources), and

Enterprise (which brings all the previous resources together for production).

These factors are classified also as management, machines, materials, and money (this, the 4 Ms), or other such nomenclature. More recently, knowledge has come to be recognized as distinct from labor, and as a factor of production in its own right.

FHA Loan

A government mortgage that is insured by the Federal Housing Administration (FHA) . These loans have been insured by the FHA since the creation of the agency in 1934. Since then, various Housing and Community Development Acts have been passed which have slightly altered the laws regarding FHA loans. FHA loans have been particularly helpful for individuals who typically otherwise would not have been able to secure a loan from another source, due to low income or high risk.

“Since many Americans are unable to get private loans to purchase a house due to low credit scores or low income, they turn to FHA Loans which are insurance funds backed by the government.”

Fiat money

Money which has no intrinsic value and cannot be redeemed for specie or any commodity , but is made legal tender through government decree. All modern paper currencies are fiat money, as are most modern coins. The value of fiat money depends on the strength of the issuing country's economy. Inflation results when a government issues too much fiat money.

“While modern currency is used on a daily basis to purchase a myriad of items, it is actually considered fiat money because it has no real value on its own; its value directly depends on the issuing country's economy.”

Fiduciary

An individual, corporation or association holding assets for another party, often with the legal authority and duty to make decisions regarding financial

matters on behalf of the other party.

The child's adoptive parent became his fiduciary in order to look over the child's assets for which he was too young to hold.

Financial institution

Private (shareholder-owned) or public (government-owned) organizations that, broadly speaking, act as a channel between savers and borrowers of funds (suppliers and consumers of capital). Two main types of financial institutions (with increasingly blurred dividing line) are:

(1) Depository banks and credit unions which pay interest on deposits from the interest earned on the loans, and

(2) Non-depository insurance companies and mutual funds (unit trusts) which collect funds by selling their policies or shares (units) to the public and provide returns in the form periodic benefits and profit payouts.

Financial statement

Summary report that shows how a firm has used the funds entrusted to it by its stockholders (shareholders) and lenders, and what is its current financial position. The three basic financial statements are the

(1) Balance sheet, which shows firm's assets, liabilities, and net worth on a stated date;

(2) Income statement (also called profit & loss account), which shows how the net income of the firm is arrived at over a stated period, and

(3) Cash flow statement, which shows the inflows and outflows of cash caused by

the firm's activities during a stated period. Also called business financials.

Fire wire

External connector, similar to a USB port, that provides a high-speed connection between a computer and peripheral devices. Fire wire was developed by Apple, Inc. and is based off the standard IEEE 1394 high performance serial bus. Fire wire ports are able to transfer data at a rate of up to 400 Mbps. This technology was once standard on computers manufactured by Apple, Inc., but has since been replaced by Thunderbolt ports and later versions of USB ports.

Fire wire has since been replaced by Thunderbolt ports on Apple products as a means to connect Apple computers with other devices in a high-speed manner.

Fiscal policy

Government's revenue (taxation) and spending policy designed to

- (1) Counter economic cycles in order to achieve lower unemployment,
- (2) Achieve low or no inflation, and
- (3) Achieve sustained but controllable economic growth. In a recession, governments stimulate the economy with deficit spending (expenditure exceeds revenue). During period of expansion, they restrain a fast growing economy with higher taxes and aim for a surplus (revenue exceeds expenditure). Fiscal policies are based on the concepts of the UK economist John Maynard Keynes (1883-1946), and work independent of monetary policy which tries to achieve the same objectives by controlling the money supply.

Fixed expenses

Real Estate: Expenses that remain the same regardless of occupancy. Interest expense is typically considered fixed, while electricity costs are considered to be variable because they typically change from month to month.

The company's total fixed expenses went up for the year after the building's landlord increased rent for all tenants

Fixed cost

A cost that does not vary depending on production or sales levels, such as rent, property tax, insurance, or interest expense.

Flexible spending account

A benefit offered to an employee by an employer which allows a fixed amount of pre-tax wages to be set aside for qualified expenses. Qualified expenses may include child care or uncovered medical expenses. The amount set aside must be determined in advance and employees lose any unused dollars in the account at year-end.

Forbearance

A lender's postponement of foreclosure in order to give the borrower times an opportunity to make up for overdue payments.

The tenant completely forgot to pay his monthly rent, but thankfully the landlord sent him a forbearance and he was able to make up for the overdue payment in just a couple of days.

Fordism

A manufacturing philosophy that aims to achieve higher productivity by standardizing the output, using conveyor assembly lines, and breaking the work into small deskilled tasks. Whereas Taylorism (on which Fordism is based) seeks machine and worker efficiency, Fordism seeks to combine them as one unit, and emphasizes minimization of costs instead of maximization of profit. Named after its famous proponent, the US automobile pioneer Henry Ford (1863-1947).

Foreclosure

Legal process by which a lender cancels (forecloses) a borrower's right of redemption of the mortgaged property through a court order (called foreclosure order). The court sets a date up to which the borrower can redeem the property by paying off the entire loan balance (including foreclosing expenses). Thereafter, the lender is free to sell the property and, upon the sale, applies the sale proceeds first to the due amount and pays the remainder (if any) to the borrower. The borrower remains liable for the due amount if the property remains unsold and for the shortfall if the sale proceeds are insufficient to pay off the entire debt. The lender is generally under an obligation to sell the property at or near its fair market value (FMV).

Foreign policy

Plan of action adopted by one nation in regards to its diplomatic dealings with other countries. Foreign policies are established as a systematic way to deal with issues that may arise with other countries.

Fourier analysis

Data series analysis based on the concept that any graph (representation of a function) can be regarded as composed of an (almost) infinite series of sine and cosine functions. Thus, the response of a system to complex changes (stimuli) can be computed on the basis of its known response to simple changes. Fourier analysis is an important tool in disparate fields such as physical sciences and sales forecasting. Based on the work of the French mathematician Jean Baptist Joseph Fourier (1768-1830) on heat flow in 1807. Also called harmonic analysis.

Franchising

Arrangement where one party (the franchiser) grants another party (the franchisee) the right to use its trademark or trade-name as well as certain business systems and processes, to produce and market a good or service according to certain specifications. The franchisee usually pays a one-time franchise fee plus a percentage of sales revenue as royalty, and gains

- (1) Immediate name recognition,**
- (2) Tried and tested products,**
- (3) Standard building design and decor,**
- (4) Detailed techniques in running and promoting the business,**
- (5) Training of employees, and**
- (6) Ongoing help in promoting and upgrading of the products. The franchiser gains rapid expansion of business and earnings at minimum capital outlay.**

Fraud

Act or course of deception, an intentional concealment, omission, or perversion of truth, to

- (1) Gain unlawful or unfair advantage,**
- (2) Induce another to part with some valuable item or surrender a legal right,**
- (3) Inflict injury in some manner.**

Willful fraud is a criminal offense which calls for severe penalties, and its prosecution and punishment (like that of a murder) is not bound by the statute of limitations. However incompetence or negligence in managing a business or even a reckless waste of firm's assets (by speculating on the stock market, for example) does not normally constitute a fraud. In such cases, the aggrieved party (creditors or stockholders/shareholders) must prove that at

some point they were intentionally deceived on a material fact. See also statute of frauds.

I immediately called my bank to report fraud after I noticed purchases on my credit card statement that I did not make.

Fraud ring

An organization whose activities are aimed to defraud people . A fraud ring may be engaged in forgery, filing false claims, identity stealing or counterfeiting checks and currencies.

Furlough

A short or long term period of unpaid leave for employees of a company or government agency, usually resulting from adverse economic conditions. It is usually an alternative to massive layoff

G

GAAP

Generally Accepted Accounting Principles. A widely accepted set of rules, conventions, standards, and procedures for reporting financial information, as established by the Financial Accounting Standards Board.

This historical cost principle, revenue recognition principle and objectivity principle are just a few examples of GAAP that help companies maintain a level of consistency across different financial statement

Game theory

A short or long term period of unpaid leave for employees of a company or government agency, usually resulting from adverse economic conditions. It is usually an alternative to massive layoff

Mathematicians, Oskar Morgenstern (1902-77) and John von Neumann (1903-57) in their 1944 book 'Theory of Games and Economic Behavior.'

Gantt chart

Type of bar- chart that shows both the scheduled and completed work over a period. A time-scale is given on the chart's horizontal axis and each activity is shown as a separate horizontal rectangle (bar) whose length is proportional to the time required (or taken) for the activity's completion. In project planning, these charts show start and finish dates, critical and non-critical activities, slack time, and predecessor-successor relationships. Also called chronogram, it was invented in 1917 by the US engineer and a scientific-management pioneer, Henry L. Gantt (1861-1919).

Gap analysis

A technique that businesses use to determine what steps need to be taken in order to move from its current state to its desired, future state. Also called need-gap analysis, needs analysis, and needs assessment. Gap analysis consists of

(1) Listing of characteristic factors (such as attributes, competencies, performance levels) of the present situation ("what is"),

(2) Listing factors needed to achieve future objectives ("what should be"), and then

(3) Highlighting the gaps that exist and need to be filled. Gap analysis forces a company to reflect on who it is and ask who they want to be in the future.

Globalization

The worldwide movement toward economic, financial, trade, and communications integration. Globalization implies the opening of local and nationalistic perspectives to a broader outlook of an interconnected and interdependent world with free transfer of capital, goods, and services across national frontiers. However, it does not include unhindered movement of labor and, as suggested by some economists, may hurt smaller or fragile economies if applied indiscriminately.

Guarantor

Person or firm that endorses a three party agreement to guarantee that promises made by the first party (the principal) to the second party (client or lender) will be fulfilled, and assumes liability if the principal fails to fulfill them (defaults). In case of a default, the guarantor must compensate the lender or client, and usually acquires an immediate right of action against the principal for payments made under the guarantee.

Generation X

A label attributed to people born during the 1960s and 1970s. Members of Generation X are often described as cynical or disaffected, though this reputation obviously does not apply to all people born during this era. This generation has an increased understanding of technology, having grown up during the age of computers. Sometimes also shortened to Gen X. See also baby boomers, Generation Y.

Generation X represents a large portion of the population due to a spike in birth rates after the end of World War II; 77 million babies were born in the US alone

Generation Y

The generation of people born during the 1980s and early 1990s. The name is based on Generation X, the generation that preceded them. Members of Generation Y are often referred to as "echo boomers" because they are the children of parents born during the baby boom (the "baby boomers"). Because children born during this time period have had constant access to technology (computers, cell phones) in their youth, they have required many employers to update their hiring strategy in order to incorporate updated forms of technology. Also called millennial, echo boomers, internet generation, i Gen, net generation.

While characteristics of Generation Y members vary by region and cultures, often times they have an increased familiarity with communication, technology and media.

Generic strategies

Basic approaches to strategic planning that can be adopted by any firm in any market or industry to improve its competitive performance. The three fundamental marketing strategies (which, though different, are not mutually exclusive) are: differentiation strategy, focus strategy, and low cost strategy.

Gentrification

The process of wealthier residents moving to an area, and the changes that occur due to the influx of wealth. As wealthier inhabitants move into an area that is already populated with lower-income residents, the neighborhood begins to change as well. Often this will spark an urban renewal process, which cleans up the town, but often leads to an increase in rent, taxes, and

other items. Sometimes this change means that the previous residents can no longer afford to live in that neighborhood, which is why gentrification can sometimes be used in a negative context. However, many good changes also historically accompany gentrification, such as decreased crime rates and increased economic activity.

Google Ad Words

Advertising program offered by Google, Inc. that pays websites on a pay-per-click basis for advertisements that the company displays on the websites. The advertisements are typically banner and text ads that show content related to the website's offerings. The program has grown in popularity due to its low start up costs and potential profits for the site owners.

Going-concern principle

A basic principle in accounting that assumes a company will continue to operate in the foreseeable future. The significance of this principle becomes apparent when the value of a running business is compared with the value of one being liquidated. The moment a business is declared liquidated, all debts become immediately due in full, tangible assets are worth only what they will be sold for in an auction or fire-sale, and the intangible assets (such as goodwill) become worthless. A going concern is the only type of business banks lends money to, and suppliers extend credit to. Directors of publicly traded companies must explicitly state in their financial statements (verified through an independent audit) that they have taken all reasonable steps to ensure the continuing viability of the company as a going concern. Also called continuity of business unit principle .

Gross Domestic Product (GDP)

The value of a country's overall output of goods and services (typically during one fiscal year) at market prices, excluding net income from abroad. Gross Domestic Product (GDP) can be estimated in three ways which, in theory, should yield identical figures. They are

- (1) Expenditure basis: how much money was spent,
- (2) Output basis: how many goods and services were sold, and
- (3) Income basis: how much income (profit) was earned.

Most industrialized countries tend to have a higher gross domestic product (GDP) than less developed countries, because the industrialized countries produce more goods and services within their country

Gross National Product (GNP)

Gross National Product . GNP is the total value of all final goods and services produced within a nation in a particular year, plus income earned by its citizens (including income of those located abroad), minus income of non-residents located in that country. Basically, GNP measures the value of goods and services that the country's citizens produced regardless of their location. GNP is one measure of the economic condition of a country, under the assumption that a higher GNP leads to a higher quality of living, all other things being equal.

“GNP used to be a popular way to measure the total economic value of a nation, but became less widespread as GDP became the primary measure in the early 90s.”

H

HACCP process

Begins with the evaluation of a situation, to assess the possibility of consumer health hazard on the basis of three factors:

- (1) Does the product contain contaminant-sensitive ingredients?
- (2) Does its manufacturing involve a controlled process step such as sufficiently high temperature, pH change, or other process that can eliminate the hazard?
- (3) Does its distribution chain pose any potential hazard? In the next step, critical control points (CCPs) are identified with maximum assurance. These are the locations in the processing plant where failure to prevent contamination can be detected through instruments such recording thermometers.

Half duplex connection

Communication or transmission in which only one party at a time can send or receive voice signals or data, and the other party has to wait for its turn. Citizen band (walkie talkie) radios are half-duplex devices, but a telephone is a full-duplex device.

Health insurance

Insurance against loss by illness or bodily injury . Health insurance provides coverage for medicine, visits to the doctor or emergency room, hospital stays and other medical expenses. Policies differ in what they cover, the size of the deductible and/or co-payment, limits of coverage and the options for treatment available to the policyholder. Health insurance can be directly purchased by an individual, or it may be provided through an employer. Medicare and Medicaid are programs which provide health insurance to elderly, disabled, or un-insured individuals . There are a number of companies which provide private health insurance, including Blue Cross, United Healthcare, or Aetna.

Hedging

There are many reasons to use a hedging strategy in the forex futures market. One main purpose is to neutralize the effect of currency fluctuations on sales revenue. For example, if a business operating overseas wanted to know exactly how much revenue it will obtain (in U.S. dollars) from its European stores, it could purchase a futures contract in the amount of its projected net sales to eliminate currency fluctuations.

Human Resource Management (HRM)

The process of hiring and developing employees so that they become more valuable to the organization. Human Resource Management includes conducting job analyses, planning personnel needs, recruiting the right people for the job, orienting and training, managing wages and salaries, providing benefits and incentives, evaluating performance, resolving disputes, and

communicating with all employees at all levels. Examples of core qualities of HR management are extensive knowledge of the industry, leadership, and effective negotiation skills. Formerly called personnel management.

Hypothesis

1. A supposition or explanation (theory) that is provisionally accepted in order to interpret certain events or phenomena, and to provide guidance for further investigation. A hypothesis may be proven correct or wrong, and must be capable of refutation. If it remains unrefined by facts, it is said to be verified or corroborated.

2. Statistics: An assumption about certain characteristics of a population. If it specifies values for every parameter of a population, it is called a simple hypothesis; if not, a composite hypothesis. If it attempts to nullify the difference between two sample means (by suggesting that the difference is of no statistical significance), it is called a null hypothesis.

I

Implied warranty

Integral part of every normal sales transaction, implied warranty is conferred by custom or law, and has the same effect as an express-warranty. Unless clearly negated through mutual agreement or a disclaimer, implied warranties are always present and are enforceable even if the seller (or provider or manufacturer) is unaware of, or is unable to, discover the defect in the product (good or service). The seller remains liable for the breach of warranty penalties, because such warranties are based not on the presence of an inherent fault but on the public policy of protecting the buyer or legality of the venture.

Impunity

Free from punishment or discipline. "Even though the convenience store had a surveillance camera, the individual was able to commit the robbery with impunity because he was wearing a disguise that made his identity impossible to recognize."

Torture is banned but in two-thirds of the world's countries it is still being committed in secret. Too many governments still allow wrongful imprisonment, murder or disappearance" to be carried out by their officials with impunity."

Index

Free from punishment or discipline. "Even though the convenience store had a surveillance camera, the individual was able to commit the robbery with impunity because he was wearing a disguise that made his identity impossible to recognize."

Individual rights

The freedom to act, work, think and behave without retribution bestowed upon members of an organization through legal, regulatory and societal standards. Governing authorities, such as the Occupational Safety and Health Administration (OSHA), protect individual rights in the workplace.

Industrialization

- 1. The process by which traditionally nonindustrial sectors (such as agriculture, education, health) of an economy become increasingly similar to the manufacturing sector of the economy.**
- 2. Sustained economic development based on factory production, division of labor, concentration of industries and population in certain geographical areas, and urbanization.**

Innovation replace Industrialization occurs when the products of technological manual labor, leading to urbanization and mass production.

Income statement

A summary of a management's performance as reflected in the profitability (or lack of it) of an organization over a certain period. It itemizes the revenues and expenses of past that led to the current profit or loss , and indicates what may be done to improve the results. In contrast to a balance sheet, an income statement depicts what happened over a month, quarter, or year. It is based on a fundamental accounting equation ($\text{Income} = \text{Revenue} - \text{Expenses}$) and shows the rate at which the owners equity is changing for better or worse. Along with balance sheet and cash flow statement it forms the basic set of financial information required to manage an organization. Also called earnings report, operating statement, or profit and loss account.

Inelastic demand

A situation in which the demand for a product does not increase or decrease correspondingly with a fall or rise in its price . From the supplier's viewpoint, this is a highly desirable situation because price and total_revenue are directly related; an increase in price increases total revenue despite a fall in the quantity_demanded. An example of a product with inelastic demand is gasoline.

Inflation

A sustained, rapid increase in prices, as measured by some broad index (such as Consumer Price Index) over months or years, and mirrored in the correspondingly decreasing purchasing power of the currency . It has its worst effect on the fixed-wage earners, and is a disincentive to save. There is no one single, universally accepted cause of inflation, and the modern economic theory describes three types of inflation:

(1) Cost-push inflation is due to wage increases that cause businesses to raise prices to cover higher labor costs, which leads to demand for still higher wages (the wage-price spiral).

(2) Demand-pull inflation results from increasing consumer demand financed by easier availability of credit.

(3) Monetary inflation caused by the expansion in money supply (due to printing of more money by a government to cover its deficits). See also deflation and hyperinflation.

Inflation accounting

Adjusting financial statements to show a firm's real financial position in inflationary times. It aims to indicate how rising prices and lower purchasing power of the currency affect a firm's cost of refinancing its productive assets, and of its ability to maintain an adequate level of profit on the capital employed. One method is to adjust every figure in the balance sheet on the basis of a price index (such as consumer price index) which reflects the current purchasing power of the currency. Another method suggests revaluing tangible assets at their replacement cost. In valuation of an inventory, inflation accounting treatment can effect the firm's taxable income, cash position, and reported earnings, depending on whether the firm uses FIFO or LIFO methods. FIFO method, shows a higher profit, therefore higher tax burden and a decrease in net cash flow. LIFO method lowers the profit and tax burden and increases the net cash flow.

Informal economy

System of trade or economic exchange used outside state controlled or money based transactions. Practiced by most of the world's population, it includes barter of goods and services, mutual self-help, odd jobs, street trading, and other such direct sale activities. Income generated by the informal economy is usually not recorded for taxation purposes, and is often unavailable for inclusion in gross domestic product (GDP) computations.

Information technology (IT)

Set of tools, processes, and methodologies (such as coding/programming, data communications, data conversion, storage and retrieval, systems analysis and design, systems control) and associated equipment employed to collect, process,

and present information. In broad terms, IT also includes office automation, multimedia, and telecommunications

The company had an experienced information technology department that was able to easily fix any troubles that plagued the computer system.

Infrastructure

1. Basic and usually permanent framework which supports a superstructure and is supported by a substructure.
2. Relatively permanent and foundational capital investment of a country, firm, or project that underlies and makes possible all its economic activity. It includes administrative, telecommunications, transportation, utilities, and waste removal and processing facilities. Some definitions also include education, health care, research and development, and training facilities.

Initiative

An individual's action that begins a process, often done without direct managerial influence . For example, an employee might take the initiative to come up with a new product or service that the company could offer.

Injunction

Court order forbidding something from being done (prohibitory injunction), or commanding something to be done (mandatory injunction). Injunctions are issued where mere award of damages at the end of a trial would not be satisfactory or effective, or may lead to a greater harm or injustice. Other types of injunctions are

- (1) Interlocutory (Preliminary): granted provisionally before a trial to maintain the status quo until the court hears both sides before granting a permanent injunction.
- (2) Permanent (Perpetual): granted after the hearing of a trial.
- (3) Ex parte, granted after hearing only one party (in case of a great urgency).
- (4) Interim: granted to restrain the accused until a certain date.
- (5) Quail time: granted to prevent a threatened wrong or injury.

All injunctions are granted at the discretion of the court and their violations are punished by means of contempt of court proceedings.

Intellectual property

Any intangible asset that consists of human knowledge and ideas. Some examples are patents, copyrights, trademarks and software. Most such assets cannot be recognized on a balance sheet when internally generated, since it is very difficult to objectively value intellectual property assets (slightly different rules apply in the case of software). They can, however, be included in a balance sheet if acquired, which allows a more accurate valuation for the acquisition cost).

The patent lawsuits between Apple and Samsung over the past few years had to do with intellectual property of Smartphone design features that were allegedly stolen.

Integrated Marketing Communications (IMC)

An approach to achieving the objectives of a marketing campaign, through a well coordinated use of different promotional methods that are intended to reinforce each other. As defined by the American Association of Advertising Agencies, integrated marketing communications " ... recognizes the value of a comprehensive plan that evaluates the strategic roles of a variety of communication disciplines advertising, public relations, personal selling, and sales promotion and combines them to provide clarity, consistency, and maximum communication impact."

Integrity

1. Strict adherence to a moral code, reflected in transparent honesty and complete harmony in what one thinks, says, and does.
2. State of a system where it is performing its intended functions without being degraded or impaired by changes or disruptions in its internal or external

environments.

3. Stored or transmitted data that is free from any unauthorized change. See also data integrity.

The student noticed a chance to cheat on his economics exam, but did not and therefore proved himself to be a man of integrity.

International Monetary Fund (IMF)

UN specialized agency established in 1944 under Bretton Woods system to help prevent unstable exchange rates and competitive devaluations of pre-Second World War Western economies. It has since evolved into an organization of 184 countries focused on preventing crises in international monetary system via

(1) surveillance through monitoring of national economies and economic policies,

(2) medium-term loans to tide over balance-of-payment problems, and

(3) technical assistance in formulating and administering monetary, exchange rate, and taxation policies, central bank operations, etc.

Governed by a board of governors drawn from each member country, its day to day decisions are taken by a 24-member board that have voting - power in proportion.

The International Monetary Fund (IMF) was created after World War II to help ensure exchange rate stability and other monetary policies throughout the world.

Interpolation

1. Estimation of an unknown quantity between two known quantities (historical data), or drawing conclusions about missing information from the available information. Interpolation is useful where the data surrounding the missing data is available and its trend, seasonality, and longer-term cycles are known. Time series analysis and regression analysis are the two statistical techniques employing the concept of interpolation. See also extrapolation.
2. Insertion of words into a document purportedly to clarify its contents but often to change their meaning.

Inspection

Critical appraisal involving examination, measurement, testing, gauging, and comparison of materials or items. An inspection determines if the material or item is in proper quantity and condition, and if it conforms to the applicable or specified requirements. Inspection is generally divided into three categories:

(1) Receiving inspection,

(2) In-process inspection, and

(3) Final inspection. In quality control (which is guided by the principle that "Quality cannot be inspected into a product") the role of inspection is to verify and validate the variance data; it does not involve separating the good from the bad.

Instrument

- 1. In general, any financial security such as a bond, stock, check, etc. Money market securities (such as a Treasury Bill, U.S. government bonds, or commercial paper) and capital market securities (such as a mortgage, Certificate of Deposit, or long-term bonds) are also referred to as instruments.**
- 2. A document containing some legal right or obligation. Examples include notes, agreements, and contracts.**
- 3. Any tool that can be used in order to implement economic policy. For example, the government may use interest rates as an instrument for implementing monetary policy, and taxes as an instrument for implementing fiscal policy.**

Inventory

- 1. An itemized catalog or list of tangible goods or property, or the intangible attributes or qualities.**
 - 2. The value of materials and goods held by an organization**
 - (1) To support production (raw materials, subassemblies, work in process),**
 - (2) For support activities (repair, maintenance, consumables), or**
 - (3) For sale or customer service (merchandise, finished goods, spare parts).**
- Inventory is often the largest item in the current assets category, and must be accurately counted and valued at the end of each accounting period to determine a company's profit or loss. Organizations whose inventory items have a large unit cost generally keep a day to day record of changes in inventory (called perpetual inventory method) to ensure accurate and on-going**
- ...

Investment banking

Division of banking encompassing business entities dealing , with creation of capital for other companies. In addition to acting as agents or underwriters for companies in the process of issuing securities, investment banks also advise companies on matters related to the issue and placement of stock.

J

Job analysis

Detailed examination of the

- (1) Tasks (performance elements) that make up a job (employee role),
- (2) Conditions under which they are performed, and
- (3) What the job requires in terms of aptitudes (potential for achievement), attitudes (behavior characteristics), knowledge, skills, and the physical condition of the employee. Its objectives include
 - (a) Determination of the most efficient methods of doing a job,
 - (b) Enhancement of the employee's job satisfaction,
 - (c) Improvement in training methods,
 - (d) Development of performance measurement systems, and
 - (e) Matching of job-specifications with the person-specifications in employee selection. Comprehensive job analysis begins with the study of the organization itself: its purpose , design .

Before hiring someone for an open position, many HR managers conduct a job analysis to find out exactly what skills and traits are necessary for someone to succeed in the open position.

Joint venture

A contractual agreement joining together two or more parties for the purpose of executing a particular business undertaking. All parties agree to share in the profits and losses of the enterprise.

A joint venture can be advantageous if two parties need additional capital and decide to pool their money, but can also be challenging when deciding who gets what cut of profits made.

Jurisdiction

Power or right of a legal or political agency to exercise its authority over a person, subject matter, or territory . Jurisdiction over a person relates to the authority to try him or her as a defendant. Jurisdiction over a subject matter relates to authority derived from the country's constitution or laws to consider a particular case. Jurisdiction over a territory relates to the geographic area over which a court has the authority to decide cases. Concurrent jurisdiction exists where two courts have simultaneous responsibility for the same case.

The state attorney's office only has jurisdiction over that particular state and cannot reside over or make any decisions on acts that happen outside their state.

K

Kano Model

A theory of customer satisfaction and product development that identifies five categories of product qualities based on how they affect the customer's perception of the product. This theory, developed in the 1980's by Noriaki Kano, describes customer preferences as attractive, one-dimensional, indifferent, must-have, and reverse (meaning dissatisfaction from too much of a good quality).

Kaikaku

Lean production term which in Japanese means radical overhaul of an activity to eliminate all waste (muda in Japanese) and create greater value. Also called breakthrough kaizen .

Kaizen

Japanese term for a gradual approach to ever higher standards in quality enhancement and waste reduction, through small but continual improvements involving everyone from the chief executive to the lowest level workers. Popularized by Mosaki Imai in his books 'Kaizen: The Key To Japan's competitive Success.'

Key business issue (KBI)

The highest-priority problems that are affecting a business, or the problems which are creating the largest negative impact. Identifying the key business issues of an organization is an important part of implementing Six Sigma at

the organizational level, as it provides insight into what problems should become the focus of Six Sigma Projects.

K-commerce

Exchange of knowledge, founded on the premise that in knowledge-based economies knowledge capital is the de-facto currency.

Key jobs

Jobs that are common in an organization and in a labor market (such as those of clerks, drivers, janitors, secretaries), and which are used to determine the general pay scales.

L

Labor force

1. Number of workers in a firm.
2. Number of individuals in an economy who either are employed or are seeking employment.

A region's unemployment rate is calculated by the total labor force that is jobless but at the same time is trying to find employment

Last In, First Out (LIFO)

Accounting: Method of inventory valuation based on the assumption that the goods purchased most recently (the last in) is sold or used first (the first out). The remaining items are assumed to have been purchased at successively-earlier periods. In this method, value of the inventory at the end of an accounting period is based on the value of items purchased earliest. During periods of high inflation rates, the LIFO method yields lower value of the ending inventory, higher cost of goods sold, and a lower gross profit (hence lower taxable income) than that yielded by the application of the first-in, first-out (FIFO) method.

Laches

Neglect and unreasonable delay in the assertion of one's claims or rights . Courts expect reasonable diligence from a claimant, in addition to conscience and good faith. Under the legal doctrine of laches, they may refuse to enforce or recognize an individual's rights if he or she waits more than a reasonable length of time to assert them. Unlike the statute of limitations this doctrine, however, does not define 'reasonable time' but leaves its determination to the courts. Laches is French for, loose, slack, or sluggish.

Leader

A person or thing that holds a dominant or superior position within its field, and is able to exercise a high degree of control or influence over others. See also leadership.

Leadership

The activity of leading a group of people or an organization, or the ability to do this. In its essence, leadership in an organizational role involves

- (1) Establishing a clear vision,
- (2) Sharing that vision with others so that they will follow willingly,
- (3) Providing the information, knowledge, and methods to realize that vision, and

(4) Coordinating and balancing the conflicting interests of all members or stakeholders. A leader comes to the forefront in case of crisis, and is able to think and act in creative ways in difficult situations. Unlike management, leadership flows from the core of a personality and cannot be taught, although it may be learned and may be enhanced through coaching or mentoring. The individuals who are the leaders in an organization, regarded collectively.

Lean manufacturing

Doing more with less by employing 'lean thinking.' Lean manufacturing involves never ending efforts to eliminate or reduce 'muda' (Japanese for waste or any activity that consumes resources without adding value) in design, manufacturing, distribution, and customer service processes. Developed by the Toyota executive Taiichi Ohno (1912-90) during post-Second World War reconstruction period in Japan, and popularized by James P. Womack and Daniel T. Jones in their 1996 book 'Lean Thinking.' Also called lean production .

In hopes of reducing overall cost and time the manufacturing plant introduced lean manufacturing and cut down on production time, while not sacrificing the value of the product.

Lean Six Sigma

A management approach for problem solving and process improvement based on a combination of the different tools of Six Sigma and Lean Manufacturing.

After researching what type of methodology to use to complete the task we decided using Lean Six Sigma , would be the best since it forced us to work as a team while eliminating waste throughout the process.

Leverage

The ability to influence a system, or an environment , in a way that multiplies the outcome of one's efforts without a corresponding increase in the consumption of resources. In other words, leverage is the advantageous condition of having a relatively small amount of cost yield a relatively high level of returns. See also financial leverage and operating leverage.

Liability

An obligation that legally, binds an individual or, company to settle a debt. When one is liable for a debt, they are responsible for paying the debt or settling a wrongful act they may have committed.

For example, if John hits Jane's car, John is liable for the damages to Jane's vehicle because John is responsible for the damages.

In the case of a company, a liability is recorded on the balance sheet and can include accounts payable, taxes, wages, accrued expenses, and deferred revenues. Current liabilities are debts payable within one year, while long-term liabilities are debts payable over a longer period.

Liaison

1. A link of communication between two entities usually in a corporate setting.
2. Individual responsible for relaying all communications between groups.

"Charlie is the liaison for the accounts payable and sales departments."

3. Substance used to thicken another substance. "Paula added a liaison element to her gravy in order to make it thicker."

The company had two offices, one in London and one in New York, and therefore hired a liaison to oversee communication between the two cities.

Lien

Creditor's conditional right of ownership (called security interest) against a debtor's asset or property that bars its sale or transfer without paying off the creditor. In a contractual arrangement, a lien is the right of a contracting-party to take possession of a specific asset of the other contracting party, in case the contract is not performed according to its terms. A mortgage agreement is a lien on the mortgaged property and a bond is a lien on the bond issuer's assets. Liens are also granted by the courts to satisfy a judgment against a losing defendant. All liens are for a limited period (which varies with the jurisdiction), apply only to the asset or property that forms part of an express or implied contract.

Life cycle

The normal stages that a product passes through: research and development, growth, expansion, maturity, saturation, and decline. In the research stage, there are no sales at all. In the growth stage, sales are slow and often need to

be supplemented by heavy sales and advertising efforts. In the expansion stage, sales may grow more rapidly. In the maturity stage, sales start slowing down as most people who might want the product already has it. In the saturation stage, everyone who wants the product has it, and there are few opportunities for increasing sales. In the decline stage, sales fall and the product eventually becomes obsolete.

Every product goes through a life cycle, starting at the R&D stage and ending at the decline stage, but the time it takes to complete the entire cycle is unique to each product.

Life insurance company

Financial intermediary (the insurer) that shares the financial risk of untimely death of its policy holder (the insured).

Before selecting a life insurance policy it is important to do your research and purchase the policy through an reputable life insurance company

Linear relationship

Statistics: A relationship of direct proportionality that, when plotted on a graph, traces a straight line. In linear relationships, any given change in an independent variable will always produce a corresponding change in the dependent variable. For example, a linear relationship between production hours and output in a factory means that a 10 percent increase or decrease in hours will result in a 10 percent increase or decrease in the output.

Line and staff management

A military-type organizational structure, commonly employed in large, centralized corporations. Line and staff management has two separate hierarchies:

(1) The line hierarchy in which the departments are revenue generators (manufacturing, selling), and their managers are responsible for achieving the organization's main objectives by executing the key functions (such as policy making, target setting, decision making);

(2) The staff hierarchy, in which the departments are revenue consumers , and their managers are responsible for activities that support line functions (such as accounting, maintenance, personnel management). While both hierarchies have their own chains of command, a line manager may have direct control over staff employees but a staff manager may have no such power over the line employees. In modern practice, however, the difference in the two hierarchies is not so clear-cut and jobs often have elements of the both types of functions.

Litigation

Ultimate legal method for settling controversies or disputes between and among persons, organizations, and the State. In litigation process, a case (called suit or lawsuit) is brought before a court of law suitably empowered (having the jurisdiction) to hear the case, by the parties involved (the litigants) for resolution (the judgment).

If it appears that a person or party has illegally used someone else's patented technology, they may undergo a litigation with the patent owner's lawyer

Logistics

Planning , execution, and control of the procurement, movement, and stationing of personnel, material, and other resources to achieve the objectives of a campaign, plan, project, or strategy. It may be defined as the 'management of inventory in motion and at rest.'

UPS is best known for their logistics process because they can deliver products from one location to another in a very timely and efficient manner.

Logo

Recognizable and distinctive graphic design, stylized name, unique symbol, or other device for identifying an organization. It is affixed, included, or printed on all advertising, buildings, communications, literature, products, stationery, and vehicles. Not to be confused with a brand , which identifies a product or family of products. Also called logotype.

Love money

Capital given by family and friends of an individual, usually an entrepreneur, to start a business. The money is lent based on a relationship of trust in the individual by the lenders. It usually occurs when an individual would not meet the criteria to be granted financing by a lending institution.

M

Marginal cost

The increase or decrease in the total cost of a production run for making one additional unit of an item. It is computed in situations where the breakeven point has been reached: the fixed costs have already been absorbed by the already produced items and only the direct (variable) costs have to be accounted for. Marginal costs are variable costs consisting of labor and material costs, plus an estimated portion of fixed costs (such as administration overheads and selling expenses). In companies where average costs are fairly constant, marginal cost is usually equal to average cost. However, in industries that require heavy capital investment (automobile plants, airlines, mines) and have high average costs, it is comparatively very low. The concept of marginal cost is critically important in resource allocation because, for optimum results, management must concentrate its resources where the excess of marginal revenue over the marginal cost is maximum. Also called choice cost, differential cost, or incremental cost.

Market

An actual or nominal place where forces of demand and supply operate, and where buyers and sellers interact (directly or through intermediaries) to trade goods, services, or contracts or instruments, for money or barter. Markets include mechanisms or means for

- (1) Determining price of the traded item,
- (2) Communicating the price information,
- (3) Facilitating deals and transactions, and
- (4) Effecting distribution. The market for a particular item is made up of existing and potential customers who need it and have the ability and

willingness to pay for it.

The United States has one of the biggest stock markets in the world, where billions of dollars are used to buy, sell, and trade stocks daily

Mandate

Written authorization and/or command by a person, group, or organization (the 'mandatory') to another (the 'mandatory') to take a certain course of action. Normally revocable until executed, a mandate is automatically terminated on the bankruptcy, incapacitation, removal from office, or death of the mandatory. A check, for example, is a mandate issued by a customer of a bank, to pay it as instructed, from a customer's account balance.

Management control

A management function aimed at achieving defined goals within an established timetable, and usually understood to have three components:

- (1) Setting standards,
- (2) Measuring actual performance, and
- (3) Taking corrective action.

A typical process for management control includes the following steps:

- (1) Actual performance is compared with planned performance,
- (2) The difference between the two is measured,
- (3) Causes contributing to the difference are identified, and
- (4) Corrective action is taken to eliminate or minimize the difference.

The company needed financial advice while completing its merger and therefore approved the mandate for an investment banker to give counsel on

important decisions

Marginal utility

An increase in an activity's overall benefit that is caused by a unit increase in the level of that activity, all other factors remaining constant. Also called marginal benefit.

Marginal utility is the additional satisfaction found by consumers after completing an activity or using a product or service.

Market

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- (3) Facilitating deals and transactions, and
- (4) Effecting distribution. The market for a particular item is made up of existing and potential customers who need it and have the ability and willingness to pay for it.

Under Armor has made impressive progress with shoe sales in the athletic footwear market, but it took time to gain a stable customer base since

competition is so high.

Market economy

Free market system in which decisions regarding resource allocation, production, and consumption, and price levels and competition, are made by the collective actions of individuals or organizations seeking their own advantage. In all market economies, however, freedom of the markets is limited and governments intervene occasionally to encourage or dampen demand or to promote competition to thwart the emergence of monopolies. Also called free economy, free market, or free market economy. See also open economy.

A market economy generally is driven by the system of supply and demand rather than government decisions like in a centrally planned economy.

Marketing plan

Product specific, market specific or company-wide plan that describes activities involved in achieving specific marketing objectives within a set timeframe. A market plan begins with the identification (through market research) of specific customer needs and how the firm intends to fulfill them while generating an acceptable level of return. It generally includes analysis of the current market situation (opportunities and trends) and detailed action programs, budgets, sales forecasts, strategies, and projected (Performance) financial statements. See also marketing strategy.

Market segmentation

The process of defining and subdividing a large homogenous market into

clearly identifiable segments having similar needs, wants, or demand characteristics. Its objective is to design a marketing mix that precisely matches the expectations of customers in the targeted segment. Few companies are big enough to supply the needs of an entire market; most must breakdown the total demand into segments and choose those that the company is best equipped to handle. Four basic factors that affect market segmentation are :

1. Clear identification of the segment,
2. Measurability of its effective size,
3. Its accessibility through promotional efforts, and
4. Its appropriateness to the policies and resources of the...

A company can be successful if it accurately carries out its market segmentation and targets the customers best fit for their product or service

Marketing strategy

An organization's strategy that combines all of its marketing goals into one comprehensive plan. A good marketing strategy should be drawn from market research and focus on the right product mix in order to achieve the maximum profit potential and sustain the business. The marketing strategy is the foundation of a marketing plan.

SWOT analysis is a straightforward model that analyzes an organization's strengths, weaknesses, opportunities and threats to create the foundation of a marketing strategy.

Margin

1. Using money borrowed from a broker/dealer to purchase securities; here also called buying on margin.
2. The amount of equity required for an investment in securities purchased on credit.
3. The face value of a loan minus the value of the pledged collateral.

Marxism

A system of economic, social, and political philosophy based on ideas that view social change in terms of economic factors. A central tenet is that the means of production is the economic base that influences or determines the political life. Under Marxism, outdated class structures were supposed to be overthrown with force (revolution) instead of being replaced through patient modification. It held that as capitalism has succeeded feudalism, it too will be removed by a dictatorship of the workers (proletariat) called socialism, followed quickly and inevitably by a classless society which governs itself without a governing class or structure. Developed in the 19th century jointly by two lifelong German friends living in London - Karl Marx ...

Marxism says that economies can only grow when control is not held by private ownership but instead by the people.

Maslow's hierarchy of needs

Motivation theory which suggests five interdependent levels of basic human needs (motivators) that must be satisfied in a strict sequence starting with the lowest level. Physiological needs for survival (to stay alive and reproduce) and security (to feel safe) are the most fundamental and most pressing needs. They

are followed by social needs (for love and belonging) and self-esteem needs (to feel worthy, respected, and have status). The final and highest level needs are self-actualization needs (self-fulfillment and achievement). Its underlying theme is that human beings are 'wanting' beings: as they satisfy one need the next emerges on its own and demands satisfaction ... and so on until the need for self-actualization that....

The lowest level of Maslow's hierarchy of needs is physiological because it theorizes that nothing else is important if the basic needs of survival (i.e. food, water) are not met.

Medicare tax

Tax deducted from the wages of every legally working American that is used to pay for the Medicare program provided to individuals over the age of 65. This is typically another line item included on an employee's paystub. At the end of year, the employer will provide the employee with a W-2 and this will include the total amount deducted from the individual's paycheck for the Medicare tax. The tax was implemented under the Federal Insurance Contributions Act.

Use Medicare tax in a sentence

“ To help fund the Medicare program, Medicare tax is taken out of every U.S. citizen's paycheck.

Meritocracy

Governance by elites who deserve to wield power because they possess merit (defined as 'intelligence plus effort') instead of by those who merely possess wealth or belong to privileged classes. Such a system, in theory, forms the basis of an 'equal opportunity' society. But, in practice, unrestricted

meritocracy may result in a society without rules and concentrate power in only a few hands. The term was coined by the UK sociologist Michael Young in 1958 book, 'The Rise Of Meritocracy.'

The United States is known for its equal opportunity society where meritocracy reigns because the majority of elections and appointments are merit based rather than privileged based.

Microeconomics

Study of the economic behavior of individual units of an economy (such as a person, household, firm, or industry) and not of the aggregate economy (which is the domain of macroeconomics). Microeconomics is primarily concerned with the factors that affect individual economic choices, the effect of changes in these factors on the individual decision makers, how their choices are coordinated by markets, and how prices and demand are determined in individual markets. The main subjects covered under microeconomics include theory of demand, theory of the firm, and demand for labor and other factors of production.

Consumer behavior falls under the realm of microeconomics and influences how prices and supplies are determined in individual markets.

Middle class

Social class usually comprising of white-collar (non-manual) workers, lower-level managers, and small business owners, often constituting about one-third of the employed population of a country. The income of this class is higher than that of the working-class but lower than that of the upper-middle class (doctors, engineers, lawyers, middle-size business owners) and

upper class.

Mixed economy

An economic system in which both the private enterprise and a degree of state monopoly (usually in public services, defense, infrastructure, and basic industries) coexist. All modern economies are mixed where the means of production are shared between the private and public sectors. Also called dual economy.

The United States is an example of a mixed economy where both the private and public sectors function together and simultaneously.

Monetary policy

Economic strategy chosen by a government in deciding expansion or contraction in the country's money-supply . Applied usually through the central bank, a monetary policy employs three major tools:

(1) Buying or selling national debt,

(2) Changing credit restrictions, and

(3) Changing the interest rates by changing reserve requirements. Monetary policy plays the dominant role in control of the aggregate-demand and, by extension, of inflation in an economy. Also called monetary regime . See also monetarism.

In the United States the Federal Reserve controls monetary policy, influencing the amount of money and credit held within the economy.

Monopoly

Market situation where one producer (or a group of producers acting in concert) controls supply of a good or service, and where the entry of new producers is prevented or highly restricted. Monopolist firms (in their attempt to maximize profits) keep the price high and restrict the output, and show little or no responsiveness to the needs of their customers. Most governments therefore try to control monopolies by

- (1) Imposing price controls,
- (2) Taking over their ownership (called 'nationalization'), or

(3) By breaking them up into two or more competing firms. Sometimes governments facilitate the creation of monopolies for reasons of national security, to realize economies of scale for competing internationally.

Multi-brand strategy

Marketing of two or more similar and competing products by the same firm under different and unrelated brands. While these brands eat into each others' sales (see cannibalism), multi-brand strategy does have some advantages as a means of

- (1) Obtaining greater shelf space and leaving little for competitors' products,
- (2) Saturating a market by filling all price and quality gaps,

(3) Catering to brand-switchers users who like to experiment with different brands, and

(4) Keeping the firm's managers on their toes by generating internal competition.

Multinational corporation (MNC)

An enterprise operating in several countries but managed from one (home) country. Generally, any company or group that derives a quarter of its revenue from operations outside of its home country is considered a multinational corporation. There are four categories of multinational corporations:

(1) A multinational, decentralized corporation with strong home country presence,

(2) A global, centralized corporation that acquires cost advantage through centralized production wherever cheaper resources are available,

(3) An international company that builds on the parent corporation's technology or R&D, or

(4) A transnational enterprise that combines the previous three approaches.

According to UN data, some 35,000 companies have direct ...

IKEA is a multinational corporation with stores and offices across the globe, but its corporate headquarters is located in Sweden.

Municipal

Pertaining to city government, as opposed to state or national government . From the point of view of an investor, the municipal government is a very important entity since they are large issuers of tax-advantaged bonds. Municipal governments issue bonds (sometimes called "munis") to raise capital for their day-to-day activities , and for specific projects that they might be undertaking (usually pertaining to development of local infrastructure such as roads, hospitals, etc).

“An alternative form of investing that many people don't consider are municipal bonds, which can be advantageous since the interest payments aren't subject to federal taxes.

Mutual fund

An investment vehicle managed by finance professionals that , raises capital by selling shares (called units) in a chosen and balanced set of securities to the public. A mutual fund's capital is invested in a group (portfolio) of corporate securities, commodities, options, etc., that match the fund's objectives detailed in its prospectus. The level of a mutual fund's income from its portfolio determines the daily market value (called net asset value) at which its units are redeemable on any business day, and the dividend paid to its unit holders. Mutual funds are of two main types:

(1) Open end fund, where the capitalization of the fund is not fixed and more units may be sold at any time to increase its capital base,

(2) Closed end fund, where capitalization is fixed and limited to the number of units authorized at the fund's inception (or as formally altered thereafter). Mutual funds usually charge a management fee (typically between 1 and 2 percent of the fund's annual earnings) and may also levy other fees and sales commission (called 'load') if units are bought from a financial advisor. The term mutual fund, used mainly in the US, has no legal bearing, and may be referred to as unit investment trust or a unit trust in the UK and other British Commonwealth countries.

A mutual fund can be advantageous for a small investor because it is professionally managed and can include a diversified portfolio.

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N

National debt

Total outstanding borrowings of a central government, comprising of internal (owing to national creditors) and external (owing to foreign creditors) debt incurred in financing its expenditure. National debt is divided generally into three categories:

(1) Floating debt, short term borrowings such as treasury bills, various ways-and-means advances, and borrowings from the central bank.

(2) Funded debt, short-term debt converted into long-term debt.

(3) Unfunded debt, national savings certificates, savings bonds, premium bonds, and securities repayable in foreign exchange (payment of which affects the country's balance of payments). National debt plays a crucial role in a country's financial system as government securities (being a secure vehicle for investment) form an important part of the reserves of its financial institutions.

Natural monopoly

Situation where one firm (because of a unique raw material, technology , or other factors) can supply a market's entire demand for a good or service at a price lower than two or more firms can. Such situations occur usually in case of utilities or where a market can support only one producer (because the decreasing returns to scale make the optimum plant size large in relation to the demand) or where long-range average total cost is declining with higher output throughout the range of the possible demand.

The electric company has a natural monopoly in my town because it is the only supplier found for ten miles in every direction.

Natural rights

1. General: Fundamental human rights based on universal natural law, as opposed to those based on man-made positive law. Although there is no unanimity as to which right is natural and which is not, the widely held view is that nature endows every human (without any distinction of time or space, and without any regard to age, gender, nationality, or race) with certain inalienable rights (such as the right to 'life, liberty, and pursuit of happiness') which cannot be abrogated or interfered with by any government. And that, whether or not these rights are enshrined in a national legal code, no government is lawful if it fails to upholds them. See also human rights.

2. Property law: Rights that automatically accrue to a land owner, such as the right .

Neighbor rule

Legal principle that a person must avoid acts of commission or omission which may reasonably be foreseen to cause damage or injury to closely associate or nearby people or property.

Neoclassical growth theory

A theory used in economics that identifies the factors necessary for the growth of an economy. It emphasizes the three factors that influence the growth of an economy, which includes capital, availability of labor and technology. It states that a temporary equilibrium can be achieved when capital size, labor and technology is appropriately adjusted. The theory also states that temporary equilibrium differs from a long-term equilibrium, which does not involve any of the three factors.

Nepotism

Practice of appointing relatives and friends in one's organization to positions for which outsiders might be better qualified. Despite its negative connotations, nepotism (if applied sensibly) is an important and positive practice in the startup and formative years of a firm where complete trust and willingness to work hard (for little or no immediate reward) are critical for its survival.

Net 30

A specific type of trade credit where the payment is due in full 30 days after the item is purchased. Businesses will often offer a discount with this situation, to encourage the customer to pay quicker. For example, a business might offer a 2% discount if the customer pays within 15 days. On the bill, this would be written as 2/15 net 30.

Net advantage to leasing (NAL)

The amount of savings that an individual or a company will achieve by leasing versus purchasing an item . This amount is determined by using a comparison on the total net present values of the lease amount versus the purchase amount. In some cases, this calculation can even take into account the anticipated life of the asset, as well as its depreciation and the cost of any repairs that may be needed.

Net profit

Often referred to as the bottom line, net profit is calculated by subtracting a company's total expenses from total revenue, thus showing what the company has earned (or lost) in a given period of time (usually one year). Also called net income or net earnings . “After paying off all the expenses for the year, the money that remained is the company's net profit.”

Nonprofit organization (NPO)

Associations, charities, cooperatives, and other voluntary organizations formed to further cultural, educational, religious, professional, or public service objectives. Their startup funding is provided by their members, trustees, or others who do not expect repayment, and who do not share in the organization's profits or losses which are retained or absorbed. Approved, incorporated, or registered NPOs are usually granted tax exemptions, and contributions to them are often tax deductible. Most nongovernmental organizations (NGOs) are NPOs. Also, called not for profit organization.

Unlike for profit companies, nonprofit organizations use their surplus of funds for self-preservation or expansion to further their goals, rather than distribute the surplus as dividends.

Null hypothesis

A proposition that undergoes verification to determine if it should be accepted or rejected in favor of an alternative proposition. Often the null hypothesis is expressed as "There is no relationship between two quantities." For example, in market research, the null hypothesis would be "A ten-percent increase in price will not adversely affect the sale of this product." Based on survey results, this hypothesis will be either accepted as correct or rejected as incorrect.

The null hypothesis proposed that women and men both scored equally in the challenge were rejected once the test results were released.

O

Occurrence rule

That the limitations period under the statute of limitations begins when an accident, act, omission, or other alleged incident occurs, and not when it is discovered or reported.

Offer

1. The lowest price that any investor or dealer has declared that he/she will sell a given security or commodity for. For over-the-counter stocks, the offer is the best quoted price at which a Market Maker is willing to sell a stock. For mutual funds, the offer is the net asset value plus any sales charges. Also called asked price or asking price or offering price or ask.
2. To express a desire to enter into an arrangement or contract with another party.

“Before purchasing stocks, I looked at offers from multiple dealers and investors to ensure that I was getting the best deal.

OPEC

Organization of Petroleum Exporting Countries. A collective of countries founded in 1960 that choose to collaborate in order to manage the exportation of their crude oil to the rest of the world. Because of their ability to adjust production levels, they possess a great deal of influence on the price of oil.

Together OPEC's 12 member countries are responsible for about 40% of the world's oil supply, but because of instability in the Middle East, it may have issues producing enough oil to meet demand this year.

Operating cash flow ratio

This is a determination of whether current cash flow can support the amount of expenses the company has generated.

Opportunity cost

A benefit, profit, or value of something that must be given up to acquire or achieve something else. Since every resource (land, money, time, etc.) can be put to alternative uses, every action, choice, or decision has an associated opportunity cost. Opportunity costs are fundamental costs in economics, and are used in computing cost benefit analysis of a project. Such costs, however, are not recorded in the account books but are recognized in decision making by computing the cash outlays and their resulting profit or loss.

Organizational structure

The typically hierarchical arrangement of lines of authority, communications, rights and duties of an organization. Organizational structure determines how the roles, power and responsibilities are assigned, controlled, and coordinated, and how information flows between the different levels of management. A structure depends on the organization's objectives and strategy. In a centralized structure, the top layer of management has most of the decision making power and has tight control over departments and divisions. In a decentralized structure, the decision making power is distributed and the departments and divisions may have different degrees of independence.

Just remember, the reason for having an organizational structure is to maintain communication and to make sure that there are as few redundancies as possible.

Organized crime

Ongoing conspiratorial enterprise engaged in illicit activities as a means of generating income (as black money). Structured like a business into a pyramid shaped hierarchy, it freely employs violence and bribery to maintain its operations, threats of grievous retribution (including murder) to maintain internal and external control, and thuggery and contribution to election campaigns to buy political patronage for immunity from exposure and prosecution. Its activities include credit card fraud, gun running, illegal gambling, insurance fraud, kidnapping for ransom, narcotics trade, pornography, prostitution, racketeering, smuggling, vehicle theft, etc. With the arrival of international terrorism (with which it often has symbiotic ...

A widespread example of organized crime is money laundering, an illegal process that has become a significant global problem and has caused strict policy among governments and financial institutions.

Outsourcing

The contracting or subcontracting of noncore activities to free up cash, personnel, time, and facilities for activities in which a company holds competitive advantage. Companies having strengths in other areas may contract out data processing, legal, manufacturing, marketing, payroll accounting, or other aspects of their businesses to concentrate on what they do best and thus reduce average unit cost. Outsourcing is often an integral part of downsizing or reengineering. Also called contracting out.

Due to rising labor costs in the United States, many companies are outsourcing factory work to less developed companies in hopes of saving money.

Overhead

- 1. Resource consumed or lost in completing a process that does not contribute directly to the end-product. Also called burden cost.**
- 2. Accounting: A cost or expense (such as for administration, insurance, rent, and utility charges) that (1) relates to an operation or the company as a whole, (2) does not become an integral part of a good or service (unlike raw material or direct labor), and (3) cannot be applied or traced to any specific unit of output. Overheads are indirect costs.**
- 3. Data communications: Data bits added to user-transmitted data, for carrying routing information and error correcting and operational instructions.**
- 4. Utilities: Energy or water lost during delivery from the generating or production plant to the end user.**

The company's net profits ended up being less than predicted because of unexpected overhead costs in the quarterly budget such as building a new factory.

P

Paradigm

Intellectual perception or view, accepted by an individual or a society, as a clear example, model, or pattern of how things work in the world. This term was used first by the US science fiction historian Thomas Kuhn (1922-96) in his 1962 book 'The Structure of Scientific Revolution' to refer to theoretical frameworks within which all scientific thinking and practices operate. See also paradigm shift.

As technological innovation continues, there is a paradigm shift as we change the way we think and act.

Paradox

Statement containing seemingly contradictory or absurd assertions which may or may not be provable correct or incorrect.

The reality that the world is about 70% water but so many people lack access to clean water is a difficult paradox to understand

Patent

1. Clear or obvious on the fact of it.
2. Limited legal monopoly granted to an individual or firm to make, use, and sell its invention, and to exclude others from doing so. An invention is patentable if it is novel, useful, and non-obvious. To receive a patent, a patent application must disclose all details of the invention so that others can use it to further advance the technology with new inventions. Patentable items fall under four classes

(1) Machine: apparatus or device with interrelated parts that work together to perform the invention's designed or intended functions,

(2) Manufacture: all manufactured or fabricated items,

(3) Process: chemical, mechanical, electrical or other process that produces a chemical or physical change in the...

As a leader of the technology industry, Apple has a large number of patents that aid in distinguishing the company's products from those of its competitors.

Pension

Post-retirement benefits that an employee , might receive from some employers. A pension is essentially compensation received by the employee after he/she has retired.

“If you own your own business, you don't have the benefit of a pension or a 401k that will be your financial safety net for the future

Performance

The accomplishment of a given task measured against preset known standards of accuracy, completeness, cost, and speed. In a contract, performance is deemed to be the fulfillment of an obligation, in a manner that releases the performer from all liabilities under the contract.

Annual or bi-annual reviews of performance can help employees confirm that

they are on the right track for career development and are completing their work productively and efficiently.

Performance analysis

Finance: Examination of various financial performance indicators (such as return on assets and return on equity) in comparison with the results achieved by the competing firms of about the same size. **Human resource management:** Examination of the performance of current employees to determine if training can help reduce performance problems such as low output, uneven quality, excessive waste. See also activity analysis, job analysis, and task analysis.

Planning

1. The control of development by a local authority, through regulation and licensing for land use changes and building.
2. A basic management function involving formulation of one or more detailed plans to achieve optimum balance of needs or demands with the available resources. The planning process
 - (1) Identifies the goals or objectives to be achieved,
 - (2) Formulates strategies to achieve them,
 - (3) Arranges or creates the means required, and
 - (4) Implements, directs, and monitors all steps in their proper sequence.

If management fails to follow through with the early stages of planning and strategic decision making, it is very possible the merger will fail.

Present value (PV)

Estimated current value of a future amount to be received or paid out, discounted (see discounting) at an appropriate rate, usually at the cost of capital rate (the current market interest rate). PV provides a common basis for comparing investment alternatives. Also called present worth. See also net present value, discounted cash flow, and future value.

Using a simple "present-value/future-value" calculator, you can easily determine the average annual return prospects of the stock from the current market price to one of your projected future prices - preferably the one that is four to five years out..

Price

A value that will purchase a finite quantity, weight, or other measure of a good or service. As the consideration given in exchange for transfer of ownership, price forms the essential basis of commercial transactions. It may be fixed by a contract, left to be determined by an agreed upon formula at a future date, or discovered or negotiated during the course of dealings between the parties involved. In commerce, price is determined by what

- (1) A buyer is willing to pay,
- (2) A seller is willing to accept, and
- (3) The competition is allowing to be charged. With product, promotion, and place of marketing mix, it is one of the business variables over which organizations can exercise some degree of control.

At the farmer's market, the woman was able to negotiate the price of a table down, so it was agreeable to both her and the seller.

Principle

Elementary assumption, concept, doctrine, maxim, or proposition generally held to be fundamental or true for a body of knowledge, conduct, procedure, or system of reasoning, and used as a basis for prediction and action. See also principles.

Procedure

A fixed, step-by-step sequence of activities or course of action (with definite start and end points) that must be followed in the same order to correctly perform a task. Repetitive procedures are called routines. See also method.

Unfortunate recruiting experiences in the past have led to a fairly strict procedure for each of the company's recruiters to follow when hiring new employees.

Procurement

The act of obtaining or buying goods and services. The process includes preparation and processing of a demand as well as the end receipt and approval of payment. It often involves

- (1) Purchase planning,
- (2) Standards determination,
- (3) Specifications development,
- (4) Supplier research and selection,
- (5) Value analysis,
- (6) Financing,
- (7) Price negotiation,
- (8) Making the purchase,
- (9) Supply contract administration,
- (10) Inventory control and stores, and
- (11) Disposals and other related functions. The process of procurement is often part of a company's strategy because the ability to purchase certain materials will determine if operations will continue. A business will not be able to survive if...

The procurement cycle follows specific steps for identifying a requirement or need of the company through the final step of the award of the product or contract.

Product

1. A good, idea, method, information, object or service created as a result of a process and serves a need or satisfies a want. It has a combination of tangible and intangible attributes (benefits, features, functions, uses) that a seller offers a buyer for purchase. For example a seller of a toothbrush not only offers the physical product but also the idea that the consumer will be improving the health of their teeth.

2. Law: A commercially distributed good that is (1) tangible personal property, (2) output or result of a fabrication, manufacturing, or production process, and (3) passes through a distribution channel before being consumed or used.

3. Marketing: A good or service that most closely meets the requirements of a particular market .

Upon receipt of the finished product I found it to be of poor quality so I sent it back and asked for a full refund

Production

The processes and methods used to transform tangible inputs (raw materials, semi-finished goods, subassemblies) and intangible inputs (ideas, information, knowledge) into goods or services. Resources are used in this process to create an output that is suitable for use or has exchange value.

Ford was one of the first companies who used the assembly line to speed up production.

Productivity

A measure of the efficiency of a person, machine, factory, system, etc., in converting inputs into useful outputs. Productivity is computed by dividing average output per period by the total costs incurred or resources (capital, energy, material, personnel) consumed in that period. Productivity is a critical determinant of cost efficiency.

Home offices can benefit both employees and employers, and lead to decreased costs and increased productivity.

Profitability ratios

Measures that indicate how well a firm is performing in terms of its ability to generate profit. Formulae of some of the common ratios are as follows:

(1) Book Value Per share: $\text{Total common (ordinary) equity} \div \text{Number of common (ordinary) shares issued and outstanding}$.

(2) Dividends Per Share: $\text{Dividends paid} \div \text{Number of common (ordinary) shares issued and outstanding}$.

(3) Earnings Per Share: $(\text{Net income} - \text{preferred stock or preference share interest}) \div \text{Number of common (ordinary) shares issued and outstanding}$.

(4) Gross profit percentage: $\text{Total cost of sales in a period} \times 100 \div \text{Total sales revenue for that period}$.

(5) Net income percentage: $\text{Net income for a period} \times 100 \div \text{Total sales}$

revenue for that period.

(6) Operating profit percentage: $\text{Earnings before interest and taxes (EBIT) in a period} \times 100 \div \text{Total sales revenue in the same period}$.

(7) Return On Common equity: $(\text{Net income for a period} - \text{Dividends}) \div (\text{Common equity} - \text{Preferred stock})$.

(8) Return On Investment: $\text{Net income} \div \text{Total assets}$.

Profit and loss statement

An official quarterly or annual financial document published by a public company, showing earnings, expenses, and net profit. Net income is determined from this financial report by subtracting total expenses from total revenue. The profit and loss statement and the balance sheet are the two major financial reports that every public company publishes. The difference between this statement and the balance sheet deals with the periods of time that each one represents. The profit and loss statement shows transactions over a given period of time (usually quarterly or annually), whereas the balance sheet gives a snapshot holdings on a specific date. also called income statement or earnings report.

A company's profit and loss statement may affect the market when it is reported, pushing stock prices up or down depending on how profitable the report is.

Pro forma invoice

An abridged or estimated invoice sent by a seller to a buyer in advance of a shipment or delivery of goods. It notes the kind and quantity of goods, their

value, and other important information such as weight and transportation charges. Pro forma invoices are commonly used as preliminary invoices with a quotation, or for customs purposes in importation. They differ from a normal invoice in not being a demand or request for payment.

Project

Planned set of interrelated tasks to be executed over a fixed period and within certain cost and other limitations.

My manager started me on a new project this month - I will analyze our income statement from the past quarter, determine areas where we are spending too much as a company, and report back with ways to cut cost

Project cycle

Seven stage process through which practically every major project goes through:

(1) Identification: stage where one project-idea out of several alternatives is chosen and defined.

(2) Preparation: defined idea is carefully developed to the appraisal stage.

(3) Appraisal: every aspect of the project idea is subjected to systematic and comprehensive evaluation, and a project plan is prepared.

(4) Presentation: detailed plan is submitted for approval and financing to the appropriate entities.

(5) Implementation: with necessary approvals and financing in place, the project plan is implemented.

(6) Monitoring: at every stage the progress of the project is assessed against the plan.

(7) Evaluation: upon completion the project is reassessed in terms of its efficiency and performance. Also called project life cycle .

Propaganda

In general, a message designed to persuade its intended audience to think and behave in a certain manner. Thus advertising is commercial propaganda. In specific , institutionalized and systematic spreading of information and/or disinformation, usually to promote a narrow political or religious viewpoint. Originally, propaganda meant an arm of the Roman Catholic Church responsible for 'de propaganda fideism,' propagation of the faith. It acquired negative connotations in the 20th century when totalitarian regimes (principally the Nazi Germany) used every means to distort facts and spread total falsehoods.

Proprietary information

Information that is not public knowledge (such as certain financial data, test results or trade secrets) and that is viewed as the property of the holder.

The recipient of proprietary information, such as a contractor in the procurement process, is generally duty bound tom refrain from making unauthorized use of the information.

Proprietorship

A business structure in which an individual , and his/her company are considered a single entity for tax and liability purposes. A proprietorship is a company which is not registered with the state as a limited liability company

or corporation. The owner does not pay income tax separately for the company, but he/she reports business income or losses on his/her individual income tax return. The owner is inseparable from the proprietorship, so he/she is liable for any business debts. also called sole proprietorship.

Pro rat

Proportionate allocation or distribution of a quantity (such as costs , income, shares, taxes) on the basis of a common factor. For example, profit is generally divided among several stockholders (shareholders) on the basis of the amount of stock (number of shares) held by each. Latin for, according to the rate.

Prudence

Good judgment or wisdom gained from experience and knowledge, expressed in a realistic and frugal attitude. Prudence, however, is not the same as grave caution or wariness concerned only with preserving the status quo. If there is no real cause for fear, prudence lies in avoiding excessive deliberations and in the readiness to sacrifice today's gain for tomorrow's greater gain.

The CEO demonstrated his prudence by offering decisive and actionable feedback to his team.

Q

Quality circle (QC)

Participative management technique within the framework of a companywide quality system in which small teams of (usually 6 to 12) employees voluntarily form to define and solve a quality or performance related problem. In Japan (where this practice originated) quality circles are an integral part of enterprise management and are called quality control circles.

Qualification

Capacity, knowledge, or skill that matches or suits an occasion, or makes someone eligible for a duty , office, position, privilege, or status.
Qualification denotes fitness for purpose through fulfillment of necessary conditions such as attainment of a certain age, taking of an oath, completion of required schooling or training, or acquisition of a degree or diploma.
Qualification does not necessarily imply competence. Precise limitation (from general to particular) of language, scope, or terms that would otherwise be interpreted broadly or differently .

Qualitative research

Research generated outside the framework of a quantitative approach. Collected data is not subjected to formulaic analysis for the purpose of generating projections.

The company decided to use qualitative research to gauge the needs of its customers by asking a focus group specific questions , as opposed to analyzing numbers and data in a quantitative approach.

Quality assurance (QA)

Often used interchangeably with quality control (QC), it is a wider concept that covers all policies and systematic activities implemented within a quality system. QA frameworks include

- (1) Determination of adequate technical requirement of inputs and outputs,
- (2) Certification and rating of suppliers,
- (3) Testing of procured material for its conformance to established quality, performance, safety, and reliability standards,
- (4) Proper receipt, storage, and issue of material,
- (5) Audit of the process quality,
- (6) Evaluation of the process to establish required corrective response, and
- (7) Audit of the final output for conformance to
 - (a) Technical
 - (b) Reliability,
 - (c) Maintainability, and
 - (d) Performance requirements.

In many companies, products go through quality assurance and are tested frequently to eliminate errors and imperfections.

R

Rainbow option

Derivative having two or more underlying assets or, factors (called 'colors') which cannot be interpreted as a single composite asset or factor. Margrave options are a type of rainbow options.

Rapport

A positive or close relationship between people that often involves mutual trust, understanding and attention. Those that develop rapport often have realized that they have similar interests, values, knowledge or behaviors.

The company was able to increase sales after establishing rapport with its customers by sticking to its commitments, demonstrating interest in the customer's lives and treating them as equals.

Ratio

Result of one number or quantity divided by another. Ratios are the simplest mathematical (statistical) tools that reveal significant relationships hidden in mass of data, and allow meaningful comparisons. Some ratios are expressed as fractions or decimals, and some as percentages. Major types of business ratios include

- (1) Efficiency,
- (2) Liquidity,
- (3) Profitability, and
- (4) Solvency ratios.

A company uses ratios to analyze the financial health of the organization, track progress and calculate profitability among many other reasons. Bankers or investors use ratios to determine if they want to invest in a company.

Raw materials

Unfinished goods consumed by a manufacturer in providing finished goods. Classified as inventory in the current assets section of a company's balance sheet.

All finished products once started as many different raw materials before going through the manufacturing process.

Real Gross Domestic Product (RGDP)

An economic assessment that involves quantifying the inflation adjusted market value of goods and services produced by an economic system during a given time. A business might use the real gross domestic product (real GDP) of a nation to indicate the standard of living within that country that can help them determine whether or not their products will be successful.

Realize

To make something real from a transaction, such as to get the profit from an investment that has appreciated by selling it.

The amount I will realize at the end of the contract will only be positive if the transaction costs and other related fees do not exceed the total original consideration given.

Recession

Period of general economic decline, defined usually as a contraction in the GDP for six months (two consecutive quarters) or longer. Marked by high unemployment, stagnant wages, and fall in retail sales, a recession generally does not last longer than one year and is much milder than a depression. Although recessions are considered a normal part of a capitalist economy, there is no unanimity of economists on its causes.

Reciprocity

General: Exchange of equal or identical advantages or privileges, such as removal of traveling restriction between two countries. International trade: Lowering of import duties and other trade barriers in return for similar concessions from another country. Reciprocity is a traditional principle of GATT/WTO, but is practicable only between developed nations due to their roughly matching economies. For trade between them and developing nations, the concept of relative reciprocity is applied whereby the developed nations accept less than full reciprocity from their developing trading partners.

Refinancing

Paying off an existing loan with the proceeds from a new loan , usually of the same size, and using the same property as collateral. In order to decide whether this is worthwhile, the savings in interest must be weighed against the fees associated with refinancing. The difficult part of this calculation is predicting how much the up-front money would be worth when the savings are received. Other reasons to refinance include reducing the term of a longer mortgage, or switching between a fixed-rate and an adjustable-rate mortgage. If there are prepayment fees attached to the existing mortgage, refinancing becomes less favorable because of the increased cost to the borrower at the time of the refinancing.

Many homeowners consider refinancing their homes in hopes of minimizing their mortgage interest rate or reducing the length of their mortgage.

Remuneration

Reward for employment in the form of pay, salary, or wage, including allowances, benefits (such as company car, medical plan, and pension plan), bonuses, cash incentives, and monetary value of the noncash incentives.

I ultimately passed on the job offer because the remuneration didn't meet my needs - the salary was high but the company did not offer any medical benefits.

Research

The process of gathering information for the purpose of initiating , modifying or terminating a particular investment or group of investments.

“Before deciding which companies that I would invest in, I conducted extensive research to ensure that I made a well-educated decision.”

Resolution

1. Formal authorization or expression of an action, decision, intention, opinion, transaction, etc.
2. Proposition put before a meeting of stockholders (shareholders) or the directors of a firm for discussion, approval or adoption. Resolutions are of four common types: (1) Elective (see elective resolution), (2) Extraordinary (see extraordinary resolution), (3) Ordinary (see ordinary resolution), and (4) Special (see special resolution).
3. Appropriate disposition of a complaint or protest through prescribed or standard procedures.
4. Sharpness or clarity of a monitor, printer, or scanner image, expressed in an appropriate unit: pixels per inch (PPI) for monitors, dots per inch (DPI) for printers, and samples per inch (SPI) for scanners. For photographic ...

This year the CEO made a public resolution to be more open with his employees and be clear with expectations for their performance.

Resource

An economic or productive factor required accomplishing an activity, or as means to undertake an enterprise and achieve desired outcome. Three most basic resources are land, labor, and capital; other resources include energy, entrepreneurship, information, expertise, management, and time.

The greatest resource that the start-up business used to enter its industry was the capital invested from silent business partners.

Retained earnings

Earnings not paid out as dividends but instead reinvested in the core business or used to pay off debt. Also called earned surplus or accumulated earnings or inappropriate profit.

“In other words, this equation allows businesses to determine revenue as well as prepare a statement of retained earnings.”

Revenue expenditure

Cash spent in sales revenue generation, or in maintaining a revenue generating asset.

Risk assessment

The identification, evaluation, and estimation of the levels of risks involved in a situation, their comparison against benchmarks or standards, and determination of an acceptable level of risk.

When choosing which stocks to buy shares of, the investor conducted a

thorough risk assessment to determine what his rate of return would be and to evaluate the potential losses.

Return On Equity (ROE)

A measure of how well a company used reinvested earnings to generate additional earnings, equal to a fiscal year's after-tax income (after preferred stock dividends but before common stock dividends) divided by book value, expressed as a percentage. It is used as a general indication of the company's efficiency; in other words, how much profit it is able to generate given the resources provided by its stockholders. Investors usually look for companies with returns on equity that are high and growing.

Return On Investment (ROI)

A measure of a corporation's profitability, equal to a fiscal year's income divided by common stock and preferred stock equity plus long-term debt. ROI measures how effectively the firm uses its capital to generate profit; the higher the ROI, the better.

“When deciding between two different investment opportunities, it is often advantageous to select the option that has the probability of producing a higher ROI.”

S

Salary

Agreed-upon and regular compensation for employment that may be paid in any frequency but, in common practice, is paid on monthly and not on hourly, daily, weekly, or piece-work basis.

An employee's salary and any bonuses given are included in a company's expenses and therefore are tax deductible

Scientific method

1. **Problem solving:** Step-by-step approach consisting of (1) identifying and defining a problem, (2) accumulating relevant data, (3) formulating a tentative hypothesis, (4) conducting experiments to test the hypothesis, (5) interpreting the results objectively, and (6) repeating the steps until an acceptable solution is found.

2. **Sciences:** Rigorous, systematic approach, designed to eliminate bias and other subjective influences in the search, identification, and measurement or validation of facts and cause-effect relationships, and from which scientific laws may be deduced.

The advertising team used a very thorough process of the scientific method to determine if its ads were effectively reaching the customers

Searching

Exploration of the World Wide Web by following one interesting link to another, usually with a definite objective and a planned search strategy. In comparison surfing is exploration definite in objective but not in strategy, and browsing is exploration without a definite objective or search strategy.

Security breach

An act from outside an organization that bypasses or contravenes security policies, practices, or procedures. A similar internal act is called security violation.

After suffering a major security breach, the retailer made an announcement to the public to let their customers know that some of their personal information may have been compromised.

Seed capital

Comparatively small amount of capital contributed in the very beginning by a firm's founder(s). It is rarely provided by lenders or institutional investors because startup is the riskiest stage in a firm's life cycle with the highest chance of failure. Also called front end money, front money, or startup capital.

Searching

Exploration of the World Wide Web by following one interesting link to another, usually with a definite objective and a planned search strategy. In comparison surfing is exploration definite in objective but not in strategy, and browsing is exploration without a definite objective or search strategy.

Securities and Exchange Commission

SEC. The primary federal regulatory agency for the securities industry, whose responsibility is to promote full disclosure and to protect investors against fraudulent and manipulative practices in the securities markets. The securities and Exchange Commission enforces, among other acts, the Securities Act of 1933, the Securities Exchange Act of 1934, the Trust Indenture Act of 1939, the Investment Company Act of 1940 and the Investment Advisers Act. The supervision of dealers is delegated to the self-regulatory bodies of the exchanges. The securities and Exchange Commission is an independent, quasi-judiciary agency. It has five commissioners, each appointed for a five year term that is staggered so that one new commissioner is being replaced every year. No more than three members of the commission can be of a single political party. The securities and Exchange Commission is comprised of four basic divisions. The Division of Corporate Finance is in charge of making sure all publicly traded companies disclose the required financial information to investors. The Division of Market Regulation oversees all legislation involving brokers and brokerage firms. The Division of Investment Management regulates the mutual fund and investment advisor industries. And the Division of Enforcement enforces the securities legislation and investigates possible violations.

The Securities and Exchange Commission requires public companies to divulge financial information to the public so that investors are protected and that the markets are regulated.

Selling General and Administrative SG&A

Selling, General and Administrative Expenses . Income statement item, which combines salaries, commissions, and travel expenses for executives and salespeople, advertising costs, and payroll expenses.

“Advertising agencies have significant SG&A expenses because this expense encompasses commissions and travel expenses.”

Separation of powers

The constitutional principle that limits the powers vested in any person or institution. It divides governmental authority into three branches: legislative (Parliament or Senate), executive (President or Prime Minister and the Cabinet), and judiciary (Chief Justice and other judges). This principle is expressed fully in the US Constitution, but is used only as a guide in the UK.

Service

1. A valuable action, deed, or effort performed to satisfy a need or to fulfill a demand.
2. Law: Formal delivery of a notice, summons, or writ.
3. Banking: Payment of interest or loan installment, or dividends, as scheduled.

The computer company decided it would now offer the service of technical assistance if anyone encountered technical glitches with one of their products.

Sharpe ratio

Measure of the performance of an investment , computed by dividing the excess return (that is over the return on a risk-free investment such as on Treasury bills) by the amount of risk taken to generate the excess (the standard deviation of the rate of return). A ratio of 1 indicates one unit of return per unit of risk, 2 indicates two units of return per unit of risk, and negative values indicate loss or that a disproportionate amount of risk was taken to generate a positive return. Invented by the Nobel laureate (1990) US economist, William Sharpe (born 1934) . Also called market price of risk . See also Modern Portfolio Theory.

Simple interest

Interest computed only on the principal and (unlike compound interest) not on principal plus interest earned or incurred in the previous period(s). Simple interest is used commonly in variable rate consumer lending and in mortgage loans where a borrower pays interest only on funds used. Formula: Principal amount x Annual interest rate x Number of years.

Simulation

Acting out or mimicking an actual or probable real life condition, event, or situation to find a cause of a past occurrence (such as an accident), or to forecast future effects (outcomes) of assumed circumstances or factors. A simulation may be performed through

(1) Solving a set of equations (a mathematical model)(

2)Constructing a physical (scale) model,

(3) Staged rehearsal,

(4) Game (such as war games), or a computer graphics model (such as an animated flowchart). Whereas simulations are very useful tools that allow experimentation without exposure to risk, they are gross simplifications of the reality because they include only a few of the real-world factors, and are only as good as their underlying assumptions.

Through the use of a computer the analysts created a simulation of possible market outcomes and then decided what to do with their investments from there.

Six Sigma

Originally developed in 1986 by Motorola, the business management strategy is now used in many different industries in an effort to improve the quality of products or services produced by the business through the removal of defects and errors. The strategy involves creating groups of people within the business or organization who have expert status in various methods, and then each project is carried out according to a set of steps in an effort to reach specific financial milestones. A six sigma process is defined as one in which 99.99966% of products created are expected to be statistically free from defects.

Socialization

Process by which individuals acquire the knowledge, language, social skills, and value to conform to the norms and roles required for integration into a group or community. It is a combination of both self-imposed (because the individual wants to conform) and externally-imposed rules, and the expectations of the others. In an organizational setting, socialization refers to the process through which a new employee 'learns the ropes,' by becoming sensitive to the formal and informal power structure and the explicit and implicit rules of behavior. See also organizational culture and orientation.

Sole proprietorship

A business structure in which an individual and his/her company are considered a single entity for tax and liability purposes. A sole proprietorship is a company which is not registered with the state as a limited liability company or corporation. The owner does not pay income tax separately for the company, but he/she reports business income or losses on his/her individual income tax return. The owner is inseparable from the sole proprietorship, so he/she is liable for any business debts. also called proprietorship.

Solvency ratios

Mathematical comparisons of different , components of an entity's financial statements to determine its solvency. Common solvency ratios are

- (1) Current liabilities to inventory ratio,**
- (2) Current liabilities to net worth ratio,**
- (3) Current ratio,**
- (4) Fixed assets to net worth ratio,**
- (5) Quick ratio, and**
- (6) Total liabilities to net worth Ratio**

Small and Medium Enterprise (SME)

Business segment term used differently in different countries, sometimes differently in different industries in the same country. In the US, any firm from a small-office home-office (SOHO) to a large corporation may be called a SME. More specifically, firms included in Russell indices such as Russell 2500 index and Russell Midcap index are classified as SMEs. In European Union, a firm with

- (1) 50 to 250 employees,**
- (2) Annual turnover of Euro 7 to 40 million,**
- (3) Total assets less than Euro 27 million, and**
- (4) Not more than 25 percent ownership by a large corporation, may be classified as a SME. The International Chamber Of Commerce (ICC) defines a SME as having 100 to 2000 employees.**

Sovereign risk

Probability that the government of a country (or an agency backed by the government) will refuse to comply with the terms of a loan agreement during economically difficult or politically volatile times. Although sovereign nations don't "go broke," they can assert their independence in any manner they choose, and cannot be sued without their assent. Sovereign risk was a significant factor during 1970s after the oil shock when Argentina and Mexico almost defaulted on their loans which had to be rescheduled.

Spaghetti diagram

A complex diagram that maps the path of production for a product or service, typically from requirement to deliverable. A spaghetti diagram can also be used to map the steps taken by employees within an organization as they move a product or service toward completion within the company. As a result of the many steps typically involved in the process, the spaghetti diagram gets its name from its finished appearance, often resembling a bowl of spaghetti.

SPD

Summary Plan Description. A document containing a comprehensive description of a retirement plan, including the terms and conditions of participation. The summary plan description is distributed to potential participants in advance of enrollment.

While going through the process of planning your retirement, creating a Summary Plan Description can help immediate family such as a spouse understand the conditions.

Specification (spec)

Exact statement of the particular needs to be satisfied, or essential characteristics that a customer requires (in a good, material, method, process, service, system, or work) and which a vendor must deliver. Specifications are written usually in a manner that enables both parties (and/or an independent certifier) to measure the degree of conformance. They are, however, not the same as control limits (which allow fluctuations within a range), and conformance to them does not necessarily mean quality (which is a predictable degree of dependability and uniformity). Specifications are divided generally into two main categories: (1) Performance specifications: conform to known customer requirements such as keeping a room's temperature within a ...

The project plan laid out for the new apartment complex was very detailed and required the contractor to complete each specification in a timely manner.

Spread

1. Commodities trading: Difference between the buying and selling price of the same commodity in (1) different delivery months in the same market (exchange) or (2) in different markets but in the same delivery months. Also called bid and asked spread.

2. Foreign exchange: (1) Difference between a long position in one currency and a short position in another, or (2) between different delivery dates of the same currency.

3. Investments: Diversity of an investment portfolio; greater the spread, lesser the chance of crippling losses or spectacular gains.

4. Securities trading: Difference between the (1) buyer's price (bid) and the seller's price (offer) which increases or decreases in step with the demand and supply of the security, (2) return (yield)

The spread of a security, commodity or other investment is what traders make their profit off of - the higher the investor sells it for, the bigger the spread and the compensation.

Standards

General: Written definition, limit, or rule, approved and monitored for compliance by an authoritative agency or professional or recognized body as a minimum acceptable benchmark. Standards may be classified as (1) government or statutory agency standards and specifications enforced by law, (2) proprietary standards developed by a firm or organization and placed in public domain to encourage their widespread use, and (3) voluntary standards established by consultation and consensus and available for use by any person, organization, or industry. Once established, standards (like bureaucracies) are very difficult to change or dislodge. For example, the world standard for broad gauge railway line is 4 feet and 8 1/2 inches between the parallel ...

Manufacturers of automotives abide by certain standards relating to brake systems, occupant safety norms, crashworthiness and others so that they can be sold in specific countries and ensure the safety of drivers.

Standard deviation

- 1. Investment:** Measure of the variability (volatility) of a security, derived from the security's historical returns, and used in determining the range of possible future returns. The higher the standard deviation, the greater the potential for volatility.
- 2. Marketing:** Measure of the difference between an average (arithmetic mean) and the individual values included in the average, such as the variation between the responses to the same advertisement in different media vehicles.
- 3. Statistics:** Measure of the unpredictability of a random variable, expressed as the average deviation of a set of data from its arithmetic mean and computed as the positive square root of the variance.

Before purchasing a security it is important to look at the standard deviation because it gives you an idea of how volatile the security could be in the future.

Statute of limitations

Legislation that sets a timeframe (limitations period) within which affected parties must take action to enforce their rights or to seek redress after a damage or injury. This period varies according to the nature of the case. Its objective is to encourage diligent prosecution of certain offenses while evidence is available and fresh, and thus ensure finality and predictability in litigation. It is generally not applicable to cases involving fraud and murder. Also called limitation of liability act.

Stockbroker

Licensed agent who has to pass certain qualifying tests to be certified to offer securities investment advice to investors . He or she may

- (1) Counsel what and when to buy,**
- (2) Counsel whether to hold or sell securities,**
- (3) Execute buy-sell orders on behalf of the investors, and**
- (4) Charge a percentage of the transaction amount as brokerage fee for the services rendered. Also called registered representative .**

Stock split

An increase in the number of outstanding shares of a company's stock , such that proportionate equity of each shareholder remains the same. This requires approval from the board of directors and shareholders. A corporation whose stock is performing well may choose to split its shares, distributing additional shares to existing shareholders. The most common stock split is two-for-one, in which each share becomes two shares. The price per share immediately adjusts to reflect the stock split, since buyers and sellers of the stock all know about the stock split (in this example, the share price would be cut in half). Some companies decide to split their stock if the price of the stock rises significantly and is perceived to be too expensive for small investors to afford. Also called split.

Store of value

A commodity, currency or other type of capital that is tradable and can be stored for future use . It is a fundamental component of the economic system because it allows trade to occur with items that have inherent value. An example of a store of value is currency, which can be exchanged for goods and services. If the value of currency becomes unpredictable, such as in times

of hyperinflation, investors and consumers will shift to alternative stores of value, such as gold, silver, precious stones and real estate.

Strategic plan

A broadly-defined plan aimed at creating a desired future. See also long term plan, short term plan, and strategic business plan.

Success

1. Achievement of an action within a specified period of time or within a specified parameter. Success can also mean completing an objective or reaching a goal. Success can be expanded to encompass an entire project or be restricted to a single component of a project or task. It can be achieved within the workplace, or in an individual's personal life. For example, if an individual's personal goal is to be accepted in a new career, success would occur after the individual has been officially accepted into his or her new place of employment.

2. Colloquial term used to describe a person that has achieved his or her personal, financial or career goals. It could also be used to describe an individual that has more objects (money or any other desirable item) relative to another individual. For example, a professional athlete can be called "a success."

Summary

An overview of content that provides a reader with the overarching theme, but does not expand on specific details. A summary describes a larger work (such as an entire book, speech, or research project), and should include noticeably less content than the original work. Summaries can save a reader time because it prevents the reader from having to actually go through and

filter the important information from the unimportant. "Ben was able to review the well-written summary provided by his peer, instead of re-reading the entire textbook, and as a result he still received an A on his mid-term."

For those not able to attend, the secretary wrote up a summary of the main topics discussed at the conference.

Strike

A work stoppage undertaken in support of a bargaining position , or in protest of some aspect of a previous agreement or proposed agreement between labor and management.

If a union or a group of employees are unhappy with their employer, they can hold a strike or a lockout until their terms are agreed upon.

Stop order

Client's order to a broker to buy or sell a commodity or security when a specified price is reached, either above (on a buy order) or below (on a sell order) the price current at the time the order is given. A stop order to sell becomes a market order when the item is offered at or below the specified price. A stop order to buy becomes a market order when the item is bid at or above the specified price. See also limit order.

Store of value

A commodity, currency or other type of capital that is tradable and can be stored for future use. It is a fundamental component of the economic system because it allows trade to occur with items that have inherent value. An example of a store of value is currency, which can be exchanged for goods and services. If the value of currency becomes unpredictable, such as in times of hyperinflation, investors and consumers will shift to alternative stores of value, such as gold, silver, precious stones and real estate.

Gold is considered by some as a better store of value than currency because gold is not subject to hyperinflation like currency is.

Student loan

A loan offered to students which is used to pay off education-related expenses, such as college tuition, room and board at the university, or textbooks. Many of these loans are offered to students at a lower interest rate, such as the Perkins loan or Stafford loan. In general, students are not required to pay back these loans until the end of a grace period, which usually begins after they have completed their education.

Supply chain

Entire network of entities, directly or indirectly interlinked and interdependent in serving the same consumer or customer. It comprises of vendors that supply raw material, producers who convert the material into products, warehouses that store, distribution centers that deliver to the

retailers, and retailers who bring the product to the ultimate user. Supply chains underlie value-chains because, without them, no producer has the ability to give customers what they want, when and where they want, at the price they want. Producers compete with each other only through their supply chains, and no degree of improvement at the producer's end can make up for the deficiencies in a supply chain which reduce the producer's ability to compete.

Swap

Exchange of one type of asset, cash flow, investment, liability, or payment for another. Common types of swap include: (1) Currency swap: simultaneous buying and selling of a currency to convert debt principal from the lender's currency to the debtor's currency. (2) Debt swap: exchange of a loan (usually to a third world country) between banks. (3) Debt to equity swap: exchange of a foreign debt (usually to a Third World country) for a stake in the debtor country's national enterprises (such as power or water utilities). (4) Debt to debt swap: exchange of an existing liability into a new loan, usually with an extended payback period. (5) Interest rate swap: exchange of periodic interest payments between two parties (called counter parties) ...

Synopsis

Brief condensation , outline, or summary of the main points of an articles, book, or plan. Unlike an abstract, a synopsis maintains the point by point sequence of the salient ideas.

Systematic sampling

A method of choosing a random sample from among a larger population. The process of systematic sampling typically involves first selecting a fixed starting point in the larger population and then obtaining subsequent observations by using a constant interval between samples taken. Hence, if the total population was 1,000, a random systematic sampling of 100 data points within that population would involve observing every 10th data point.

Systematic sampling is sometimes more beneficial than just random sampling because it can be more efficient and less time-consuming for the statisticians that conduct the survey.

T

Tax inversion

The relocation of a company's corporate headquarters to a different country with lower taxes. While the headquarters is relocated, the majority of the company's operations typically remain in the higher-tax country of origin. U.S. corporations are more likely to relocate due to high U.S. income taxes. This relocation can also be seen as an act of tax avoidance.

In hopes of reducing the overall tax bill, the U.S. Corporation moved its corporate headquarters to the United Kingdom, thus committing tax inversion.

Team

A group of people with a full set of complementary skills required to complete a task, job, or project. Team members

- (1) Operate with a high degree of interdependence,
- (2) Share authority and responsibility for self-management,
- (3) Are accountable for the collective performance, and
- (4) Work toward a common goal and shared rewards(s). A team becomes more than just a collection of people when a strong sense of mutual commitment creates synergy, thus generating performance greater than the sum of the performance of its individual members.

The advertising team was only able to create a successful campaign after realizing that an individual's talent was not as useful as the combination of all team members' skills combined.

Technology

The purposeful application of information in the design , production, and utilization of goods and services, and in the organization of human activities.

Technology is generally divided into five categories

1. **Tangible:** blueprints, models, operating manuals, prototypes.
2. **Intangible:** consultancy, problem-solving, and training methods.
3. **High:** entirely or almost entirely automated and intelligent technology that manipulates ever finer matter and ever powerful forces.
4. **Intermediate:** semi automated partially intelligent technology that manipulates refined matter and medium level forces.
5. **Low:** labor-intensive technology that manipulates only coarse or gross matter and weaker forces.

Ted Spread

Treasuries Over Euro Dollar Spread. Wall Street term for the gap between interest rates (yields) on the US government securities (treasury bills) and the dollars-deposits held outside of the US (Eurodollars). Futures contracts based on TED spread are actively traded on the futures markets by speculators who bet on the narrowing or widening of the gap. It is also used as an indicator of investor confidence in the US federal government finances and the US financial system: a narrow spread indicates high confidence and a wide spread reflects diminished confidence.

Theory

A set of assumptions, propositions, or accepted facts that attempts to provide a plausible or rational explanation of cause-and-effect (causal) relationships

among a group of observed phenomenon. The word's origin (from the Greek *thorós*, a spectator), stresses the fact that all theories are mental models of the perceived reality.

One of the most well-known theories is the Big Bang Theory, which is one plausible explanation of how the universe was formed.

Theory X and theory Y

Two distinct sets of assumptions that managers, in general, have about their employees and which often turn out to be self-fulfilling prophecies. Theory-X assumptions are:

- (1) Most people dislike work and will avoid it to the extent possible, therefore
- (2) They must be continually coerced, controlled, and threatened with punishment to get the work done, and that
- (3) They have little or no ambition, prefer to avoid responsibility, and choose security above everything else.

Theory-Y assumptions are:

- (1) Physical and mental effort are natural and most people (depending on the work environment) find work to be a source of satisfaction,
- (2) They generally, on their own motivation, exercise self-control, self-direction, creativity, and ingenuity in pursuit of individual and collective (company) goals, (3) they either seek responsibility or learn to accept it willingly, and that
- (4) Their full potential is not tapped in most organizations. These assumptions serve as powerful behavioral models reflected in the way an organization is structured. Management that believes in theory-X assumptions, creates stick-and-carrot approach based firms with restrictive discipline and pervasive controls. Theory-Y believers create trust based firms with empowered employees. These concepts were introduced by the US college-administrator and professor Douglas McGregor (1906-64) in his 1960 book 'The Human Side Of Enterprise.' See also theory Z.

Theory Z

Japanese consensus management style based on the assumptions that:

(1) Employees want to build cooperative relationships with their employers, peers, and other employees in the firm; for these they

(2) Require high degree of support in the form of secure employment and facilities for development of multiple skills through training and job rotation,

(3) They value family life, culture and traditions, and social institutions as much as material success,

(4) They have well-developed sense of dedication, moral obligations, and self-discipline, and

(5) They can make collective decisions through consensus. Introduced , by the author William Ouchi (born 1943) in his book 'Theory Z.'

Ticker symbol

A system of letters used to uniquely identify a stock or mutual fund. Symbols with up to three letters are used for stocks which are listed and trade on an exchange. Symbols with four letters are used for Nasdaq stocks. Symbols with five letters are used for Nasdaq stocks other than single issues of common stock. Symbols with five letters ending in X are used for mutual funds.

Title insurance

Insurance to protect a lender or owner against loss in the event of a property ownership dispute. Title insurance is most frequently used for mortgages, and is required by a large number of lenders. Title insurance has become necessary in the United States because, unlike many other countries, the United States (with the exception of a few areas) does not use a land registration system which could determine the validity of a claimed ownership of property.

Most title insurance protects the lender in the case of a legal issue, but is paid for by the borrower.

Total quality management

A holistic approach to long-term success that views continuous improvement in all aspects of an organization as a process and not as a short-term goal. It aims to radically transform the organization through progressive changes in the attitudes, practices, structures, and systems. Total quality management transcends the product quality approach, involves everyone in the organization, and encompasses its every function: administration, communications, distribution, manufacturing, marketing, planning, training, etc. Coined by the US Naval Air Systems Command in early 1980s, this term has now taken on several meanings and includes

- (1) Commitment and direct involvement of highest-level executives in setting quality goals and policies, allocation of resources, and monitoring of results;
- (2) Realization that transforming an organization means fundamental changes in basic beliefs and practices and that this transformation is everyone's job;
- (3) Building quality into products and practices right from the beginning;
- (4) Understanding of the changing needs of the internal and external customers, and stakeholders, and satisfying them in a cost effective manner;
- (5) Instituting leadership in place of mere supervision so that every

individual performs in the best possible manner to improve quality and productivity, thereby continually reducing total cost;

(6) Eliminating barriers between people and departments so that they work as teams to achieve common objectives; and

(7) Instituting flexible programs for training and education, and providing meaningful measures of performance that guide the self-improvement efforts of everyone involved.

Trademark

Distinctive design, graphics, logo, symbols, words, or any combination thereof that uniquely identifies a firm and/or its goods or services, guarantees the item's genuineness, and gives it owner the legal rights to prevent the trademark's unauthorized use. A trademark must be

(1) Distinctive instead of descriptive,

(2) Affixed to the item sold, and

(3) Registered with the appropriate authority to obtain legal ownership and protection rights. Trademark rights are granted usually for 7 to 20 years and, unlike in case of patents, are renewable indefinitely. These rights are protected worldwide by international intellectual property treaties and may be assigned by their owner to other parties. Although a trademark has no limited term of existence, the rights to use it may be lost due to misuse or lack of use.

Trader

1. One who buys and sells securities for his/her personal account, not on behalf of clients.

2. An investor who holds stocks and securities for a short period of time (a few minutes, hours or days). The goal is to profit from short-term gains in the market. The stock selection is generally based on technical analysis or charting which relate only to the stock price rather than a fundamental evaluation of the company as a business. The IRS offers some tax benefits to traders: they can deduct their interest expense without itemizing, and

seminar costs can be investing.

A trader differs from an investor because a trader will hold assets for a shorter period of time and tends to capitalize on short-term trends.

Transaction

- 1. General:** Agreement, contract, exchange, understanding, or transfer of cash or property that occurs between two or more parties and establishes a legal obligation. Also called booking or reservation.
- 2. Accounting:** Event that effects a change in the asset, liability, or net worth account. Transactions are recorded first in journal and then posted to a ledger.
- 3. Banking:** Activity affecting a bank account and performed by the account holder or at his or her request.
- 4. Commerce:** Exchange of goods or services between a buyer and a seller. Every transaction has three components: (1) transfer of good/service and money, (2) transfer of title which may or may not be accompanied by a transfer of possession, and (3) transfer of exchange rights.
- 5. Computing:** Event or process (such as an input ...

Trustee

Person or organization (such as a trust company) named in trust agreement by the trust or a court (the first party) as a trusted third party to nominally own, and protect and handle, trust-property for the benefit of one or more beneficiaries (the second party) in accordance with the terms of the trust agreement. He or she is usually charged with investing trust property prudently and productively, and (unless specifically prohibited) can lease, mortgage, or sell it if deemed necessary in fulfillment of the trust's objectives. A trustee can be removed and replaced on court orders but, after accepting trusteeship, he or she may not delegate, renounce, or resign his or her responsibility unless an acceptable successor consents as being the replacement. The capacity to be a trustee exists only where there is a capacity to hold or take property, therefore a minor or a person of unsound mind is not acceptable as a trustee. The maker of a trust (trustor) may also be its trustee and/or its beneficiary, but a sole trustee cannot be a sole beneficiary. Although a trustee is legally barred from benefiting from the trusteeship, usually a compensation is allowed in the trust agreement. But he or she cannot commingle personal funds that of the trust and cannot enter into any transaction with the trust. Otherwise the statute of frauds is applied and the fairness or the good-faith nature of the transaction is generally not accepted as a defense. A trustee may also have reporting requirements on the activities and status of the trust and all correspondence regarding the assets is directed to the trustee. He or she is discharged of the duties of the trusteeship only when the intention or the purpose of the trust is fulfilled.

U

Ubiquitous

Existing everywhere, or seeming to exist everywhere ; omnipresent. The term is often used in phrases such as "ubiquitous computing", to designate something that seems to have become so popular it can be found anywhere and everywhere.

Unemployment insurance

Government welfare scheme under which employable persons that are unemployed through no fault of their own (but are available for work and are actively seeking paying jobs) are given monthly sums (called unemployment benefit) for sustenance.

Unionization

The process of organizing the employees of a company into a labor union which will act as an intermediary between the employees and company management. In most cases it requires a majority vote of the employees to authorize a union. If a union is established the company is said to be unionized.

Unique Identifier Number (UIN)

A numeric identification code that is attached to an item or business entity which is exclusive to that particular entity. For many products this can a serial number or similar identification. Mortgage companies in the US have each been given a NMLS unique identifier number by the American Association of Residential Mortgage Regulators (AARMR) as a means of tracking and monitoring regulation compliance across state lines.

Urbanization

An increase in a population in cities and towns versus rural areas. Urbanization began during the industrial revolution, when workers moved towards manufacturing hubs in cities to obtain jobs in factories as agricultural jobs became less common.

As jobs become more readily available in the cities, urbanization occurs as more workers leave their rural towns in search of better work in urban areas.

Utility

A basic service such as electricity, gas, or water, or the company that provides such a service. Utilities are often regulated by the government.

“Utility Bills Depending on the size of your office and the needs of your staff, utility bills can be a huge weight on your bottom line.”

V

Value

- 1. Accounting:** The monetary worth of an asset, business entity, good sold, service rendered, or liability or obligation acquired.
- 2. Economics:** The worth of all the benefits and rights arising from ownership. Two types of economic value are (1) the utility of a good or service, and (2) power of a good or service to command other goods, services, or money, in voluntary exchange.
- 3. Marketing:** The extent to which a good or service is perceived by its customer to meet his or her needs or wants, measured by customer's willingness to pay for it. It commonly depends more on the customer's perception of the worth of the product than on its intrinsic value.
- 4. Mathematics:** A magnitude or quantity represented by numbers.

At the same time, he will place a value, both financial and personal, on the product he plans to buy.

Value creation

The performance of actions that increase the worth of goods, services or even a business. Many business operators now focus on value creation both in the context of creating better value for customers purchasing its products and services, as well as for shareholders in the business who want to see their stake appreciate in value.

Variable contracts

A type of contract that is regulated by both the state and federal governments. These contracts are riskier than the typical contract because they depend on the value of a separate account that serves as the backing for the contract.

Visceral

Something that is characterized by instinct or emotion rather than intellect or reason.

She had a visceral dislike of her hometown and would not acknowledge the often valued advantages of easy public transportation nor the reasonable expense of living

Volatility

The relative rate at which the price of a security moves up and down. Volatility is found by calculating the annualized standard deviation of daily change in price. If the price of a stock moves up and down rapidly over short time periods, it has high volatility. If the price almost never changes, it has low volatility.

After the advanced investor studied the volatility of a particular stock she decided that the potential risk was not worth the reward.

W

Walking around money

- 1. Finance :** Discretionary cash also referred to as pocket money or spending money, which can be used for any expenditure.
- 2. Politics :** Money given by a political campaign to local support groups to cover the cost of get-out-the-vote initiatives. also called street money.

Warranty

- 1. A statement of fact or opinion about a company's financial condition.**
- 2. An agreement between a buyer and a seller of goods or services, detailing the conditions under which the seller will make repairs or fix problems without cost to the buy**

Wash trade

Occurs when a person buys shares of an investment at one brokerage firm and sells the same amount of shares of the same investment at another brokerage firm. The intent of executing these illegal transactions is to give the impression that trading activity is increasing for that security. This activity may drive up prices and attract other investors.

Work breakdown structure (WBS)

Project network-modeling step in which the entire job is graphically subdivided into manageable work elements (tasks). WBS displays the relationship of each task to the other tasks, to the whole and the end product (goal or objective). It shows the allocation of responsibility, and identifies resources required and time available, at each stage for project monitoring and management. Also called activity decomposition chart

Working capital

Current assets minus current liabilities . Working capital measures how much in liquid assets a company has available to build its business. The number can be positive or negative, depending on how much debt the company is carrying. In general, companies that have a lot of working capital will be more successful since they can expand and improve their operations. Companies with negative working capital may lack the funds necessary for growth. Also called net current assets or current capital.

“During the process of growing a company it is important to have a positive working capital number to ensure that you have funds on hand to expand.”

WACC

Weighted Average Cost of Capital. An average representing the expected return on all of a company's securities. Each source of capital, such as stocks, bonds, and other debt, is assigned a required rate of return, and then these required rates of return are weighted in proportion to the share each source of capital contributes to the company's capital structure. The resulting rate is what the firm would use as a minimum for evaluating a capital project or investment.

Before starting on a new project or initiative most companies calculate the WACC to see if the project is worthwhile and proves to be profitable.

X

Xbar and R control chart

A control chart that displays both the mean value (**X**) as well as the range (**R**) to indicate changes in the mean value and dispersion over an established period of time. Highly effective for discovering abnormalities present within a defined process, the Xbar and R control chart has the real-time ability to identify any problems related to production flow

X-efficiency

The ability of a firm to get maximum output from its inputs. Failure to do so, called X-inefficiency or technical inefficiency, may be due to lack of incentives provided by competition. Improvement in X-efficiency is one hypothesized source of gain from trade.

Xeno currency

Translated directly as "foreign currency", it is the name given to currencies that trade in non-native markets or are deposited in foreign banks. For example, when the Japanese Yen trades on U.S. exchanges it is characterized as xenocurrency.

Xr

Symbol used in financial press to indicate that a stock is trading without (ex) rights.

Y

Yacht insurance

Insurance that covers pleasure boats against collision, hull damage, and liability indemnity.

Y shares

Mutual fund shares of a class available to institutional investors. Institutional shares carry no load or 12b-1 fees. Also called institutional share

Year end

The end of the financial year, when a company's accounts are prepared

Year-Over-Year (YOY)

A comparison of a company's current earnings or other financial performance with the same data for the previous year. Compare Last Fiscal Year (LFY); Most Recent Quarter (MRQ); Trailing 12 Months (TTM).

Year plan

A year during which plan records are kept. This can be a fiscal or calendar year.

Yellow Belt

A certification given to an employee who completes the yellow belt training within the Six Sigma business methodologies. The yellow belt indicates a level of introductory competence, largely centered on gathering data and process improvements. In addition, a yellow belt employee would be expected to serve as a core team member within a Six Sigma project.

Yellow dog contract

An agreement used in United States labor law in which a prospective employee agrees as a condition of employment, not to join a labor union and to forfeit employment upon joining a union during the period of their employment. The yellow dog contract was widely used in the United States until 1932, when these contracts were outlawed by the Norris-LaGuardia Act.

Yield on cost (YOC)

This represents the amount of dividends that will yield above the cost of the total investment.

Z

Zero balance account

This account is maintained when a company handles endorsements with a large amount.

Z bench

The term given to the probability that a defect will occur in relation to the sample data marked as "Z value."

Zero cost option

Trading strategy in one option is purchased and simultaneously a matching option of the same value is sold.

Zero defects

Defect prevention level where all output is within specification limits. Zero defects is a laudable objective only where the process' ability to predictably generate output within the specification limits is improved instead of widening the specification limits.

Zero-gap condition

The point at which the interest rate risk of a bank is at its lowest based on the optimum balance of assets and liabilities in relation to their maturities. An interest rate sensitivity gap measure is used to compare all assets and

liabilities within each maturity classification and determine the amount of potential interest rate risk for the total portfolio.

Zig Zag

An indicator used in technical analysis which helps an investor determines the most important movements in a security's chart. The indicator filters out any change that is less than a certain amount or percentage, leaving only the significant changes behind.

CHAPTER-2-
EDUCATION –PART 2
Analogical Words ⁽²⁾

Advise vs. Advice

Is a noun that means a suggestion on a course of action? This is something we do nearly every day in some capacity whether at work or with friends and family. This spelling of the word actually denotes the information or suggestion that is given.

In usage advice would look like this, “That was a great piece of advice that Joe gave us in the meeting.”

Is a verb that’s meaning is to actually give advice. So while advice is the information given, the act of giving it is to advise. This is one of the words that commonly gets misinterpreted by spell check programs like Microsoft Word, making it even easier to be guided to using the incorrect usage (as I’m typing this every instance of advise is underlined and Word is suggesting I change it to advice).

In usage, advising would look like this: “Advising us to cut costs was the main outcome of the meeting with consultants.” So in this case the cost cutting was the advice that was being advised by the consultants.

Affected vs. Effected

Means to actually do something, to execute, produce or bring about something. It’s an action word of actually doing something, i.e. “He effected a reorganization of the finance department.

Is used to describe something being impacted . This is a word you would commonly use when something has been impacted, i.e. “The accountants in finance were affected by the reorganization.”

You can even see the two used in the same sentence, “He effected a reorganization of the department and many of the people there were significantly affected.”

They're essentially pronounced the same so this can lead many people to get them flipped when writing them. Keeping them straight can be difficult but keeping on top of them will ensure your communications are grammatically correct.

Bullish vs. Bearish

Remember the First Law of Economics: For every economist, there is an equal and opposite economist--so for every bullish economist, there is a bearish one. The Second Law of Economics: They are both likely to be wrong.

Compliment vs. Complement

This is one of the trickier word differences that can end up tripping people up a bit in their business writing. That can be frustrating as they have very different meanings and can result in you saying something very different from what you mean.

Someone, with an "i", is the most common usage and means to give praise. "When I said that to you I meant it as a compliment", or "my compliments to the chef," are two ways you would use this.

Refers to supporting or enhancing something and is the usage you would probably see more in a business context. "Susie has done a good job of complementing the HR Department ," or "acquiring that company would be a great complement to our existing capabilities". If you used compliment with an "i" in Susie's context think about what you would be saying here. That Suzy has done a good job of giving praise to the HR group would somewhat defeat the purpose when you're trying to comment on how she's a great addition to the HR Department.

Keeping the meanings of these two straight is important, as this can completely change the message that you are trying to convey.

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Correlation vs. Causation

When looking at the relationship between two things, correlation and causation are concepts that are often confused.

Correlation refers to things that appear to have some form of consistent relationship, i.e. one item increases at the same time the other increases also. Based on observations many make the mistake of assuming that correlation can imply causation, that the increase in one item is increasing the other.

The distinction between the two is very important as when some see a correlated relationship they may make decisions based on what they are seeing. This may work out well for them if they’re lucky and the correlation continues, but as the one event doesn’t actually cause the other it can lead to poor decision making.

If there is an actual causation relationship then making a decision to do something based on seeing the other event take place is actually good decision making.

From an investment perspective this can be important. If an investor thinks they see a causation relationship, i.e. a firm’s stock price goes up a few days after every positive employment report, and it is actually a correlation they could lose a lot of money. Say the next time they see a positive employment report they put all their portfolio into futures on this stock and this time the correlation doesn’t occur they could lose a great deal of their investment. Understanding relationships, and putting the research into understanding what you think you see, is important .

Ensure vs. Insure

The usage of ensure vs. insure is very important from a contractual perspective, while they sound very similar they can have very different meanings in a legal context.

Means to safeguard against loss or damage , typically through the purchase of insurance to do so. If a contract stipulates that the individual must insure something the contract is stipulating that the individual must purchase insurance to safeguard that asset.

Is very similar in that it means to make sure or guarantee something, though the specific emphasis on doing so via insurance is not there. If a contract stipulates that an individual must ensure something is taken care of there is no requirement to purchase insurance, rather the individual is to “do their best” to make sure something is taken care of.

The onus on the party varies greatly depending on the word used, as can their legal obligation. Making sure the correct use of ensure vs. insure is used in your legal documents is something you always want to be aware of. Doing so incorrectly can result in unexpected and potentially significant costs.

Especially vs. Specially

typically means ‘particularly,’ so you would use it to emphasize your point. “The markets were especially volatile today” or “I especially like it when my French fries are crispy.” Here you are emphasizing the importance of the topic.

should be used to emphasize something done in a particular manner or specifically done. “These cookies were baked specially for you” or “This

report was prepared to specially emphasize XYZ.” Here you are emphasizing the importance of how this topic stands apart others.

Especially carries with it a sense of something being done that is particularly important and exceptional specially refers to something done with a specific purpose or with a specific meaning.

So now that you know the difference you can specially set time aside to write in a way that is especially significant.

Incident vs. Prevalent

Is a measure of something occurring during a specific time period. If you were to discuss the incident of mortgage foreclosures for a set time period, you would be discussing the number of loans specifically foreclosed during that time.

In a way is the accumulation of the incidents taking place over a period of time. In the context of foreclosures mentioned above if we discuss prevalence we are talking about the total number of mortgages foreclosed. So if we counted the incidence of foreclosures

Objective vs. Subjective

Refers to personal perspectives, feelings, or opinions entering the decision making process.

Refers to the elimination of subjective perspectives and a process that is purely based on hard facts.

Okay, so how does this influence investing? Investors should approach investing purely objectively and make their decisions based on hard analysis of the facts. You’d expect an investor to do some due diligence on their investing options and once that’s done simply select the option with the best return or that best meets their objectives. While that sounds straight forward it’s a lot harder in practice as investors are influenced by perceptions of companies, both public and their own, as well as simply their

'gut feel' of a company.

For some investors this works well, they pick the winner that no one else saw coming. For others, they commit to an investment for the wrong reasons and it burns them. Investors also struggle to remain objective once they've made an investment. A stock takes a hit and they dump it in a hurry, or a stock appreciates and they hold on to it even as it declines because they remember that good performance. The goal of investing is to buy low and sell high and either of the thought processes above defeat that goal.

When making investing decisions it's always important to make sure you think about and consider whether you are letting subjective thoughts work their way into the process.

Precision vs. Accuracy

Refers to how close the measured values are to the actual correct value. In a business context having very accurate debt forecasts would mean that your forecasts are very close to the correct value.

Refers to how close measured values are to each other. So a forecast model can be very precise in that it always forecasts the debt payments within a small range of values, but those values could be significantly different from the correct value.

Price vs. Value

In capital markets, is set by the most panicked seller at the end of a trading day

Which is determined by cash flows and assets, is not.

This is both the challenge and the opportunity of investing: to carefully sift through the markets to find the greatest divergence between price and value and to concurrently avoid the extreme emotions of the crowd and, indeed, to take a stand against them.

Principal vs. Principle

Sounding the same and being spelled very similarly, these two words are commonly confused in business writing. Keeping the two words straight will ensure that others clearly understand your work and the meaning is sound from a legal perspective.

Refers to a rule or a standard and is always used as a noun. “The key principle of writing is to ensure you convey your message effectively,” would be a way in which you would use this spelling of the word.

Can have a couple of meanings and is the one used more commonly in business documents. In one sense a principal refers to a senior individual, the principal of a school or a principal in a business (which is synonymous with partner in many cases). In a legal context the principal can also refer to an individual upon whose behalf an agent is acting, a lawyer can act on behalf of a principal when carrying out obligations for them.

Keeping principal vs. principle straight can ensure that the meaning of your writing is always conveyed effectively and you don’t accidentally say the wrong thing.

Shall vs. Will

“Shall” is a word that has certainly come to be replaced in American English language by using the word “will” instead. Often saying “I shall” do something comes off as sounding pretentious or haughty so we replace it with the word “will”.

Things weren't always this way as **“shall”** was, and still is by some, considered the proper word to use with first person pronouns (i.e. I and we), whereas **“will”** is used in a second and third person context (i.e. you, he, she, they). This would be the technically correct usage of the two words from a British English context, and commonly in a legal context.

The applicability to business and investing here comes down to legal contracts and stated obligations of different parties. **“Shall”** used to be commonly integrated in legal documents but this has started to decline as it is commonly misused and can create some legal ambiguity. Consider the statement, **“The property shall be cleaned by the lessee at the end of the lease term.”** In a legal context the **“shall”** here places the actual legal obligation on the property in that **“The property has a duty to be cleaned by the lessee at the end of the lease term.”** No legal obligation now applies to the lessee to do anything at the end of the lease. Replacing this with **“will”** clears up the legal ambiguity, hence the movement away from using shall in a legal context.

Keep an eye out for the use of the word **“shall”** in any legal documents that you become party to as the position of the word can result in your contract technically meaning something else than you thought it would

Qualitative vs. Quantitative

When analyzing a company from an investment perspective it is important to assess it from both a qualitative and a quantitative perspective. So what does this mean?

Analysis means looking at and the actual numbers. Looking at different financial metrics and ratios is fundamental to the analysis of any company being looked at.

A comprehensive analysis of a company should include looking at both the qualitative and quantitative factors that would impact decision making. Common quantitative factors include calculating different ratios (debt/equity, current ratio) and considering different financial metrics (net income, net assets).

Qualitative analysis can be far more subjective and really depends on the company that is being looked at, and the purpose of the analysis overall. Perception of management effectiveness is important, do you think they can run the company effectively and take advantage of opportunities? Customer and supplier relationships are important also, you can't really quantify a company's leverage with suppliers but you would want to know about something like this. Qualitative assessments require a degree of professional judgment in terms of what's relevant and what should be discussed or looked into.

CHAPTER -3-

KNOWLEDGE

Phase one

Those who want to start a business off on the right foot need to engage in some:

Careful planning and then take

Some important legal steps

In order to prepare to do success business with the public.

We can be your adviser when needed. And your experts with accumulated provisional . By avoiding, any type of frauds.

Our field in bellow scopes:

- # How Do You Start a Business ?**
- # How to Succeed in Business?**
- # How Investing Successfully ?**
- # Five Reasons is the Perfect Time,**
- # for Real Estate Investing.**
- # Five Ways to Cut Spending.**
- # Tips for buying a business.**
- # Types of Small Business Loans.**

Phase two

We have many approaches to solve business problems.

- 1. Regardless of the size and scope of your organization, customer-centered companies looking to innovate for the modern investment and business, might consider many approaches.**
- 2. Can not succeed without expert team.**
- 3. Importance of Developing Leadership Skills.**
- 4. True Leaders with Truthful Motives.**

We also help you to:

- 5. Select a Financial Advisor for Your Business Venture.**
- 6. Your business team, should be , top in Finance.**

Phase Three

Risks of International Bank Investing for Beginners. (UBS bank as example)

Six Risk Factors:

- 1. Transaction Expenses.**
- 2. Currency Risk.**
- 3. Political Instability.**
- 4. Limited Information.**
- 5. Decreased Liquidity.**
- 6. Fraud Ring.**

Unless you are comfortable with an element of risk and can afford potential losses, reconsider investing internationally. There's no doubt that international investing presents a long line of potential benefits, but the risks are significant. When you're considering potential gains, don't forget to consider potential losses, and account for the additional risks that can augment these losses.

Some clients faced such risks, and breaches, in their secret Account inside UBS bank.Result loosing client funds.

The bank staff, mismanage the, - Fraud Ring – and false Documents. UBS employees accepted such Security breaches, without checking and approving the Submitted false forms .Client became Victim accordingly.

For more, details with evidence can contact:

1) Security Bank Officer, Ref.: 291 736528

UBS AG, CH 8015 Regensdorf, Zurich.

Tel: +41- 44- 842 63 10 &

HQ T el: +41-44- 234 11 11

Email: paul.ledermann@ubs.com

2) dr.hayder@gmail.com

Such fraud, known cases in UBS bank, becomes:

Gambling rather than Investing!!!

See Ref. (3, 4, and 5)

Conclusion

New theory mode can be a guide for the map ways of trading, investing and project of business successful leader.

Theory concluded by Dr.M.S.Hayder :

Learning +Education +Knowledge = Experience.

Accumulated experience is one of the best to invest in human mind, well known, as endless energy.

The combination of such information's can be useful for people which they are seeking to be distinguished in creativity.

For more information Contact : Email.dr.hayder@gmail.com

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Business knowledge before you start a business is critical. All the drive and determination in the world isn't going to help you if you don't have the knowledge to actually run a successful business and don't bother to research and plan for your success appropriately.

Dr.Mehdi Said Hayder , Director General Manager ,for SEAI - Iraq , University lecturer and Consultant Engineer. Organized and Concluded this book , his wide and depth experiences allowed him to be a thinker , and to present such a book to the readers , that will surely give answers to your questions.



This Book

Internationally Distributed

