

# Section 11: Glossary of Terms/ Economic Concepts

## Marketplace for



Educating Emerging Entrepreneurs

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Pages 11-1 to 11-12

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Section 11: Glossary of Terms/Economic Concepts

# Section 11: Glossary of Terms/ Economic Concepts

<b>Accounts Payable:</b>	An unpaid balance of money owed by your business, generally referring to amounts owed for inventory, supplies, and other such ongoing expenses.
<b>Accounts Receivable:</b>	An unpaid balance of money owed to your business by customer accounts.
<b>Action Plan:</b>	A detailed plan used internally, which includes objectives, actions and a budget for the next year.
<b>Advertising:</b>	A paid, on-going mass communication from a business to customers. It communicates messages about a product, service and a company's mass media plans for television, radio, magazines, and newspapers.
<b>Agricultural Diversification:</b>	To add new crops, new livestock or other farm-related businesses to farms or ranches. Examples of these would include cabbage, carrots, bison, elk, a Bed and Breakfast Inn, or a dude ranch.
<b>Agriculture:</b>	Farming/Ranching. The science, art and business of cultivating soil, producing crops, and raising livestock.
<b>Annual Work Plan:</b>	A detailed document which is the result of operational planning. Highlights from this plan are included in the business plan.
<b>Assets:</b>	Any items of value owned; items on the balance sheet that reflect value owned include cash, accounts receivable, notes receivable, property and property rights.
<b>Balance Sheet:</b>	An itemized report which lists assets, liabilities, and owners' equity at a given point in time. The standard balance sheet formula is: $Assets = Liabilities + Owners' Equity$ .
<b>Bankruptcy:</b>	Condition in which a business cannot meet its debt obligations and petitions a federal district court for either reorganization of its debts or liquidation of its assets.
<b>Barter:</b>	The direct trading of goods and services between people without the use of money.
<b>Bottom Line:</b>	The last line of a financial statement used to show net profit or loss.

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<b>Brainstorming:</b>	A creative problem-solving activity that helps create possibilities to address problems or challenges. Thinking of as many and different answers is important and no responses should be questioned during the activity of Brainstorming.
<b>Brand:</b>	A name or symbol that represents a product.
<b>Budget:</b>	An estimate, often itemized, of expected income and expense for a given period in the future.
<b>Business Concept:</b>	A brief but compelling description of why a business exists.
<b>Business Plan:</b>	A document presenting information about the past, present and future of a proposed or existing business venture.
<b>Capital:</b>	Cash and/or material assets, tools, property, or equipment owned or used in a business.
<b>Capital Resources:</b>	Goods made by people and used to produce other goods and services (also called intermediate goods).
<b>Cash Flow:</b>	The movement or flow of cash in and cash out of a business.
<b>Choice:</b>	What someone must make when faced with two or more alternative uses for a resource, also called an economic choice.
<b>Circular Flow:</b>	A model of an economy showing the interactions between households and business firms as they exchange goods and services and resources in markets.
<b>Citizen:</b>	Member of a nation.
<b>Civic:</b>	Of a city or citizen.
<b>Collateral:</b>	The assets pledged to a lender to secure or support a loan.
<b>Common Law Rights:</b>	Common law is law that was developed over centuries and based on custom and judicial opinions, as opposed to legislative acts.
<b>Commerce:</b>	Trade between states or nations.
<b>Competition:</b>	Techniques used by businesses to gain more customers and to earn higher profits.

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<b>Consumer:</b>	The final user of a product or service.
<b>Consumers:</b>	People whose wants are satisfied by using goods and services.
<b>Contract:</b>	A formal agreement or a promise or set of promises between two or more parties that is legally enforceable.
<b>Cooperative:</b>	(Gear your students to the word <b>cooperate</b> to reach their answer.) See Section 7 of the <b>Marketplace for Kids Learning Guide</b> for the definition.
<b>Copyright:</b>	The exclusive right to reproduce, sell, publish, or distribute literary or artistic work; i.e., works of authors, composers, etc. Copyright does not protect the idea itself or the information itself. It protects the form or manner in which the idea or information is proposed.
<b>Corporate Mission:</b>	A broad statement of what business or businesses the company should be in.
<b>Cost of Production:</b>	All resources used in producing goods and services for which owners receive payment.
<b>Counterfeiting:</b>	Copying another's work without permission and passing off the copy as an original. A counterfeit is an imitation, fake or "knock-off."
<b>Culture:</b>	The implied beliefs, norms, values, and customs that define a society. Culture leads to common patterns of behavior. Like countries, businesses can have cultures also.
<b>Currency:</b>	Paper money issued by the government.
<b>Cyberspace:</b>	A link between computers with modems to access the World Wide Web.
<b>Decision Maker:</b>	The individual in a family or business who is ultimately responsible for the final selection of a product or service.
<b>Demand:</b>	A schedule of how much consumers are willing and able to buy at all possible prices during some time period.
<b>Demographics:</b>	The statistical study of population characteristics. Demographics can also refer to a list of objective characteristics about an individual consumer like age, income, occupation, marital status, education, or location.

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<b>Deposit:</b>	To put money in a bank or other financial institution.
<b>Depreciation:</b>	The portion of the cost of tangible operating assets, such as buildings or equipment, recorded as expense for the accounting period; results from spreading out the cost of long-lived assets over several years.
<b>Depression:</b>	A time of economic crisis or bad times in commerce, finance, and industry, characterized by falling prices, restriction of credit, low output and investment, many bankruptcies and a high level of unemployment (many people without jobs). A less severe crisis is usually known as a recession.
<b>Design:</b>	An outline, sketch or plan in the form and structure of a product to be created or constructed.
<b>Distribution:</b>	The supplying of goods and services to retailers and others so that people's needs can be met.
<b>Dividends:</b>	A share of profits paid to stockholders of a corporation.
<b>Division of Labor:</b>	The process whereby workers perform only a single task or very few steps of a major production task, as when working on an assembly line.
<b>Economic Entrepreneurship:</b>	Recognizing an opportunity, marshaling the resources and initiating a venture for economic gain.
<b>Economic Systems:</b>	The way a society organizes the production, consumption and distribution of goods and services.
<b>Economics:</b>	The study of choice and decision-making in a world with limited resources.
<b>Entrepreneur:</b>	One who creates or launches new business ventures, often assuming the risk and management of the business.
	<ul style="list-style-type: none"><li>• <b>Aspiring Entrepreneurs:</b> Those who are attracted to the idea of creating enterprises, including young people.</li><li>• <b>Growth Entrepreneurs:</b> Those who are motivated to develop and expand their businesses that create jobs and wealth.</li><li>• <b>Lifestyle Entrepreneurs:</b> Those who create enterprises to supplement their incomes.</li><li>• <b>Serial Entrepreneurs:</b> Those who go on to create several growth businesses.</li><li>• <b>Social Entrepreneurs:</b> Those who create and grow enterprises or institutions that are primarily for public and community purposes.</li><li>• <b>Survival Entrepreneurs:</b> Those who resort to creating enterprises to supplement their incomes.</li></ul>

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<b>Entrepreneurship:</b>	The human resource that assumes the risk of organizing other productive resources to produce goods and services.  <ul style="list-style-type: none"><li>• <b>Entrepreneurial Communities:</b> Communities where there is significant economic and social entrepreneurial activity and where there is an effective system of entrepreneurship development.</li><li>• <b>Entrepreneurship Development:</b> Refers to the infrastructure of public and private supports that facilitate entrepreneurship.</li></ul>
<b>Equilibrium Price:</b>	The market clearing price at which the quantity demanded by buyers equals the quantity supplied by sellers.
<b>Equity:</b>	The amount of the owners' investment in the business; what remains after total liabilities are subtracted from total assets; also called "net worth."
<b>Establishment:</b>	A single location business unit, which may be independent, called a single-establishment enterprise or owned by a parent enterprise.
<b>Evaluation:</b>	A process to compare different options against specific criteria. Evaluation is helpful in examining options and the value of each.
<b>Expenses:</b>	The outflow or other use of assets by an entity in order to sell goods or services; expenses are subtracted from revenues to determine net income.
<b>Export:</b>	To send and/or sell goods and services outside of one's country.
<b>Factors of Production:</b>	Resources used by businesses to produce goods and services.
<b>Family Business:</b>	A business in which two or more family members have a significant ownership interest and/or participate in the senior management, and where the ownership may be passed on to the next generation.
<b>Function:</b>	The purpose for which something is designed or exists.
<b>Goods:</b>	Objects that can be held or touched that can satisfy people's wants.
<b>Gross Profit:</b>	Net sales (gross sales less returned merchandise, discounts, or other allowances) minus cost of goods sold; also referred to as "Gross Margin."
<b>Home-Based Business:</b>	A business where the primary activity of business or primary operating office is in one's own home.

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<b>Human Resources:</b>	The quantity and quality of human effort directed toward producing goods and services (also called labor).
<b>Import:</b>	To bring in and/or buy goods and services from another country.
<b>Improvements:</b>	To make more useful, or valuable; to make additions, revisions or changes
<b>Incentives:</b>	Factors that motivate and influence the behavior of households and businesses. Prices, profits and losses, act as incentives for participants to take action in a market economy.
<b>Industry:</b>	The manufacturing (making) and selling of a particular type of good or service; for example the auto industry.
<b>Inflation:</b>	Increase in the overall level of prices over an extended period of time.
<b>Infringement:</b>	The act of trespassing or encroaching on the rights of another; disregarding the rights of another.
<b>Innovation:</b>	Introduction of a new idea into the marketplace in the form of a new product or service or an improvement in organization or process. An improved or new concept.
<b>Innovations:</b>	Products or services that are new to both customers and to the business.
<b>Intellectual Property:</b>	Ownership or exclusive rights to processes or other products resulting from intelligent thought, such as trade secrets, copyrights, patents, or trademarks.
<b>Interdependence:</b>	Dependence on others for goods and services; occurs as a result of specialization.
<b>Internet:</b>	It literally means a network of networks. The Internet is comprised of thousands of smaller regional computer networks scattered throughout the globe.
<b>Inventor:</b>	An inventor is someone who thinks of new ideas to make life easier or better through innovative ideas.
<b>Invention:</b>	A new, useful process, machine, improvement, etc., that did not exist previously and that is recognized as the product of some unique intuition or genius, as distinguished from ordinary mechanical skill or craftsmanship.
<b>Inventor's Log:</b>	A written record of an inventor's thoughts, experiments, data, discoveries, lessons learned, and results.
<b>Inventory:</b>	The supply of materials owned and held by a business, including new raw materials, intermediate products/parts, work-in-progress, finished goods (including merchandise purchased for resale), intended for internal consumption or for sale; an asset listed on a business balance sheet.

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<b>Invest:</b>	To commit money or capital in order to gain a financial return; to put one's money into a business or project to make more money.
<b>Investment Clubs:</b>	A group of people who put their money together to make investments. After each member researches different investments, a decision is made upon the investment with a majority vote.
<b>Investment in Capital Resources:</b>	Business purchase of new facility and equipment.
<b>Investment in Human Resources:</b>	Activities that increase the skills and knowledge of workers.
<b>Invoice:</b>	An itemized listing of goods or services sold; given to the buyer for payment purposes, usually detailing costs, discounts, payment terms, freight charges, shipping dates and any other information pertinent to the sale.
<b>Joint Liability:</b>	Where one joint debtor has the right to insist that a co-debtor be joined in the liability. The liability is required to be apportioned among the debtors.
<b>Keystone:</b>	A retailing term referring to doubling the cost of an item of merchandise to determine its retail selling price.
<b>Liabilities:</b>	Short-term and long-term debts owed.
<b>Limited Liability Company:</b>	This is a new form of business entity which is a hybrid between a partnership and a corporation. They are highly flexible, provide limited liability to their members, and avoid double taxation.
<b>Limited Partnership:</b>	A partnership (two or more individuals jointly owning a business) which allows for general partners and limited partners; limited partners are usually financially liable for debts only to the extent of their investment, and have limited or no control over management of the company.
<b>Line of Credit:</b>	A predetermined amount of short-term financing (generally from a bank) available for a business to borrow against on an "as needed" basis and repaid during the specified life of the line.
<b>Manufacture:</b>	To make or process a raw material into a finished product, especially by means of a large-scale industrial operation.
<b>Market:</b>	A segment of a population considered actual or potential buyers; a gathering place for selling and buying.
<b>Market Economy:</b>	An economic system where most goods and services are exchanged through private transactions by private households and businesses. Prices are determined by buyers and sellers making exchanges in private markets.

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<b>Marketing:</b>	The sum of all activities that influence commercial movement (sale) of goods and services from the provider to the consumer.
<b>Markets:</b>	Any setting where buyers and sellers exchange goods, services, resources and currencies.
<b>Merger:</b>	A combination of two or more businesses into one.
<b>Mini-Marketing:</b>	The practice of marketing strategies on individual customers.
<b>Mission Statement:</b>	A written statement, in the broadest terms, describing what the business hopes to do and become.
<b>Money:</b>	A medium of exchange; a good that can be used to buy other goods and services.
<b>Natural Resources:</b>	“Gifts of nature” that are present without human intervention (also called land).
<b>Need:</b>	A specific quantity of a specific good for which an individual would pay any price. These are the goods and services a person must have.
<b>Net Income/Loss:</b>	The result after subtracting all expenses and taxes from total revenue.
<b>Net Profit:</b>	Sales minus variable costs and fixed costs. Net profit is used as a starting point to measure return on investment for specific products or businesses.
<b>Net Worth:</b>	The total assets of a business minus its total liabilities.
<b>Networking:</b>	Making contact with a variety of people in related fields to foster communication with additional contacts or provide information which goes beyond the reason for the initial contact.
<b>Niche Market:</b>	A special segment of a market, often defined in terms of particular buyer characteristics for which a business feels particularly well-suited to target.
<b>Opportunity:</b>	Appropriate time; favorable position or chance.
<b>Opportunity Cost:</b>	The next best alternative that must be given up when a choice is made, not all alternatives, just the next best choice.
<b>Organizational Chart:</b>	A chart diagramming the managerial structure of a business, designating specific areas of responsibility.
<b>Outsourcing:</b>	The buying of parts of a product to be assembled elsewhere or the hiring of independent contractors to assist with business operations.

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<b>Overhead:</b>	The regular ongoing operating expenses of a business, including rent, utilities, upkeep, taxes, administrative salaries; costs not directly associated with the product/service.
<b>Owner's Equity:</b>	The amount owed by the business to the owner.
<b>Partnership:</b>	A legal relationship created by two or more individuals voluntarily associating to carry on as co-owners of a business for profit.
<b>Patent:</b>	A temporary grant issued by the government granting the right to exclude all other people from making, using or selling their inventions for a specified period or time to a individual inventor for his/her invention or process. They are usually only valid in the country in which they are issued. In the United States, utility and plant patents are valid for up to 20 years and design patents are valid for up to 14 years.
<b>Piracy:</b>	The unauthorized use, reproduction or distribution of protected works, products or materials without the permission of the owner or author.
<b>Population:</b>	The largest possible market for a product; the broadest starting point for segmentation strategy.
<b>Price:</b>	The value of a goods or service stated in money terms.
<b>Principal:</b>	The dollar amount originally borrowed or financed on which interest is paid; also referred to as the "face amount" of a loan.
<b>Product:</b>	All of the tangible and intangible features and benefits offered by a business. This can be a physical product or a service offering.
<b>Product Line:</b>	The collection of products or services that a business offers.
<b>Production/Producers:</b>	People who use resources to make goods and services; also called workers.
<b>Productivity:</b>	The ratio of output (goods and services) produced per unit of input (productive resources over a period of time).
<b>Profit:</b>	The financial gain resulting from revenues after all business expenses have been paid.
<b>Proprietorship:</b>	The most common legal form of business ownership; about 85 percent of all small businesses are proprietorships. The liability of the owner is unlimited in this form of ownership.
<b>Public Goods:</b>	Goods and services that are provided by the government. They often are too expensive or not practical to be obtained by individuals.
<b>Public Offering:</b>	A general solicitation for participation in an investment opportunity. Interstate public offerings are supervised by the Securities and Exchange Commission.

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<b>Public Relations:</b>	Methods by which a business seeks to promote a favorable relationship with the public; marketing examples: positive publicity (news story), community event participation, customer service, civic organization membership.
<b>Publicity:</b>	A free promotional tool which communicates product or company information to mass audiences through the media. Publicity media includes newspapers, press magazines, and/or radio. Publicity often begins with a press release by a business.
<b>Resources:</b>	All natural, human and human-made aids to the production of goods and services; also called productive resources.
<b>Revenues:</b>	The earning activities of a business; usually the act of performing a service or selling a product. Revenues result in something of value being received by the business.
<b>Rule of 72:</b>	A rule stating that in order to find the number of years required to double your money at a given interest rate, you divide the doubled amount by 72. The result is the approximate number of years that it will take for your investment to double.
<b>Scarcity:</b>	The condition of not being able to have all the goods and services that we want.
<b>Services:</b>	Activities that can satisfy people's wants.
<b>Shares:</b>	Any of the equal parts into which the stock of a corporation or company is divided.
<b>Short-Term Debt:</b>	Loans that are due within one year.
<b>Shortages:</b>	The situation resulting when the quantity demanded exceeds the quantity supplied of goods, service, or resource.
<b>Simple Interest:</b>	Interest paid only on the original amount, not on the interest accrued.
<b>Social Entrepreneurship:</b>	Recognizing an opportunity, marshaling the resources and initiating a venture for social or community gain.
<b>Sole Proprietorship:</b>	Unincorporated, one-owner business, farm, or professional practice.
<b>Specialization:</b>	The situation in which people produce a narrower range of goods and services than they consume.
<b>Stock Exchange:</b>	A place where stocks, bonds or other securities are bought and sold. Also, an association of stockbrokers who meet to buy and sell stocks and bonds according to fixed regulations. Known as the Stock Exchange in both cases.
<b>Supply:</b>	A schedule of how much producers are willing and able to produce and sell at all possible prices during some time period.

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<b>Supply and Demand:</b>	Supply is the amount of goods available at a given price at any time. Demand is how many consumers desire the goods that are in supply.
<b>Surplus:</b>	A term used when the quantity of goods supplied exceeds the quantity demanded at the existing price.
<b>Target Market:</b>	The specific group of individuals who are chosen as most likely potential customers for the goods/services of a business and to whom the business wishes to appeal.
<b>Tariff:</b>	A tax on imports.
<b>Taxes:</b>	Required payments of money made to governments by households and business firms.  These include: <ul style="list-style-type: none"><li>• <b>Income Taxes:</b> Taxes paid by households and business firms on the income they receive.</li><li>• <b>Property Taxes:</b> Taxes paid by households and businesses on land and buildings.</li><li>• <b>Sales Taxes:</b> Taxes paid on the goods and services people buy.</li></ul>
<b>Telecommuters:</b>	Employees who work for a company by using a computer terminal set up in an employee's home. This terminal is linked, by means of a computer modem, to the company's central computer.
<b>Terms:</b>	The conditions or provisions specified for repaying loans or paying invoices; usually includes the time limits, amounts to be paid, discounts.
<b>Total Revenue:</b>	The total amount of money generated through the sale of a product or service.
<b>Trade:</b>	The business of buying and selling goods and services.
<b>Trade/Exchange:</b>	Trading goods and services with people for other goods and services or for money; when people exchange voluntarily, they expect to be better off as a result.
<b>Trade Name:</b>	The name of your business, registered with the Secretary of State's office, also referred to in some states as "fictitious" or "assumed" name.
<b>Trade-offs:</b>	Giving up one thing to get some of another.
<b>Trade Secrets:</b>	Confidential methods, processes, customer lists, and similar business information which are not of common knowledge.
<b>Trade Shows:</b>	Large events at which different manufacturers, product and service providers set up booths to share information and promote their offerings to potential buyers.

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<b>Trademark:</b>	A symbol that identifies a product; it is officially registered, generally in a Secretary of State's office, and by law grants exclusive use to the owner or manufacturer. A trademark can be almost anything – including a word, color, sound, scent or shape – as long as it is able to identify and distinguish goods and services of one party from another.
<b>Undercapitalization:</b>	Having too little capital (money or other resources easily converted to money) to carry a new venture through early development stages.
<b>Unemployment:</b>	The situation in which people are willing and able to work at current wages but do not have jobs.
<b>United States Copyright Office:</b>	The federal agency responsible for registration of copyrights within the United States. The United States Copyright Office is a part of the Library of Congress.
<b>United States Patent and Trademark Office:</b>	An agency of the United States Department of Commerce that issues patents and registers trademarks.
<b>Value Added Agriculture:</b>	Taking farm products such as wheat, corn or sunflowers and increasing the value by processing into products such as flour or corn meal or by packaging products such as sunflower seeds or birdseed.
<b>Venture Capital:</b>	Money used to finance new or unusual undertakings.
<b>Wages:</b>	The payment for work or services to workers; the money people are paid for their jobs.
<b>Wall Street:</b>	The controlling financial interests of the United States. Wall Street itself is located in New York City.
<b>Want:</b>	Something desired, demanded or required
<b>Warranty:</b>	A promise or representation about goods which is part of the deal and which creates an expectation that the goods will conform to that promise.
<b>Working Capital:</b>	Resources available in a business to cover short-term expenses determined by subtracting current liabilities from current assets.
<b>World Wide Web:</b>	A wide area hyper media information retrieval system which provides computer access to a large universe of documents. The Web provides users with a consistent means to access a variety of information.
<b>Zoning:</b>	The division of an area into zones as to restrict the number and types of buildings and their uses.