BUSINESS WORDS MADE SIMPLE: GLOSSARY A–Z

Plain-language meanings for the business and finance words you'll see in this library and from lenders and investors.

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AT A GLANCE

- This glossary explains the words used across the library, **in a sentence or two each**.
- Where a guide goes deeper, its code is listed so you can read more.
- Don't memorize it. Come back whenever a word stops you.

A–C

Word	What it means	Read more
Accounts payable	Money your business owes to suppliers and others.	M-05
Accounts receivable	Money customers owe your business.	M-05
Angel investor	A person who invests their own money in young companies, usually for ownership.	R-10
Asset	Anything the business owns that has value, like cash, equipment or inventory.	M-05
Balance sheet	A report of what the business owns, what it owes, and what's left for the owners on one date.	M-05
Bootstrapping	Growing a business with your own money and sales instead of outside investment.	R-02
Break-even point	The number of sales where money coming in equals all your costs.	M-08
Burn rate	How much more money goes out than comes in each month.	M-06
Business plan	A written description of what the business does, who it serves and how it will make money.	I-10
Cap table	A list of who owns what share of a company.	R-16
Cash flow	The movement of money in and out of the business over time.	M-06
CDFI	Community development financial institution: a lender focused on underserved communities.	R-05
Churn	The share of customers who stop buying, usually counted each month.	G-03

Word	What it means	Read more
Collateral	Something of value a lender can take if a loan isn't repaid.	R-06
Convertible note	A loan from an investor that later turns into ownership.	R-14
Corporation	A business structure that is legally separate from its owners and can issue shares.	B-01
Customer acquisition cost (CAC)	What you spend on average to win one new customer.	M-09

D–G

Word	What it means	Read more
Data room	A secure online folder of documents investors review.	R-21
Debt	Money you borrow and must pay back, usually with interest.	R-13
Dilution	When your ownership share gets smaller because new shares are issued.	R-16
Due diligence	Investors or buyers checking your business before they invest or buy.	R-20
EBITDA	Your profit before taxes, interest, and accounting adjustments for wear and tear on assets.	X-03
EIN	Employer Identification Number: a US tax ID number for a business.	B-03
Equity	Ownership in a business. Also, the value left for owners after debts.	R-13
Exit	When an owner sells or leaves the business and takes out their value.	X-01
Fixed cost	A cost you pay every month no matter how much you sell.	M-08
Franchise	A business model where others pay to run your business under your brand.	G-05
Grant	Money you don't have to pay back, usually from a government, foundation or company.	R-04
Gross margin	What's left from sales after the direct costs of making them, shown as a percentage.	M-08

I–M

Word	What it means	Read more
Income statement	Another name for a profit and loss statement.	M-04
Interest	The cost of borrowing money, usually a percentage of the loan.	R-06
Inventory	Products or materials you have on hand to sell.	O-09
ITIN	Individual Taxpayer Identification Number: a US tax number for people who can't get a Social Security number.	B-03
KPI	Key performance indicator: a number you track to see how the business is doing.	O-10
Liability	Something the business owes. Also, legal responsibility.	M-05

Word	What it means	Read more
Lifetime value (LTV)	The total money you expect from one customer over the whole time they buy from you.	M-09
Line of credit	A set amount you can borrow, repay and borrow again as needed.	R-07
LLC	Limited liability company: a common business structure that protects owners' personal assets.	B-01
Margin	What's left from a sale after its costs.	M-08
Microloan	A small business loan, often $50,000 or less, usually from a community lender.	R-05
MRR	Monthly recurring revenue: money customers pay you every month on a regular plan.	G-03
MVP	Minimum viable product: the simplest version of a product that works and can be tested.	I-07

N–R

Word	What it means	Read more
Net profit	What's left after all costs, including taxes.	M-04
Operating agreement	The rulebook for how an LLC is owned and run.	B-11
Pitch deck	A short slide presentation about your business for investors.	R-18
Post-money valuation	What a company is worth right after new investment comes in.	R-15
Pre-money valuation	What a company is worth right before new investment comes in.	R-15
Private equity	Firms that invest in businesses that are already working, often buying a large share.	R-12
Profit and loss statement (P&L)	A report of money in, money out and what's left over a period of time.	M-04
Revenue	All the money from sales, before any costs are taken out.	M-04
Revenue-based financing	Funding repaid as a share of your monthly sales.	R-08
Runway	How many months your cash will last at your current spending.	M-06

S–Z

Word	What it means	Read more
SAFE	Simple agreement for future equity: an investment that turns into ownership later.	R-14
SBA loan	A bank loan partly guaranteed by the US Small Business Administration.	R-06
Scale	Growing sales much faster than costs.	G-01
Sole proprietor	A one-owner business that isn't legally separate from the owner.	B-01
Sources and uses	A table showing where money comes from and where it goes.	R-26

Word	What it means	Read more
Term sheet	A summary of the main terms of an investment or loan, before the final documents.	R-17
Traction	Proof that customers want what you sell, like sales, users or growth.	G-03
Unit economics	The money made or lost on each single sale or customer.	M-09
Use of funds	A plan for how investment money will be spent.	R-25
Valuation	What a business is worth.	R-15
Variable cost	A cost that goes up with each sale.	M-08
Venture capital (VC)	Investment from funds that back fast-growing startups for ownership.	R-11
Vesting	Earning your ownership shares over time instead of all at once.	B-10
Working capital	Cash available to run the business day to day.	M-06

Where to go next

- **S-01 Start Here: How to Use This Library**
- **M-04 Reading a Profit and Loss Statement**
- **R-01 The Money Map: Every Way to Fund a Business**

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