



Long Beach Public Library

Common Business Terms and Definitions

Business Plan

A comprehensive planning document which clearly describes the business developmental objective of an existing or proposed business applying for assistance in SBA's 8(a) or lending Programs. The plan outlines what and how and from where the resources needed to accomplish the objective will be obtained and utilized. (www.sba.gov)

Corporation

A legal structure authorized by state law that allows a business to organize as a separate legal entity from its owners. A nonprofit is often referred to as an "artificial legal person," meaning that, like an individual, it can enter into contracts, sue and be sued and do the many other things necessary to carry on a business. One advantage of incorporating is that a corporation's owners (shareholders) are legally shielded from personal liability for the corporation's liabilities and debts (unpaid taxes are often an exception). In theory, a corporation can be organized either for profit-making or nonprofit purposes. Most profit-making corporations are known as C corporations and are taxed separately from their owners, but those organized under subchapter S of the Internal Revenue Code are pass-through tax entities, meaning that all profits are federally taxed on the personal income tax returns of their owners. (www.nolo.com)

Doing Business as (DBA)

A situation in which a business owner operates a company under a name different from his or her real name. When starting a new business that is named in this way, the owner must file a "fictitious name statement" or similar document with the appropriate county or state agency -- for example, the County Clerk or Secretary of State's Office. Putting this document on file enables consumers to discover the names of the business owners, which will be important if a consumer needs to sue the business. It also allows the business owner to conduct transactions in the business' name, such as opening bank accounts and obtaining a taxpayer identification number; and to bring lawsuits under the business' name for business-related debts. Filing a fictitious name statement does not in itself confer trademark protection for the name. (www.nolo.com)

Domain Name

A combination of letters and numbers that identifies a specific computer or website on the Internet. A domain name usually consists of three parts: a generic "top-level" domain such as ".com" or ".gov" that identifies the type of organization; a second level domain such as nolo or yahoo, which identifies the organization, site or individual; and a third level domain such as "www," which is used to identify a particular host server. Domain names have various functions. They can serve as an address (whitehouse.com), as a trademark (amazon.com) or as an expression of free speech (presidentbushsucks.com). A domain name owner can stop another business from using the same name for its business or product only if the domain name is being used as a trademark. In other words, if you use your domain name in connection with the sale of goods or services and consumers associate the domain name with your business, you can stop another business from using it. On the flip side, trademark owners can stop others from using a domain name if it conflicts with their existing trademark. (www.nolo.com)

DUNS (Data Universal Numbering System)

A database maintained by Dun and Bradstreet that is used by the Government to identify each contractor and their location(s). You can obtain a DUNS number at no cost by calling Dun and Bradstreet at 800-333-0505.

E-Commerce

The art and science of selling products and/or services over the Internet. E-commerce may be conducted B2B (business to business) or B2C (business to consumer). But simply put, any Web site that attempts to make a profit is involved in e-commerce. (<http://sbinfocanada.about.com>)

EMPLOYER IDENTIFICATION NUMBER (EIN)

A number obtained by a business from the IRS by filing form SS-4. If you are a sole proprietorship, your EIN is your social security number. (<http://www.isquare.com>)

Entity

An organization, institution or being that has its own existence for legal or tax purposes. An entity is often an organization with an existence separate from its individual members--for example, a corporation, partnership, trust, estate or government agency. The entity is treated like a person; it can function legally, be sued, and make decisions through agents. (www.nolo.com)

Entrepreneur

Someone who is willing to assume the responsibility, risk and rewards of starting and operating a business. (<http://sbinfocanada.about.com>)

Fictitious Business Name

The term "fictitious business name" (or "assumed business name" or "trade name" or "DBA" for "doing business as") is used when a business uses a name that's different from its legal name. For instance, if John O'Toole names his sole proprietorship Turtle's Classic Cars, the name "Turtle's Classic Cars" is a fictitious business name because it does not contain John's last name, "O'Toole". If your business uses a fictitious business name, you'll need to register it with a government agency; in most states, your local county clerk's office. (www.nolo.com)

Forms of Business

The form of business is a business's legal structure. Common forms of business are sole proprietorship, partnership, and corporation. (<http://sbinfocanada.about.com>)

Franchise

A franchise is a form of licensing. The franchiser provides his services through a series of franchisees. There are three (3) basic types of franchises: Distributorships, which grant the right to sell their parent company's product(s) such as auto dealerships (Toyota, Ford, GM, Mercedes, etc). Trademark or brand name licensing, which gives the licensees the right to use the parent company's trademark or brand in conjunction with the operation of their own business i.e. beverages (Coca-Cola) and sport franchises (Miami Dolphins, New York Yankees, etc). Business format franchises, the type most people are familiar with (Subway, Meineke Muffler, and Circle K. Before investing in any franchise, check with the International Franchise Association at 1 800 543 1038 to see if the franchise is a member in good standing. (www.franchise.com and www.isquare.com)

Home Based Business

A home based business is any business where the primary office is located in the owner's home. There are home based businesses of all sizes and types, from automotive shops through medical offices. The beauty of a home based business is that it saves the business owner the cost of renting office space elsewhere, and allows him or her to work at home. (<http://sbinfocanada.about.com>)

Incorporation

A distinct legal entity separate from its owners (shareholders). A business may be incorporated giving it the right to operate under its corporate name in, or incorporated federally, giving it the right to operate under its corporate name. (<http://sbinfocanada.about.com>)

Legal Name

The legal name of a business is the official name of the person or entity that owns a business. If you are the only owner of your business, then its legal name is simply your full name. If your business is a general partnership, and you have a written partnership agreement that gives a name to the partnership, then that name is the legal name of the business. Otherwise, the legal name of a general partnership consists of the last names of the owners. For limited partnerships, LLCs, and corporations, the legal name of the business is the name registered with the state filing office. Your business's legal name will be required on all government forms and applications, and is particularly important to use on your application for a federal employer identification number. (www.nolo.com)

License

A contract giving written permission to use an invention, creative work or trademark. A license provides a way to make money from your invention or creative work without having to manufacture and sell copies yourself. By licensing an invention or work to a company, you get money (often in the form of royalties) in return for allowing the company to use, produce and sell copies of your invention or work in the marketplace. (www.nolo.com)

Limited Liability Company. (LLC)

A relatively new and flexible business ownership structure. Particularly popular with small businesses, the LLC offers its owners the advantage of limited personal liability (like a corporation) and a choice of how the business will be taxed. Partners can choose for the LLC to be taxed as a separate entity (again, like a corporation) or as a partnership-like entity in which profits are passed through to partners and taxed on their personal income tax returns. Although state laws governing creation of LLCs and IRS regulations controlling their federal tax status are still evolving, because of their flexibility LLCs are increasingly regarded as the small business legal entity of choice. (www.nolo.com)

Limited Liability Partnership. (LLP)

A type of partnership recognized in a majority of states that protects a partner from personal liability for negligent acts committed by other partners or by employees not under his or her direct control. Many states restrict this type partnership to professionals, such as lawyers, accountants, architects and healthcare providers. (www.nolo.com)

Limited Partnership

A business structure that allows one or more partners (called limited partners) to enjoy limited personal liability for partnership debts while another partner or partners (called general partners) have unlimited personal liability. The key difference between a general and limited partner concerns management decision making--general partners run the business, and limited partners, who are usually passive investors, are not allowed to make day-to-day business decisions. If they do, they risk being treated as general partners with unlimited personal liability. (www.nolo.com)

Marketing Plan

A marketing plan outlines the specific actions you intend to carry out to interest potential customers and clients in your product and/or service and persuade them to buy the product and/or services you offer. (<http://sbinfocanada.about.com>)

Minority Businesses

The Small Business Administration defines minorities as those who are "socially and economically disadvantaged." The U.S. Code of Federal Regulations (CFR) contains the specific requirements. (www.isquare.com)

Partnership

When used without a qualifier such as "limited" or "limited liability," usually refers to a legal structure called a general partnership. This is a business owned by two or more people (called partners or general partners) who are personally liable for all business debts. To form a partnership, each partner normally contributes money, valuable property or labor in exchange for a partnership share, which reflects the amount contributed. Partnerships are easy to form since no registration is required with any governmental agency to create a partnership (although tax registration and other requirements to conduct business may still apply). (www.nolo.com)

Patent and Trademark Office. (PTO)

An administrative branch of the U.S. Department of Commerce charged with overseeing and implementing the federal laws of patent and trademark. This agency is responsible for examining and issuing all patents and trademarks in the United States. (www.nolo.com)

Professional Corporation

A legal structure authorized by state law for a fairly narrow list of licensed professions, including lawyers, doctors, accountants, many types of higher-level health providers and often architects. Unlike a regular corporation, a professional corporation does not absolve a professional for personal liability for her own negligence or malpractice. The main reason why groups of professions choose this organizational structure is that, unlike a general partnership, owners are not personally liable for the malpractice of other owners. In some states, limited liability partnerships offer this same benefit and may be more desirable for other reasons. (www.nolo.com)

SBC (Small Business Centers)

These 12 GSA centers located throughout the United States can help you tap the multi-billion-dollar GSA "market" for goods and services. Contact a center nearest you. (www.isquare.com)

SBDC

Small Business Development Centers are located throughout the United States and are administered by the SBA. They provide management assistance to entrepreneurs and new business owners. (See locations at <http://www.sba.gov/gopher/Local-Information/Small-Business-Development-Centers/>). (www.isquare.com and www.sba.gov)

SCORE

The Service Corps of Retired Executives is a volunteer management assistance program of the SBA. SCORE volunteers provide one-on-one counseling and workshops and seminars for small businesses. There are hundreds of SCORE offices throughout the United States. (www.isquare.com)

Small Business

A business smaller than a given size as measured by its employment, business receipts, or business assets. The Small Business Act (Act) established SBA to protect the interests of small businesses and to help ensure that a fair and representative share of government contracts are placed with small businesses. The law defines a small business concern as "one that is independently owned and operated and which is not dominant in its field of operation." The law also states that in determining what constitutes a small business, the definition will vary from industry to industry to reflect industry differences accurately. (www.sba.gov)

Small Business Loan

Theoretically, a small business loan is an amount of money borrowed by a small business person to start or run a small business. (<http://sbinfocanada.about.com>)

Sole Proprietorship

The simplest (and most popular) form of business organization. The individual is personally liable for all debts of the business to the full extent of his or her property. On the other hand, the owner has complete control of the business. (www.isquare.com)

Trademark

A word, phrase, logo, symbol, color, sound or smell used by a business to identify a product and distinguish it from those of its competitors. If the business uses the name or logo to identify a service, such as photo copying, it is called a service mark. In practice, the legal protections for trademarks and service marks are identical. (www.nolo.com)

Trade Name

The official name of a business, the one it uses on its letterhead and bank account when not dealing with consumers. (www.nolo.com)