Financing Entrepreneurship Camp Glossary!

Core Money Terms

Cash: Physical, paper money that is usable, transferable in person, lost without replacement, and money that is yours. [1]

Check: A form of delayed money. Checks are paper forms you fill out and give to people as a promise of payment. The funds are taken from your debit account when they "cash" or redeem the check. Checks are specific to you because they are linked to your name and bank account. [1]

Credit: This is borrowed money that needs to be paid back with interest. It is used as a card or online linked to an account like debit, but is money that you pay back later instead of at the time of purchase. However, you make up for this borrowed money by paying for this extra time in interest. Credit cards, unlike debit, have limits to how much borrowed money you are allowed to owe at one time. [1]

Debit: Electronic money, representative of physical money that is yours, that carries the same value. Account is needed to access funds as debit. Often used as a physical card in person or used online as a series of numbers on the front and back of your card that link the card to your debit account. If lost, you can report it and have your card canceled immediately. [1]

Savings: Profits and/or random money that isn't spent and is completely yours. [1]

Business Money Terms

Asset: This business finance key term is anything that has value—whether tangible or intangible—and is owned by the business is considered an asset. Typical items listed as business assets are cash on hand, accounts receivable, buildings, equipment, inventory, and anything else that can be turned into cash. [2]

Cash Flow: Every business needs cash to operate. The business finance term and definition cash flow refers to the amount of operating cash that "flows" through the business and affects the business's liquidity. Cash flow reports reflect activity for a specified period of time, usually one accounting period or one month. Maintaining tight control of cash flow is especially important if your small business is new, since ready cash can be limited until the business begins to grow and produce more working capital. [2[

Debt: When you borrow money from a lender and agree to repay the principal with interest in regular payments for a specified period of time, you're using debt financing. Traditionally, it has been the most common form of funding for small businesses. Debt financing can include borrowing from banks, business credit cards, lines of credit, personal loans, merchant cash advances, and invoice financing. This method creates a debt that must be repaid but lets you maintain sole control of your business.

Expenses: Expenses are any type of cost associated with your business. They can be fixed or variable. [3]

Liability: This business finance key term is a legal obligation to repay or otherwise settle a debt. Liabilities are considered either current (payable within one year or less) or long-term (payable after one year) and are listed on a business's balance sheet. A business's accounts payable, wages, taxes, and accrued expenses are all considered liabilities. [2]

Revenue: Money that you receive from customers in exchange for your product or service. What you earn in revenue is the price of your good or service times the amount you sell. [1]

Business Funding Terms

Angel Investor: An angel investor (also known as a private investor, seed investor or angel funder) is a high-net-worth individual who provides financial backing for small startups or entrepreneurs, typically in exchange for ownership equity in the company. [4]

Bootstrapping: Using your own money to finance the start-up and growth of your small business. Think of it as being your own investor. Once the business is up and running successfully, the business finance term and definition bootstrapping refers to the use of profits earned to reinvest in the business. [2]

Equity Financing / Investment: The act of using investor funds in exchange for a piece or "share" of your business is another way to raise capital. These funds can come from friends, family, angel investors, or venture capitalists. Before deciding to use equity financing to raise the cash necessary for your business, decide how much control you are willing to share when it comes to decision-making and philosophy. Some investors will also want voting rights.

Series Funding: There are individuals hoping to gain funding for their company. As the business becomes increasingly mature, it tends to advance through the funding rounds; it's common for a company to begin with a seed round and continue with A, B and then C funding rounds. The earliest stage of funding a new company comes so early in the process that it is not generally included among the rounds of funding at all. Known as **"pre-seed" funding**, this stage typically refers to the period in which a company's founders are first getting their operations off the ground. **Seed funding** is the first official equity funding stage. It typically represents the first official money that a business venture or enterprise raises. In **Series A** funding, investors are not just looking for great ideas. Rather, they are looking for companies with great ideas as well as a strong strategy for turning that idea into a successful, money-making business. **Series B** rounds are all about taking businesses to the next level, past the development stage. In **Series C** rounds, investors inject capital into the meat of successful businesses, in an effort to receive more than double that amount back. [4]

Term Sheet: A term sheet is a nonbinding agreement that shows the basic terms and conditions of an investment. The term sheet serves as a template and basis for more detailed, legally binding documents. Once the parties involved reach an agreement on the details laid out in the term sheet, a binding agreement or contract that conforms to the term sheet details is drawn up. [4]

Venture Capital: Venture capital (VC) is a form of private equity and a type of financing that investors provide to startup companies and small businesses that are believed to have long-term growth potential. Venture capital generally comes from well-off investors, investment banks, and any other financial institutions. However, it does not always take a monetary form; it can also be provided in the form of technical or managerial expertise. Venture capital is typically allocated to small companies with exceptional growth potential, or to companies that have grown quickly and appear poised to continue to expand. [4]

Sources

1. Mindset & Milestones: A Girl's Guide to Thinking Like An Entrepreneur
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3. https://www.fastcapital360.com/blog/business-finance-terms-and-definitions/
4. https://www.investopedia.com/