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# Glossary



**504 Loan Program**

Includes a loan secured with a senior lien from a private-sector lender covering up to 50% of the project cost, a loan secured with a junior lien from the Certified Development Company (backed by a 100% SBA-guaranteed debenture) covering up to 40% of the cost, and a contribution of at least 15% equity from the business being helped.

**7(a) Loan Guaranty Program**

The 7(a) Loan Guaranty Program is one of SBA's primary lending programs. It provides loans to small businesses unable to secure financing on reasonable terms through normal lending channels. The program operates through private-sector lenders who provide loans which are, in turn, guaranteed by the SBA – the agency has no funds for direct lending or grants.

**Accounts Payable (A/P)**

Expenses incurred and purchases made, but not paid for.

**Accounts Receivable (A/R)**

Sales made but not collected.

**ACH**

Automated Clearing House.

**Amortization Schedule**

A chart or table that breaks out all monthly loan payments into two categories; principal and interest. It also reports the balance due.

**Appraised Value**

The value placed on an item, product or business by an appraiser recognized for expertise in a particular field.

**Asset**

The entire property of a person, association, corporation or estate applicable or subject to the payment of debts.

**C Corporation**

A separate legal entity once it is formed, so it must file its own taxes and be responsible for its dealings. It can have unlimited numbers of shareholders, and those shareholders can be any kind of legal entity. Additionally, since corporations are taxed on their income and shareholders have to claim dividends as taxable income themselves, shareholders of a "C" corporation are double taxed on their dividend income.

**CPA**

Certified Public Accountant.

**Cash Flow**

The movement of money into and out of your business.

**Cash Flow Statement**

An accounting presentation showing how much of the cash generated by the business remains after both expenses (including interest) and principal repayment on financing are paid.

**Certified Development Company**

A non-profit corporation set up to contribute to the economic development of its community.

**Collateral**

Something of value – securities, evidence of deposit or other property – pledged to support the repayment of an obligation.

**Collateral Value**

Value of pledged asset(s) as determined by an appraisal or other methods of valuation. Lenders often discount collateral by a certain percentage.

**Commercial Mortgage**

A loan for a business' real estate. Rates and terms are negotiated and vary.

**Commitment**

When a lender agrees to lend a specific amount, with rates, terms, conditions and covenants... in writing.

**Credit**

Lender's agreement to provide funds or apply money to an account owned by the customer.

**Creditor**

The lender of the funds, to whom someone owes a loan.

**DDA**

Demand Deposit Account.

**Depreciation**

Except for land, assets wear out. The value goes down and can be deducted from your business as an expense. Present values of assets are shown as original cost less depreciation. Market value, or the price you could sell it for, could differ from this figure.

**Draw Down**

The act of obtaining funds from a Line of Credit.

**Equity**

An accounting term used to describe the net investment of owners or stockholders in a business. Under the accounting equation, equity also represents the result of assets less liabilities.

**Financial Statement**

Reports showing the financial condition of a business on a particular date or for a period of time (such as one year). Lenders review the Balance Sheets and Income Statements.

**GAAP**

General Accepted Accounting Principles.

**General Partnerships**

A form of business entity in which two or more co-owners engage in business-for-profit. For the most part, the partners own the business assets together and are personally liable for business debts.

**Guaranty (or Guarantee)**

Agreement by a third party to pay debt if the borrower does not.

**Guarantor**

Guarantor has the same responsibilities as a co-signer. If the loan goes into default and is not paid by the signer(s) of the loan, the guarantor is fully responsible.

**IRA**

Individual Retirement Account.

**IRS**

Internal Revenue Service.

**Joint Venture**

Is a general partnership typically formed to undertake a particular business transaction or project rather than one intended to continue indefinitely. Most often, joint ventures are used in real estate matters where two or more persons undertake to develop a specific piece of real property.

**Lease**

Contract giving a business owner the right to use an asset for a specified period of time. The asset owner is called the lessor and the owner using the property is called the lessee. Can be used for a building, equipment or machinery.

**Leasehold Improvements**

Improving your leased business location, at your own expense.

**Liabilities**

Debt owed by the company, such as bank loans or accounts payable.

**Limited Liability Company (LLC)**

A distinct type of business that offers an alternative to partnerships and corporations, by combining the corporate advantages of limited liability with the partnership advantage of pass-through taxation (earnings are taxed only once).

**Limited Partnership**

One or more "general" partners run the business while "limited" partners contribute capital and share in the profits. General partners remain personally liable for partnership debts and risks while limited partners incur no liability with respect to partnership obligations beyond their capital.

**Line of Credit**

A revolving credit where the funds can be re-used after repayment, usually for short durations.

**Liquid Asset**

Asset that can be turned into cash quickly.

**Marketable Securities**

Stocks or bonds sold on an open market, like the New York Stock Exchange (NYSE), for which there is a readily available sale.

**Maturity**

The date on which a loan becomes due.

**Net Profit**

Money left after all expenses have been paid. Used to pay loans and to grow the company.

**Net Sales**

Revenue or income from sales after returns and allowances are deducted.

**Net Worth**

Assets less liabilities.

**Non-Profit**

A corporation that cannot issue shares and cannot pay dividends. In addition, under the Federal Tax Code Section 501 (c)(3), a non-profit corporation is eligible for certain federal and state tax exemptions and, upon dissolution, must distribute its remaining assets to another non-profit group.

**Prime Rate**

The rate of interest per annum announced by the lender from time to time. Most business owners are charged this rate plus a percentage.

**Ratios**

Ratios are your business' "scores" that come from your Income Statement and Balance Sheet, and Cash Flow Statements.

**S Corporation**

Much like a "C" corporation in that it is also its own legal entity, protects its shareholders from legal liability, and requires a certain amount of yearly maintenance. However, an "S" corporation allows shareholders to claim their share of the corporation's income directly on their personal tax return, avoiding a double tax situation. However, an "S" corporation is generally limited in the amount of shareholders.

**SCORE (Previously known as Service Corps of Retired Executives)**

10,500-member, non-profit volunteer association sponsored by the Small Business Administration (SBA). SCORE matches volunteer business-management counselors with present prospective small business owners in need of expert advice.

**Secured Loan**

Loan secured by collateral (which could be liquidated if the borrower defaults on the loan).

**Small Business Administration (SBA)**

A governmental agency that aids, counsels, assists, and protects the interests of small business concerns, and advocates on their behalf within the government.

**Sole Proprietor**

A sole proprietor is not a separate entity itself. A sole proprietor directly owns the business and is directly responsible for its debts.

**Term**

A loan's maturity, stated in months or years.

**Term Loan**

Loan, given in one lump sum, is provided at the closing. Repayment is monthly.

**Time Loan**

A loan written for a set time period, usually with all principal and interest due at maturity.