Chapter 1Factors of Production: Labour, Capital, Entrepreneurs, Natural Resources, Information Resources. Types of Economic Systems: Command Economies(Communism, Socialism), Market Economies(Input Markets, Output Market, Capitalism), Mixed Market Economies(privatization, deregulation). How Government Influences Business: Government as a Customer, Government as a Competitor, Government as Regulator(Protecting Competition, Protecting Consumers, Achieving Social Goals, Protecting the Environment), Government as Txation Agent, Government as Provider of Incentives, Government as Provider of Essential Services Degrees of Competition: Perfect Competition, Monopolistic Competition, Oligopoly, Monopoly. History of Business in Canada: Early Years, Factory System and Industrial Revolution, Entrepreneurial Era, Production Era, Sales and Marketing Eras, Finance Era, Global Era, Internet Era. Chapter 3 Areas of Social Responsibilty: Toward the Environement(Air Pollution, Water Pollution, Land Pollution[Toxic Waste Disposal, Recycling]), Toward Customers(Rights of Customers, Unfair Pricing, Ethics in Advertising[Truth in Advertising, Advertising of Counterfeit Brands, Stealth (Undercover) Advertising, Morally Objectionable Advertising]), Toward Employees(Legal and Social Commitments[Whistle-Blowers]), Toward Investors(Improper Financial Management, Cheque Kiting, Insider Trading, Misrepresentating of Finances). Chapter 4Forms of Business Ownership: Sole Proprietor(Adv. Freedom, Dis. Unlimited Liability), Partnership(Adv. Grow by adding talent and money, Dis. Unlimited Liability), Corporation(Adv. Limited Liabilty, Dis. Double Taxation or Cost), Co-operative(Adv. Limited Liability/Continuity, Dis. Attracting Equity Investment).Chapter 8Legal Context of Human Resources Management: Equal Opportunity Employment(Anti-Discrimination Laws), Comparable Worth, Sexual Harassment, Employee Safety and Health, Retirement. Chapter 9 Types of Unions: Craft unions, Industrial unions, local unions, national union, international union, independent local union. Union Security: Closed Shop, union shop, agency shop, open shop. Collective Bargaining: Reaching Agreement on Contract's Terms, Contract Issues(Compensation, Benefits, Job Security) Union Tactics: Strike, Picketing, Boycotts, Work Slowdowns. Management Tactics: Lockouts, Strikebreakers, Plant Closures, Contracting Out, Employers' Associations. Chapter 12Productivity Challenge Factors: customers, quality, productivity, profits. Productivity Challenge: Measuring Productivity(labor productivity=gdp/tot workers), Among Global Competitors, Domestic, Manufacturing vs Service, Industry Company. Quality Management: Planning for Quality, Organizing for Quality, Leading for Quality, Controlling for Quality. Tools: Value-Added Analysis Statistical, Process Control(Process Variation, Control Charts), Quality/Cost Studies, Quality Improvement Teams, Benchmarking, Getting Closer to the Customer, ISO 9000 & ISO 14000, Process Re-engineering, Adding Value Through Supply Chains. Productivity and Quality as Competitive Tools: Invest in Innovation and technology, Adopt a Long-Run Perspective, Emphasize Quality of Work Life(Employee Empowerment, Employee Training), Improve the Service Sector. Chapter 13 Data Communication Networks: The Internet, the World Wide Web, Intranets, Extranets. Options for Organization Design: Leaner Organization, More Flexible Operations, Increased Collaboration, Greater Independence of Company and Workplace, Improved Management Processes. User Groups and System Requirements: Managers at Different Levels, Functional Areas and Business Processes. Major Systems by Level: Transaction Processing Systems, Systems for Knowledge Workers and Office Applications(IS Knowledge Workers[Systems analysts and designers, programmers], Operations Personnel (Data Workers)), Knowledge-Level and Office Systems(CAD, CAM), Management Information Systems(MIS), Decision Support Systems(DSS), Executive Support Systems(ESS), Artificial Intelligence(AI) and Expert Systems. Hardware: Input device, CPU, main memory, programs, output devices. Software: Systems programs, application programs, graphical user interface. Control: Privacy and Security. Application Programs: Word Processing, Spreadsheets, Database Management, Graphics. Chapter 1 Who uses Accounting: Business managers, Employees and Unions, Investors and Creditors, Taxing authorities, Government regulatory agencies. Professional Accountants: Chartered Accountants, Certified General Accountants, Certified Management Accountants. Accounting Services: Auditing, Tax Services, Management Consulting Services. Accounting equation: Assets = Liabilities + Owners Equity. Assets: Current Assets(Accounts Receivable, Merchandise Inventory), Fixed Assets, Intangible Assets. Liabilities: Current liabilities, accounts payable, long-term liabilities. Owners capital: Paid-in capital, retained earnings. Income Statements: Revenues, Cost of Goods Sold(Gross profit), Operating expenses(operating income and Net Income). Statement of cash flows: from operations, from investing, from financing. Reporting Standards and Practices: Revenue Recognition, Matching, Full Disclosure. Analyzing Financial Statements: Short-Term Solvency Ratios(Current Ratio[Current assets/current liabilities]), Long-Term Solvency Ratios(Debt-to-Owners-Equity Ratio [Debt/Owners Equity]), Profitability Ratios(Return on Equity[Net Income/Total Owners equity], Earnings per Share[Net income/Number of common shares outstanding]), Activity Ratios(Inventory Turnover Ratio[(cost of goods sold/average inventory)=cost of good sold/(Beginning+ending inventories)/2]). Chapter 15 Providing Value and Satisfaction: Value and Benefits(Value=Benefits/Costs), Value and Utility (time utility, place utility, ownership utility, form utility). Marketing Environments: Political and Legal, Social and Cultural, Technological, Economic, Competitive(Substitute products, Brand competition, international competition). Marketing Mix: Product, Price, Place(Distibution), Promotion. Market Segments: Geographic variables, Demographic variables, Psychographic variables, Product-Use variables. Research Process: Study the current situatiom, select a research method, collect data, Analyze the data, prepare a report. Research Methods: Observation, Surveys, Focus Groups, Experimentation. Influences on Consumer Behaviour: Psychological influences, personal influences, social influences, cultural influences. Consumer Buying Process: Problem/Need Recognition, Information Seeking, Evaluation of Alternatives, Purchase Decisions, Post Purchase Evaluations.Organizational Markets: Industrial Market, Reseller Market, Government and Institutional Market. Organizational Buyers: professional, specialized, expert. Chapter 16 Classifying Goods and Services: Consumer Products(convenience, shopping, specilaty), Industrial Products(expense, capital), Seven-Step Development Process: Product ideas(service ideas), Screening, Concept Testing, Business analysis, prototype development(service process design), product testing and test marketing, commercialization. Product Life Cycle: Introduction, Growth, Maturity, Decline. Extending Product life: Product extension, product adaption, reintroduction. Branding: Brand Equity, Ebusiness and international branding, types of brand names(National brands, licensed brands, private brands.), Brand Loyalty(Trademarks, Patents, and Copyrights)Information and Exchange Values: make them aware, make them knowledgeable, persuade them to like, persuade them to purchase. Promotional Objectives: Communicating Information, Positioning Products, Adding Value, Controlling Sales Volume. Buyer Decision Process: Recognize need for purchase, learn more, Compare products, choose and purchase, evaluate products. Advertising Media: Newspapers, Television, Direct Mail, Radio, Magazines, Outdoor Advertising, Word of Mouth, The Internet, Virtual Advertising. Types of Advertising: Brand, product, advocacy, institutional, retail, co-operative, trade. Advertising Campaign: Indentify audience, establish budget, define objectives of message, select media, evaluate effectiveness. Personal Selling Tasks: Order Processing, Creative Selling, Missionary Selling. Personal Selling Process: Prospecting and Qualifying, Approaching, Presenting and Demonstrating, Handling Objections, Closing, Following Up. Types of sales promotions: coupons, point-of-purchase displays, premiums, trade shows. Global Advertising: Product variations, language differences, cultural receptiveness, image differences.Chapter 17 Price-Setting Tools: Cost-Oriented Pricing(Markup percentage=Markup/sales price), Break-even analysis(break-even point=total fixed costs/(price-variable cost)). Pricing Strategies: Existing Products(Price Leadership), New Products(Price Skimming, Penetration Pricing). Pricing Tactics: Price Lining, Psychological Pricing, Discounting. Distribution of Consumer Products: Direct Distribution, Retail Distribution, Wholesale Distribution, Through Sales agents or brokers, By agents to Consumers and Businesses. Non-direct distribution: Pro(Added value), Con(Markup). Distribution of Business Products: Direct distribution of business products, wholesale distribution of industrial products, wholesale distribution to business retailers. Distribution strategies: exclusive, selective. Wholesaling: Merchant Wholesalers, Agents and Brokers, E-Intermediary. Retailing types: Product Line, Bargain, Non-store, Electronic(Internet based stores, electronic catalogues, electronic storefronts and cybermalls, door-to-door to esales, interactive and video marketing). Types of Warehouses:Public and Private, Storage and Distribution centres. Warehousing Costs: Inventory control, Material handling. Transportation Modes: Trucks, Planes, Railroads, Water Carriers, pipelins. Changes in Transportation: Intermodal, Containerization, Order Fulfillement through ecommerce. Transportation Specialists: Common Carriers, freight forwarder, contract carriers, private carries.Chapter 18 Characteristics of Money: Portability, Divisibilty, Durability, Stability. Functions of Money: Medium of exchange, store of value, unit of account. Financial Institutions: Chartered banks(Services offered[pension, trust, international, financial advice, automated teller machines], Deposits, Loans, Creators of Money), Alternate Banks(Trust Companies, Credit Unions/Caisses Populairs), Specialized lending and savings intermediaries(Life insurance companies, factoring companies, financial corporations, venture capital or development firms, pension funds), investment dealers. Chapter 19 Investment Banking: Advise on timing and financial terms, (underwriting)buying new securities, create distribution network. Stocks: Common Stock(Par Value, Market Value, Book Value, Blue-Chip), Preferred Stock Brokers: Discount Brokers, Online Trading, Full-Service Brokers. Canadian Stock Exchanges: Toronto Stock Exchange(TSX), Canadian Venture Exchange(CDNX). Foreign Exchanges: New York Stock Exchange(NYSE), American Stock Exchange(AMEX), Regional Stock Exchanges. Bonds: Government, Corporate(Registered, Bearer, Secured, Unsecured), Retirement of Bonds (Callable, Sinking Funds, Serial, Convertible). Other Investments Mutual Funds(no-load, load, ethical), Hedge Funds, Commodities(Futures contracts). Stock Options: Call Option, Put Option. Financial Information Services: Stock Quotations, Bond Quotations, Mutual Funds Quotations, Markey Indexes(Dow Jones Industrial Average, S&P 500, S&P/TSX Average, NASDAQ Composite). Stock Orders: Market Order, Limit Buy order, limit sell order, stop order. Lots: Round and Odd lots.Chapter 20 Finance Responsibilities: determine long-term investments, obtaining funds for investments, conducting everyday financial activities, help manage risks. Financial Manager Responsibilities: Cash Flow Management, Financial Control, Financial Planning. Financial Outlays: Short-Term(Operating) Expenditures(Accounts Payable, Accounts Receivable [Credit Policies], Inventories, Working Capital), Long-Term(Capital) Expenditures. Sources of Funds: Short-Term(Trade Credit[Open-book, promissory notes, trade draft/trade acceptance], Secured Loans[collateral, Iventory Loans, Accounts Receivable as Collateral], Unsecured loans[Lines of Credit, Resolving Credit Agreements, Commercial Papers]), Long-Term(Debt Financing[Long Term Loans, Corporate Bonds], Equity Financing[Common Stock, Retained Earnings], Hybrid Financing: Preferred Stock). Risk Management: Identify Risks and Potential losses, Measure the Frequency and Severity of Losses and their Impact, Evaluate Alternatives and Choose Techniques that Will best handle the losses(Risk Avoidance, Risk Control, Risk Retention, Risk Transfer), Implement Risk-Management Program, Monitor Results. Insurable risk criteria: Predictability, Casualty, Unconnectedness, Verifiability. Categories of Business insurance: liability, property, life. Special Insurance: Key Person, Business Continuation Agreements. Chapter 1 command economy: An economic system in which government controls all or most factors of production and makes all or most production decisions. demand and supply schedule: Assessment of the relationships between different levels of demand and supply at different price levels. entrepreneur: An individual who organizes and manages labour, capital, and natural resources to produce goods and services to earn a profit, but who also runs the risk of failure. finance era: The period during the 1980s when there were many mergers and much buying and selling of business enterprises. Industrial Revolution: A major change in goods production that began in England in the mid-eighteenth century and was characterized by a shift to the factory system, mass production, and specialization of labour. information resources: Information such as market forecasts, economic data, and specialized knowledge of employees that is useful to a business and that helps it achieve its goals. input market: Firms buy resources that they need in the production of goods and services. lobbyist: A person hired by a company or an industry to represent its interests to government officials. market economy: An economic system in which individuals control all or most factors of production and make all or most production decisions. marketing era: The period during the 1950s and 1960s when businesses began to identify and meet consumer wants to make a profit. mixed market economy: An economic system with elements of both a command economy and a market economy; in practice, typical of most nations' economies. output market: Firms supply goods and services in response to demand on the part of consumers. private enterprise: An economic system characterized by private property rights, freedom of choice, profits, and competition. production era: The period during the early twentieth century when businesses focused almost exclusively on improving productivity and manufacturing methods. progressive revenue taxes: Taxes levied at a higher rate on higher-income taxpayers and at a lower rate on lower income taxpayers. regressive revenue taxes: Taxes that cause poorer people to pay a higher percentage of income than richer people pay. restrictive taxes: Taxes levied to control certain activities that legislators believe should be controlled. revenue taxes: Taxes whose main purpose is to fund government services and programs. sales era: The period during the 1930s and 1940s when businesses focussed on sales forces, advertising, and keeping products readily available. specialization: The breaking down of complex operations into simple tasks that are easily learned and performed. trade association: An organization dedicated to promoting the interests and assisting the members of a particular industry. Chapter 3 cheque kiting: The illegal practice of writing cheques against money that has not yet arrived at the bank on which the cheque has been written, relying on that money arriving before the cheque clears. insider trading: The use of confidential information to gain from the purchase or sale of stock. organizational stakeholders: Groups, individuals, and organizations that are directly affected by the practices of an organization and that therefore have a stake in its performance. stealth (undercover) advertising: Involves companies paying individuals to extol the virtues of their products, without disclosing that they are paid to do so. Chapter 4 board of directors: A group of individuals elected by a firm's shareholders and charged with overseeing, and taking legal responsibility for, the firm's actions. chief executive officer: The person responsible for the firm's overall performance. co-operative: An incorporated form of business that is organized, owned, and democratically controlled by the people who use its products and services, and whose earnings are distributed on the basis of use of the co-operative rather than level of investment. corporation: A business that is a separate legal entity that is liable for its own debts and whose owners' liability is limited to their investment. dividends: The amount of money, normally a portion of the profits, which is distributed to the shareholders. double taxation: A corporation must pay income taxes on its profits, and then shareholders must also pay personal income taxes on the dividends they receive from the corporation. general partners: Partners who are actively involved in managing the firm and have unlimited liability. general partnership: A type of partnership where all partners are jointly liable for the obligations of the business. limited partners: Partners who don't participate actively in the business and whose liability is limited to the amount they invested in the partnership. limited partnership: A type of partnership with at least one general partner (who has unlimited liability) and one or more limited partners. The limited partners cannot participate in the day-to-day management of the business or they risk the loss of their limited liability status. income trust: The income trust structure involves corporations distributing all or most of their earnings to investors and thereby reduces the corporation's income tax liability. inside directors: Members of a corporation's board of directors who are also full-time employees of the corporation. limited liability: The liability of investors is limited to their personal investments in the corporation. outside directors: Members of a corporation's board of directors who are not also employees of the corporation on a day-to-day basis. private corporation: A business whose stock is held by a small group of individuals and is not usually available for sale to the general public. public corporation: A business whose stock is widely held and available for sale to the general public. Shotgun Clause: A buy-sell provision used by related parties in a business venture which gives an investor within the partnership the right to offer his/her portion to a partner at a specified price. If the partner does not buy the offered interest at this price, the partner must then sell his/her own interest to the offering party at the same specified price. Chapter 8 bona fide occupational requirement: When an employer may choose one applicant over another based on overriding characteristics of the job. comparable worth: A legal idea that aims to pay equal wages for work of equal value. contingent worker: A person who works for an organization on something other than a permanent or full-time basis. equal employment opportunity regulations: Regulations to protect people from unfair or inappropriate discrimination in the workplace. quid pro quo harassment: Form of sexual harassment in which sexual favours are requested in return for job related benefits. Chapter 9 agency shop: All employees for whom the union bargains must pay dues, but they are not required to join the union. bargaining unit: Individuals grouped together for purposes of collective bargaining. certification vote: A vote supervised by a government representative to determine whether a union will be certified. closed shop: An employer can hire only union members. compulsory arbitration: A method of settling a contract dispute in which the union and management are forced to explain their positions to a neutral third party who issues a binding resolution. cost-of-living adjustment (COLA): A contract clause specifying that wages will increase automatically with the rate of inflation. craft unions: Unions organized by crafts or trades; usually composed of skilled workers. decertification: The process by which employees terminate their union's right to represent them. employers' association: A group of companies that get together to plan strategies and exchange information about how to manage their relations with unions. impasse: When, after a series of bargaining sessions, management and labour fail to agree on a new contract or a contract to replace an agreement that is about to expire. independent local union: One not formally affiliated with any labour organization. industrial unions: Unions organized by industry; usually composed of semiskilled and unskilled workers. international union: A union with members in more than one country. local union: The basic unit of union organization. lockout: A tactic of management in which the firm physically denies employees access to the workplace to pressure workers to agree to the company's latest contract offer. mediation: A method of settling a contract dispute in which a neutral third party is asked to hear arguments from both the union and management and offer a suggested resolution. national union: A union with members across Canada. open shop: An employer may hire union or non-union workers. shop steward: A regular employee whoacts as a liaison between union members and supervisors union security: The maintenance of a union's membership so that it can continue to meet the criteria for certification. union shop: An employer can hire nonunionized workers, but they must join the union within a certain period. voluntary arbitration: A method of settling a contract dispute in which the union and management ask a neutral third party to hear their arguments and issue a binding resolution. wage reopener clause: A contract clause that allows wage rates to be renegotiated at preset times during the life of the contract. wildcat strikes: Strikes that are not authorized by the union that occur during the life of a contract. Chapter 12 business process re-engineering: Redesigning of business processes to improve performance, quality, and productivity. competitive product analysis: Process by which a company analyzes a competitor's products to identify desirable improvements. continuous improvement: The ongoing commitment to improve products and processes, step by step, in pursuit of ever increasing customer satisfaction. control chart: A statistical process control method in which results of test sampling of a product are plotted on a diagram that reveals when the process is beginning to depart from normal operating conditions. external failures: Allowing defective products to leave the factory and get into consumers' hands. internal failures: Expenses incurred during production and before bad products leave the plant. ISO 9000: Program certifying that a factory, laboratory, or office has met the quality management standards of the International Organization for Standardization. ISO 14000: Certification program attesting to the fact that a factory, laboratory, or office has improved environmental performance. labour productivity: Partial productivity ratio calculated by dividing gross domestic product by total number of workers. performance quality: The overall degree of quality; how well the features of a product meet consumers' needs and how well the product performs. process: variation Any change in employees, materials, work methods, or equipment that affects output quality. productivity: A measure of efficiency that compares how much is produced with the resources used to produce it. quality: A product's fitness for use in terms of offering the features that consumers want. quality/cost study: A method of improving product quality by assessing a firm's current quality-related costs and identifying areas with the greatest costsaving potential. quality improvement (QI) team: TQM tool in which groups of employees work together to improve quality. quality ownership: The concept that quality belongs to each employee who creates or destroys it in producing a good or service; the idea that all workers must take responsibility for producing a quality product. quality reliability: The consistency of quality from unit to unit of a product. supply chain management (SCM): Principle of looking at the chain as a whole to improve the overall flow through the system. statistical process control (SPC): Statistical analysis techniques that allow managers to analyze variations in production data and to detect when adjustments are needed to create products with high quality reliability. supply chain: Flow of information, materials, and services that starts with raw materials suppliers and continues through other stages in the operations process until the product reaches the end customer. total quality management (TQM): A concept that emphasizes that no defects are tolerable and that all employees are responsible for maintaining quality standards. value-added analysis: The evaluation of all work activities, material flows, and paperwork to determine the value they add for customers. Chapter 14 accounting: A comprehensive system for collecting, analyzing, and communicating financial information. accounting information system (AIS): An organized procedure for identifying, measuring, recording, and retaining financial information so that it can be used in accounting statements and management reports.accounts payable: Amounts due from the firm to its suppliers for goods and/or services purchased on credit; a form of current liability.accounts receivable: Amounts due to the firm from customers who have purchased goods or services on credit; a form of current asset.activity ratios: Measures of how efficiently a firm uses its resources; used by investors to assess their probable returns.asset: Anything of economic value owned by a firm or individual.audit: An accountant's examination of a company's financial records to determine if it used proper procedures to prepare its financial reports.balance sheet: A type of financial statement that summarizes a firm's financial position on a particular date in terms of its assets, liabilities, and owners' equity.bookkeeping: Recording accounting transactions.budget: A detailed financial plan for estimated receipts and expenditures for a period of time in the future, usually one year.certified general accountant(CGA): An individual who has completed an education program and passed a national exam; works in private industry or a CGA firm.certified management accountant(CMA): An individual who has completed auniversity degree, passed a national examination, and completed a strategic leadership program; works in industry and focusses on internal management accounting.chartered accountant (CA): An individual who has met certain experience and education requirements and has passed a licensing examination; acts as an outside accountant for other firms.controller: The individual who manages all the firm's accounting activitiescost of goods sold: Any expenses directly involved in producing or selling a good or service during a given time period.current assets: Cash and other assets that can be converted into cash within a year.current liabilities: Any debts owed by the firm that must be paid within one year.current ratio: A form of liquidity ratio calculated as current assets divided by current liabilities.debt: A company's total liabilities.debt ratios: Measures of a firm's ability to meet its long-term debts; used to analyze the risks of investing in the firm.debt-to-owners'-equity ratio: A form of debt ratio calculated as total liabilities divided by owners' equity.depreciation: Distributing the cost of a major asset over the years in which it produces revenues; calculated by each year subtracting the asset's original value divided by the number of years in its productive life.double-entry accounting system: A bookkeeping system, developed in the fifteenth century and still in use, that requires every transaction to be entered in two ways—how it affects assets and how it affects liabilities and owners' equity— so that the accounting equation is always in balance.earnings per share: A form of profitability ratio calculated as net income divided by the number of common shares outstanding.financial accounting system: The process whereby interested groups are kept informed about the financial condition of a firm.financial statement: Any of several types of broad reports regarding a company's financial status; most often used in reference to balance sheets, income statements, and/or statements of cash flows.fixed assets: Assets that have long-term use or value to the firm such as land, buildings, and machinery.foreign currency exchange rate: What buyers are willing to pay for a given currency.generally accepted accounting principles (GAAP): Standard rules and methods used by accountants in preparing financial reports.goodwill: The amount paid for an existing business beyond the value of its other assets.gross profit (gross margin): A firm's revenues (gross sales) less its cost of goods sold.forensic accountant: An accountant who tracks down hidden funds in business firms, usually as part of a criminal investigation.income (profit-and-loss) statement: A type of financial statement that describes a firm's revenues and expenses and indicates whether the firm has earned a profit or suffered a loss during a given period.intangible assets: Non-physical assets such as patents, trademarks, copyrights, and franchise fees that have economic value but whose precise value is difficult to calculate.inventory turnover ratio: An activity ratio that measures the average number of times inventory is sold and restocked during the year.leverage: Using borrowed funds to make purchases, thus increasing the user's purchasing power, potential rate of return, and risk of loss.liability: Any debt owed by a firm or individual to others.liquidity: The ease and speed with which an asset can be converted to cash; cash is said to be perfectly liquid.liquidity ratios: Measures of a firm's ability to meet its immediate debts; used to analyze the risks of investing in the firm.long-term liabilities: Any debts owed by the firm that are not due for at least one year.managerial (management) accounting: Internal procedures that alert managers to problems and aid them in planning and decision making.management consulting services: Specialized accounting services to help managers resolve a variety of problems in finance, production scheduling, and other areas.merchandise inventory: The cost of merchandise that has been acquired for sale to customers but is still on hand. net income (net profit or net earnings): A firm's gross profit less its operating expenses and income taxes.operating expenses: Costs incurred by a firm other than those included in cost of goods sold.operating income: Compares the gross profit from business operations against operating expenses.owners' equity: Any positive difference between a firm's assets and its liabilities; what would remain for a firm's owners if the company were liquidated, all its assets were sold, and all its debts were paid.paid-in capital: Any additional money invested in the firm by the owners.prepaid expense: Includes supplies on and and rent paid for the period to come.private accountant: An accountant hired as a salaried employee to deal with a company's day-to-day accounting needs.profitability ratios: Measures of a firm's overall financial performance interms of its likely profits; used by investors to assess their probable returns.retained earnings: A company's net profits less any dividend payments to shareholders.return on equity: A form of profitability ratio calculated as net income divided by total owners' equity.revenues: Any monies received by a firm as a result of selling a good or service or from other sources such as interest, rent, and licensing feessolvency ratios: Ratios that estimate the financial risk that is evident in a company.statement of cash flows: A financial statement that describes a firm's generation and use of cash during a given period.Chapter 15 brand competition: Competitive marketing that appeals to consumer perceptions of similar products.consumer behaviour: The study of the process by which customers come to purchase and consume a product or service.consumer goods: Products purchased by individuals for their personal use.data mining: Application of electronic technologies for searching, sifting, and reorganizing data to collect marketing information and target products in the marketplace. data warehousing: Process of collecting, storing, and retrieving data in electronic form.demographic variables Characteristics of populations that may be considered in developing a segmentation strategy. distribution: That part of the marketing mix concerned with getting products from the producer to the buyer, including physical transportation and choice of sales outlets.emotional motives: Those reasons for purchasing a product that involve nonobjective factors.experimentation: A market research technique in which the reactions of similar people are compared under different circumstances. external environment: Outside factors that influence marketing program.focus group: A market research technique involving a small group of people brought together and allowed to discuss selected issues in depth. geographic variables: Geographical units that may be considered in a segmentation strategy.industrial goods: Products purchased by companies to use directly or indirectly to produce other products.industrial market: Businesses that buy goods to be converted into other products that will be sold to ultimate consumers.institutional market: Non-government organizations such as hospitals, churches, and schools.international competition: Competitive marketing of domestic against foreign products.marketing: Planning and executing the development, pricing, promotion, and distribution of ideas, goods, and services to create exchanges that satisfy both buyers' and sellers' objectives. marketing concept: The idea that the whole firm is directed toward serving present and potential customers at a profit.marketing managers: Managers responsible for planning and implementing all the marketing-mix activities that result in the transfer of goods or services to customers. marketing mix: The combination of product, price, place, and promotion strategies used in marketing a product.marketing plan: A detailed strategy for gearing the marketing mix to meet consumer needs and wants.market research: The systematic study of what buyers need and how best to meet those needs.market segmentation: Dividing a market into categories according to traits customers have in common.observation: A market research technique involving viewing or otherwise monitoring consumer buying patterns.price: That part of the marketing mix concerned with choosing the appropriate price for a product to meet the firm's profit objectives and buyers' purchasing objectives. primary data: Information developed through new research by the firm or its agents.product: A good, service, or idea that satisfies buyers' needs and demands. product differentiation: The creation of a product or product image that differs enough from existing products to attract consumers.product-use variables: Consumer characteristics based on the use of a product, benefits expected from it, reasons for purchasing it, and loyalty to it.promotion: Techniques for communicating information about products. psychographic variables: Psychological traits that a group has in common, including motives, attitudes, activities, interests, and opinions. rational motives: Those reasons for purchasing a product that involve a logical evaluation of product attributes such as cost, quality, and usefulness. relationship marketing: A type of marketing that emphasizes lasting relationships with customers and suppliers.reseller market: Intermediaries like wholesalers and retailers who buy finished products and resell them.secondary data: Information already available to market researchers as a result of previous research by the firm or other agencies.services: Intangible products, such as time, expertise, or an activity that can be purchased.substitute product: A product that is dissimilar from those of competitors but that can fulfill the same need.survey: A market research technique based on questioning a representative sample of consumers about purchasing attitudes and practices.target market: Any group of people who have similar wants and needs and may be expected to show interest in the same product(s).utility: Ability of a product to satisfy a human want or need.value: Relative comparison of a product's benefits versus its costs.Chapter 16advertising: Promotional tool consisting of paid, non-personal communication used by an identified sponsor to inform an audience about a product.advertising agency: A firm that specializes in creating and placing advertisements in the media for clients.advertising campaign: The arrangement of ads in selected media to reach target audiences.advertising medium: The specific communication device—television, radio, newspapers, direct mail, magazines, billboards—used to carry a firm's advertising message to potential customers.advocacy advertising: Advertising that promotes a particular viewpoint or candidate. branding: Process of using symbols to communicate the qualities of a product made by a particular producer. brand advertising: Advertising thatpromotes a specific brand-name product. brand equity: Degree of consumers' loyalty to and awareness of a brand and its resultant market share.brand loyalty: Customers' recognition of, preference for, and insistence on buying a product with a certain brand name.capital items: Expensive, long-lasting industrial goods that are used in producing other goods or services and have a long life.closing: In personal sales, the process of asking the customer to buy the product.comparative advertising: An advertising strategy, appropriate to the maturity stage of the product life cycle, in which the goal is to influence the customer to switch from a competitor's similar product to the firm's product by directly comparing the two products.Consumer Packaging and Labelling Act: A federal law that provides comprehensive rules for packaging and labelling of consumer products.convenience goods/services: Relatively inexpensive consumer goods or services that are bought and used rapidly and regularly, causing consumers to spend little time looking for them or comparing their prices.co-operative advertising: Advertising in which a manufacturer together with a retailer or a wholesaler advertise to reach customers. copyright: Exclusive ownership rights granted to creators for the tangible expression of an idea.coupon: A method of sales promotion featuring a certificate that entitles the bearer to stated savings off a product's regular price. creative selling: In personal sales, the use of techniques designed to persuade a customer to buy a product when the benefits of the product are not readily apparent or the item is very expensive.direct mail: Printed advertisements, such as flyers, mailed directly to consumers' homes or places of business. ecommerce: Buying and selling processes that make use of electronic technology. expense items: Relatively inexpensive industrial goods that are consumed rapidly and regularly.features: The qualities, both tangible and intangible, that a company builds into its products.global perspective: Company's approach to directing its marketing toward worldwide rather than local or regional markets.industrial advertising: Advertising by manufacturers designed to reach other manufacturers' professional purchasing agents and managers of firms buying raw materials or components. industrial selling: Selling products to other businesses, either for manufacturing other products or for resale. informative advertising: An advertising strategy, appropriate to the introduction stage of the product life cycle, in which the goal is to make potential customers aware that a product exists. institutional advertising: Advertising that promotes a firm's long-term image, not a specific product. internet marketing: The promotional efforts of companies to sell their products and services to consumers over the internet. label: That part of a product's packaging that identifies the product's name and contents and sometimes its benefits. licensed brands: Selling the right to use a brand name, a celebrity's name, or some other well-known identification mark to another company to use on a product.media mix: The combination of media through which a company chooses to advertise its products.missionary selling: In personal sales, the indirect promotion of a product by offering technical assistance and/or promoting the company's image.national brands: Products distributed by and carrying a name associated with the manufacturer.order processing: In personal sales, the receiving and follow-through on handling and delivery of an order by a salesperson. packaging: The physical container in which a product is sold, including the label.patent: Protects an invention or idea for a period of 20 years. personal selling: Promotional tool in which a salesperson communicates one on-one with potential customers.persuasive advertising: An advertising strategy, appropriate to the growth stage of the product life cycle, in which the goal is to influence the customer to buy the firm's product rather than the similar product of a competitor. point-of-purchase (POP) display;A method of sales promotion in which a product display is so located in a retail store as to encourage consumers to buy the product. premium: A method of sales promotion in which some item is offered free or at a bargain price to customers in return for buying a specified product. private brands: Products promoted by and carrying a name associated with the retailer or wholesaler, not the manufacturer product adaptation: Product modified to have greater appeal in foreign markets. product advertising: A variation on brand advertising that promotes a general type of product or service. product extension: Existing, unmodified product that is marketed globally. product life cycle (PLC): The concept that the profit-producing life of any product goes through a cycle of introduction, growth, maturity (levelling off), and decline. product line: A group of similar products intended for a similar group of buyers who will use them in a similar fashion. product mix: The group of products a company has available for sale. product positioning: The establishment of an easily identifiable image of a product in the minds of consumers.promotion: Any technique designed to sell a product. promotional mix: That portion of marketing concerned with choosing the best combination of advertising, personal selling, sales promotions, and publicity and public relations to sell a product.prospecting: In personal sales, the process of identifying potential customers.publicity: Information about a company that is made available to consumers by the news media; not controlled by the company, but it does not cost the company any money. public relations: Public-service announcements by the company designed to enhance the company's image.pull strategy: A promotional strategy in which a company appeals directly to customers, who demand the product from retailers, which demand the product from wholesalers.push strategy: A promotional strategy in which a company aggressively pushes its product through wholesalers and retailers, which persuade customers to buy it. qualifying: In personal sales, the process of determining whether potential customers have the authority to buy and the ability to pay for a product.reintroduction: Process of reviving for new markets products that are obsolete in older ones. reminder advertising: An advertising strategy, appropriate to the latter part of the maturity stage of the product life cycle, in which the goal is to keep the product's name in the minds of customers. retail advertising: Advertising by retailers designed to reach end-users of a consumer product. retail selling: Selling a consumer product for the buyer's own personal or household use. sales force management: Setting goals at top levels of an organization; setting practical objectives for salespeople; organizing a sales force to meet those objectives; implementing and evaluating the success of a sales plan. sales promotion: Short-term promotional activities designed to stimulate consumer buying or co-operation from distributors and other members of the trade. service package: Identification of the tangible and intangible features that define the service. service process design: Selecting the process, identifying worker requirements, and determining facilities requirements so that the service can be effectively provided.shopping goods/services: Moderately expensive consumer goods or services that are purchased infrequently, causing consumers to spend some time comparing their prices.specialty goods/services: Very expensive consumer goods or services that are purchased rarely, causing consumers to spend a great deal of time locating the exact item desired. speed to market: Strategy of introducing new products to respond quickly to customer and/or market changes.trademark: The exclusive legal right to use a brand name. trade advertising: Advertising by manufacturers designed to reach potential wholesalers and retailers. trade shows: A method of sales promotion in which members of a particular industry gather for displays and product demonstrations designed to sell products to customers. value package: Product marketed as a bundle of value-adding attributes, including reasonable cost. word of mouth: Opinions about the value of products passed among consumers in informal discussions. Chapter 17 bargain retailers Retail outlets that emphasize low prices as a means of attracting consumers. break-even analysis: An assessment of how many units must be sold at a given price before the company begins to make a profit. break-even point: The number of units that must be sold at a given price before the company covers all of its variable and fixed costs. cash discount: A form of discount in which customers paying cash, rather than buying on credit, pay lower prices. catalogue showroom: A bargain retail store in which customers place orders for items described in a catalogue and pick up those items from an on-premises warehouse. category killers: Retailers who carry a deep selection of goods in a narrow product line. channel captain: The channel member that is the most powerful in determining the roles and rewards of organizations involved in a given channel of distribution. channel conflict: Conflict arising when the members of a distribution channel disagree over the roles they should play or the rewards they should receive. common carriers: Transportation companies that transport goods for any firm or individual wishing to make a shipment. containerization: The use of standardized heavy-duty containers in which many items are sealed at the point of shipment and opened only at the final destination. contract carriers: Independent transporters who contract to serve as transporters for industrial customers only. convenience stores: Retail stores that offer high accessibility, extended hours, and fast service on selected items. cybermalls: Collections of virtual storefronts representing diverse products. department stores: Large retail stores that offer a wide variety of high-quality items divided into specialized departments. direct-response retailing: A type of retailing in which firms make direct contact with customers both to inform them about products and to receive sales orders. direct selling: Form of non-store retailing typified by door-to-door sales. discount: Any price reduction offered by the seller to persuade customers to purchase a product. discount houses: Bargain retail stores that offer major items such as televisions and large appliances at discount prices. distribution centre: A warehouse used to provide storage of goods for only short periods before they are shipped to retail stores. distribution channel: The path a product follows from the producer to the end-user. distribution mix: The combination of distribution channels a firm selects to get a product to end-users. direct channel: A distribution channel in which the product travels from the producer to the consumer without passing through any intermediary. drop shipper: A type of wholesaler that does not carry inventory or handle the product. ecatalogues: Non-store retailing that uses the internet to display products and services for both retail shoppers and business customers. e-intermediaries: Internet-based distribution-channel members that collect information about sellers and present it in convenient form to consumers and/or help deliver internet products to consumers. electronic retailing: Non-store retailing in which information about the seller's products and services is provided over the internet, allowing consumers to receive the information and purchase the products in the home. electronic storefront: A seller's website in which consumers collect information about products and buying opportunities, place sales orders, and pay for their purchases. exclusive distribution: A distribution strategy in which a product's distribution is limited to only one wholesaler or retailer in a given geographic area. factory outlets: Bargain retail stores that are owned by the manufacturers whose products they sell. fixed costs: Those costs unaffected by the number of goods or services produced or sold. freight forwarders: Common carriers that lease bulk space from other carriers and resell that space to firms making small shipments. full-service merchant wholesaler: A merchant wholesaler that provides storage and delivery in addition to wholesaling services. hub: Central distribution outlet that controls all or most of a firm's distribution activities. industrial (business) distribution: The network of channel members involved in the flow of manufactured goods to industrial customers. intensive distribution: A distribution strategy in which a product is distributed in nearly every possible outlet, using many channels and channel members. interactive marketing: Selling products and services by allowing customers to interact with multimedia websites using voice, graphics, animation, film clips, and access to live human advice. intermodal transportation: The combined use of different modes of transportation. inventory control: The part of warehouse operations that keeps track of what is on hand and ensures adequate supplies of products in stock at all times. limited-function merchant wholesaler: An independent wholesaler that provides only wholesaling—not warehousing or transportation—services. mail order (catalogue marketing): A form of non-store retailing in which customers place orders for merchandise shown in catalogues and receive their orders via mail. market share: A company's percentage of the total market sales for a specific product. materials handling: The transportation and arrangement of goods within a warehouse and orderly retrieval of goods from inventory. merchant wholesaler: An independent wholesaler that buys and takes legal possession of goods before selling them to customers. multilevel marketing: A system in which a salesperson earns a commission on their own sales and on the sales of any other salespeople they recruit. odd-even psychological pricing: A form of psychological pricing in which prices are not stated in even dollar amounts. order fulfillment: All activities involved in completing a sales transaction, beginning with making the sale and ending with on-time delivery to the customer. penetration-pricing strategy: The decision to price a new product very low to sell the most units possible and to build customer loyalty. physical distribution: Those activities needed to move a product from the manufacturer to the end consumer. price leadership: The dominant firm in the industry establishes product prices and other companies follow suit. price lining: The practice of offering all items in certain categories at a limited number of predetermined price points. price-skimming strategy: The decision to price a new product as high as possible to earn the maximum profit on each unit sold. pricing objectives: Goals that producers hope to attain in pricing products for sale. private carriers: Transportation systems owned by the shipper. private warehouse: A warehouse owned and used by just one company. psychological pricing: The practice of setting prices to take advantage of the nonlogical reactions of consumers to certain types of prices. public warehouse: An independently owned and operated warehouse that stores the goods of many firms. quantity discount: A form of discount in which customers buying large amounts of a product pay lower prices. rack jobber: A full-function merchant wholesaler specializing in non-food merchandise that sets up and maintains display racks of some products in retail stores. retailers: Intermediaries who sell products to end-users. sales agent (or broker): An independent business person who represents a business and receives a commission in return, but never takes legal possession of the product. sales offices: Offices maintained by sellers of industrial goods to provide points of contact with their customers. seasonal discount: A form of discount in which lower prices are offered to customers making a purchase at a time of year when sales are traditionally slow. selective distribution: A distribution strategy that falls between intensive and exclusive distribution, calling for the use of a limited number of outlets for a product. shopping agent (e-agent): A type of intermediary that helps internet consumers by gathering and sorting information they need to make purchases. specialty stores: Small retail stores that carry one line of related products. storage warehouse: A warehouse used to provide storage of goods for extended periods of time. supermarkets: Large retail stores that offer a variety of food and food-related items divided into specialized departments. syndicated selling: Occurs when a website offers other websites a commission for referring customers. telemarketing: Use of the telephone to sell directly to consumers. trade discount: A discount given to firms involved in a product's distribution. unitization: Standardizing the weight and form of materials. variable costs: Those costs that change with the number of goods or services produced or sold. vertical marketing system (VMS): A system in which there is a high degree of coordination among all the units in the distribution channel so that a product moves efficiently from manufacturer to consumer. Video marketing: Selling to consumers by showing products on television that consumers can buy by telephone or mail. warehouse club (wholesale club): Huge, membership-only, combined retail-wholesale operations that sell brand name merchandise. warehousing: That part of the distribution process concerned with storing goods. wholesalers: Intermediaries who sell products to other businesses, which in turn resell them to the end-users. Chapter 18 banker's acceptance: A promise that the bank will pay a specified amount of money at a future date. Bank of Canada: Canada's central bank; formed in 1935. bank rate (rediscount rate): The rate at which chartered banks can borrow from the Bank of Canada. chartered bank: A privately owned, profit-seeking firm that serves individuals, non-business organizations, and businesses as a financial intermediary. chequable deposit: A chequing account cheque: An order instructing the bank to pay a given sum to a specified person or firm. consumer finance company: Makes personal loans to consumers. credit union: Co-operative savings and lending association formed by a group with common interests. currency: Paper money and coins issued by the government. debit card: A plastic card that, immediately on use, reduces the balance in the user's bank account and transfers it to the store's account. demand deposit: Money in chequing accounts; counted as M-1 because such funds may be withdrawn at any time without notice. ecash: Money that moves among consumers and businesses via digital electronic transmissions. electronic funds transfer: A financial service that combines computer and communication technology to transfer funds or information into, from, with, and among financial institutions.factoring company: Buys accounts receivable from a firm for less than their face value, and then collects the face value of the receivables.International Monetary Fund (IMF): A United Nations agency consisting of about 150 nations who have combined resources to promote stable exchange rates, provide temporary short-term loans, and serve other purposes. law of one price: The principle that identical products should sell for the same price in all countries. letter of credit A promise by a bank to pay money to a business firm if certain conditions are met. life insurance company: A mutual or stock company that shares risk with its policyholders for payment of premiums. M-1: Only the most liquid forms of money (currency and demand deposits). M-2: Everything in M-1 plus savings deposits, time deposits, and money market mutual funds. money: Any object generally accepted by people as payment for goods and services money market mutual funds: Funds operated by investment companies that bring together pools of assets from many investors. pension fund: Accumulates money that will be paid out to plan subscribers in the future point-of-sale (POS) terminals: Electronic device that allows customers to pay for retail purchases with debit cards. prime rate of interest: The lowest rate charged to borrowers. reserve requirement: The requirement (until 1991) that banks keep a portion of their chequable deposits in vault cash or as deposits with the Bank of Canada. sales finance company: Specializes in financing instalment purchases made by individuals or firms. smart card: A credit card-sized plastic card with an embedded computer chip thatcan be programmed with "electronic money." term deposit: Money that remains with the bank for a period of time with interest paid to the depositor.time deposit: A deposit that requires prior notice to make a withdrawal; cannot be transferred to others by cheque. trust company: Safeguards funds and estates entrusted to it; may also serve as trustee, transfer agent, and registrar for corporations. trust services: The management of funds left "in the bank's trust." venture capital firm: Provides funds for new or expanding firms thought to have significant potential. World Bank: A United Nations agency that provides a limited scope of financial services, such as funding national improvements in undeveloped countries. Chapter 19 asset allocation: The relative amount of funds invested in (or allocated to) each of several investment alternatives. bearer (coupon) bond: Require bondholders to clip coupons from certificates and send them to the issuer to receive interest payments. bear market: A period of falling stock prices; a period in which investors act on a belief that stock prices will fall. blue-chip stocks: Stocks of well established, financially sound firms. blue-sky laws: Laws regulating how corporations must back up securities. bond: A written promise that the borrower will pay the lender, at a stated future date, the principal plus a stated rate of interest. book value: Value of a common stock expressed as total owners' equity divided by the number of shares of stock. broker: An individual licensed to buy and sell securities for customers in the secondary market; may also provide other financial services. bull market: A period of rising stock prices; a period in which investors act on a belief that stock prices will rise. callable bond; A bond that may be paid off by the issuer before the maturity date. call option: The purchased right to buy a particular stock at a certain price until a specified date. commodities market: Market in which futures contracts are traded. convertible bond: Any bond that offers bondholders the option of accepting common stock instead of cash in repayment. corporate bond: Bond issued by a company as a source of long-term funding. cumulative preferred stock: Preferred stock on which dividends not paid in the past must first be paid up before the firm may pay dividends to common shareholders. primary securities market: The sale and purchase of newly issued stocks and bonds by firms or governments. debentures: Unsecured bonds. diversification: Purchase of several different kinds of investments rather than just one. Dow Jones Industrial Average (DJIA): Market index based on the prices of 30 of the largest firms listed on the NYSE and NASDAQ. ethical funds: Mutual funds that stress socially responsible investing. futures contract: Agreement to purchase specified amounts of a commodity (or stock) at a given price on a set future date. government bond: Bond issued by the federal government. hedge funds: Private pools of money that try to give investors a positive return regardless of stock market performance. insider trading: The use of special knowledge about a firm to make a profit on the stock market. investment banker: Any financial institution engaged in purchasing and reselling new stocks and bonds. limit buy order; An order to a broker to buy a certain security only if its price is less than or equal to a given limit. limit sell order; An order to a broker to sell a certain security only if its price is equal to or greater than a given limit. load fund: A mutual fund in which investors are charged a sales commission when they buy into or sell out of the fund. margin: The percentage of the total sales price that a buyer must put up to place an order for stock or a futures contract. market capitalization: The dollar value (market value) of stocks listed on a stock exchange. market index: A measure of the market value of stocks; provides a summary of price trends in a specific industry or of the stock market as a whole. market order: An order to a broker to buy or sell a certain security at the current market price. market value: The current price of one share of a stock in the secondary securities market; the real value of a stock. municipal bonds: Bonds issued by provincial or local government. mutual fund: Any company that pools the resources of many investors and uses those funds to purchase various types of financial securities, depending on the fund's financial goals. NASDAQ Composite Index;Value weighted market index that includes all NASDAQ-listed companies, both domestic and foreign.National Association of Securities Dealers Automated Quotation (NASDAQ): A stock market implemented by NASD that operates by broadcasting trading information on an intranet to more than 350 000 terminals worldwide. no-load fund: A mutual fund in which investors are not charged a sales commission when they buy into or sell out of the fund. odd lots; The purchase or sale of stock in units other than 100 shares. over-the-counter (OTC) market: Organization of securities dealers formed to trade stock outside the formal institutional setting of the organized stock exchanges. par value: The arbitrary value of a stock set by the issuing company's board of directors and stated on stock certificates; used by accountants but of little significance to investors. program trading: Large purchase or sale of a group of stocks, often triggered by computerized trading programs that can be launched without human supervision or control. prospectus: A detailed registration statement about a new stock filed with a provincial securities exchange; must include any data helpful to a potential buyer. put option: The purchased right to sell a particular stock at a certain price until a specified date. registered bond: The names of holders are registered with the company. round lot; The purchase or sale of stock in units of 100 shares. secondary securities market: The sale and purchase of previously issued stocks and bonds. secured bonds: Bonds issued by borrowers who pledge assets as collateral in the event of nonpayment.securities: Stocks and bonds (which represent a secured-asset-based claim on the part of investors) that can be bought and sold. serial bond: A bond issue in which redemption dates are staggered so that a firm pays off portions of the issue at different predetermined dates. sinking fund provision: A clause in the bond indenture (contract) that requires the issuing company to put enough money into a special bank account each year to cover the retirement of the bond issue on schedule. S&P/TSX index: An average computed from 225 different large Canadian stocks from various industry groups. Standard & Poor's Composite Index (S&P 500): Market index based on the performance of 400 industrial firms, 40 utilities, 40 financial institutions, and 20 transportation companies. stock exchange: A voluntary organization of individuals formed to provide an institutional setting where members can buy and sell stock for themselves and their clients in accordance with the exchange's rules. stock option: The purchased right to buy or sell a stock. stop order; An order to a broker to sell a certain security if its price falls to a certain level or below. Chapter 20bond indenture: Statement of the terms of a corporate bond. business continuation agreement: An agreement in which owners of a business make plans to buy the ownership interest of a deceased associate from his or her heirs.capital structure: Relative mix of a firm's debt and equity financing. cash flow management: Managing the pattern in which cash flows into the firm in the form of revenues and out of the firm in the form of debt payments. collateral: Any asset that a lender has the right to seize if a borrower does not repay a loan. commercial paper: A method of shortrun fundraising in which a firm sells unsecured notes for less than the face value and then repurchases them at the face value within 270 days; buyers' profits are the difference between the original price paid and the face value. credit policy: Rules governing a firm's extension of credit to customers. debt financing: Raising money to meet long-term expenditures by borrowing from outside the company; usually takes the form of long-term loans or the sale of corporate bonds. equity financing: Raising money to meet long-term expenditures by issuing common stock or by retaining earnings. finance (corporate finance): The business function involving decisions about a firm's long-term investments and obtaining the funds to pay for those investments. financial control: The process of checking actual performance against plans to ensure that the desired financial status is achieved. financial managers: Those managers responsible for planning and overseeing the financial resources of a firm. financial plan: A description of how a business will reach some financial position it seeks for the future; includes projections for sources and uses of funds. finished goods inventory: That portion of a firm's inventory consisting of completed goods ready for sale. group life insurance: Life insurance underwritten for a group as a whole rather than for each individual member. inventory: Materials and goods currently held by the company that will be sold within the year. key person insurance: Insurance that protects a company against loss of the talents and skills of key employees liability insurance: Covers losses resulting from damage to people or property when the insured party is judged liable. life insurance: Insurance that pays benefits to survivors of a policyholder. line of credit: A standing agreement between a bank and a firm in which the bank specifies the maximum amount it will make available to the borrower for a shortterm unsecured loan; the borrower can then draw on those funds, when available. open-book credit: Form of trade credit in which sellers ship merchandise on faith that payment will be forthcoming. pledging accounts receivable: Using accounts receivable as collateral for a loan. premiums: Money paid to an insurance company by customers in return for being covered for certain types of losses should they occur. promissory note: Form of trade credit in which buyers sign promise-to-pay agreements before merchandise is shipped. property insurance: Covers injuries to firms resulting from physical damage to or loss of real estate or personal property. pure risk: An event that offers no possibility of gain; it offers only the chance of a loss. raw materials: inventory That portion of a firm's inventory consisting of basic supplies used to manufacture products for sale. revolving credit agreement: A guaranteed line of credit for which the firm pays the bank interest on funds borrowed as well as a fee for extending the line of credit. risk: Uncertainty about future events. risk avoidance: Stopping participation in or refusing to participate in ventures that carry any risk. risk control: Techniques to prevent, minimize, or reduce losses or the consequences of losses. risk management: Conserving a firm's (or an individual's) financial power or assets by minimizing the financial effect of accidental losses. risk retention: The covering of a firm's unavoidable losses with its own funds. risk–return relationship: Shows the amount of risk and the likely rate of return on various financial instruments. risk transfer: The transfer of risk to another individual or firm, often by contract. secured loan: A short-term loan in which the borrower is required to put up collateral. speculative risk: An event that offers the chance for either a gain or a loss. trade acceptance: Trade draft that has been signed by the buyer. trade credit: The granting of credit by a selling firm to a buying firm. trade draft: Form of trade credit in which buyers must sign statements of payment terms attached to merchandise by sellers. unsecured loan: A short-term loan in which the borrower is not required to put up collateral. venture capital: Outside equity financing provided in return for part ownership of the borrowing firm. workers' compensation coverage: Compensation for medical expenses, loss of wages, and rehabilitation services for injuries arising from activities related to occupation. work-in-process inventory: That portion of a firm's inventory consisting of goods partway through the production process.