

### Chapter 4

Nascent Entrepreneurs: people who are trying to start a business from scratch

Small Business: an independently owned and managed business that does not dominate its market

New Venture: recently formed (less than 12 months) commercial org. that provides g+s

Entrepreneurship: a business person

Entrepreneur: a business person who accepts both the risks and opportunities involved in creating and operating a new business venture

Intrapreneurs: people who create something new within an existing large firm/org.

### Chapter 4 LO4

Franchising Agreement: duties/responsibilities of franchisee/er

Sole Proprietorship

Individual ownership

Unlimited liability: creditors can go after personal assets

Tax: profits and losses part of owners taxable situation

General Partnership

2+ partners, unlimited liability

each partner must claim income/loss on their personal income tax

Limited Partnership

1+ general, 1+ limited partners

General: unlimited, Limited: liability limited to their investments

All partners claim tax according to their share in the company, same income status

Corporation

Exists until terminated by act of shareholders

Ownership: Fictional person, shareholders equity

### Chapter 4 LO4 (cont)

Liability: limited to corporation, can be sued

Taxable entity, has own income status

Trust

Ownership: someone other than owners name on title

Liability: depends on status

Profits/losses passed onto whose name its in

### Chapter 5 Key Terms

Protectionism: protecting domestic business at the expense of free market competition

Local-Content Laws: law/regulation governing business practices in given countries

Business-Practice Law: law/regulation governing business practices in given countries

Cartel: any assoc. of producers whose purpose it is to control supply/prices for product

Dumping: selling product for less abroad than in producing nation

General Agreement on Tariffs and Trade

int. trade agreement to encourage multilateral reduction or elimination of trade barriers

World Trade Organization: member nations negotiation through trading agreement and resolve disputes about policies/practices

European Union: Agreement among western european nations to eliminate trade barriers affecting members

North American Free Trade Agreement

gradually eliminate tariffs/barriers among US, CAD, MEX

### Chapter 4: Fit

The Entrepreneur - Opportunity fit

Is the opportunity something the ent. wants to take on?

Realistic self assessment (big five)

Opportunity-Resources Fit

Resources needed to capitalize on the opportunity can be acquired

Entrepreneur-Resources Fit

Does the ent. have the capacity to meet requirements

### Chapter 4 LO2 LO3

Private Sector: the part of the economy that is made up of companies and orgs that are not owned/controlled by govt.

Entrepreneurs must identify an opportunity and access resources

Sales Forecast: an estimate of how much a product or service will be purchased by prospective customers over a specific period

an idea must: create value, competitive advantage, low exit costs, marketable and financially viable

Franchise: an arrangement that gives franchisees (buyers) the right to sell to product of franchiser

Business Plan: document in which entrepreneur summarizes their business strategy for proposed venture + implementation

Bootstrapping: doing more with less

Collateral: assets that a borrower uses to secure a loan/credit and that are subject to seizure by lender if the loan isn't repaid according to the specified terms

Incubators: facilities that support small businesses during their early growth phase by providing basic services/space/advice



### Chapter 5: Key Terms

**Globalization:** process by which the world economy is becoming a single interdependent system

**Import:** product made or grown abroad

**Export:** product made/grown domestically but shipped and sold abroad

**Per-Capita Income:** the average income per person of a country

**BRIC:** four powerful emerging markets Brazil Russia India China

**Absolute Advantage:** ability to produce something more efficiently than any other country

**Comparative Advantage:** ability to produce some products more efficiently than others

**National Competitive Advantage:** International competitive advantage stemming from a combination of factors:

demand conditions; related/supporting industry; firm strategy, structures, rivalry

**International Competitiveness:** competitive marketing of domestic products against foreign products

**Balance of Trade:** the economic value of all the products that a country exports - value of imported products

**Surplus:** a country's imports > exports (positive balance of trade)

**Deficit:** imports < exports (negative balance of trade)

**Balance of Payments:** flow of all money into/out of country

**Exchange Rate:** rate at which currency of one nation can be exchanged for currency of another

**Exporter:** firm that distributes and sells products to one or more foreign countries

**Importer:** firm that buys products in foreign markets and then

**International Firm:** conducts a significant portion of its business in foreign countries

**Multinational Firm:** connected to many nations

### Chapter 5: Key Terms (cont)

**Independent Agent:** firms choose foreign individual to manufacture/market products in another country

**Royalties:** fees to exporter for another country manufacturing their product

**World Product Mandating:** multinational product responsibility to branch

**Foreign Direct Investment (FDI):** buying/establishing tangible assets in another country

**Foreign Investment Review Agency:** est. 1973 to screen foreign invest. to CAN

**Quota:** restriction by one nation on total products of type that can be imported

**Embargo:** gov't order forbidding exports/imports of a particular product

**Tariff:** tax levied on imported products

**Revenue Tariff:** imposed solely to raise money for government that imposes it

**Subsidy:** government payment to help domestic business compete with foreign firms

### Chapter 4: LO4

**Stockholders:** investors who buy shares of ownership in stock

**Board of Directors:** group of individuals elected by a firm's shareholders and charged with overseeing, and taking legal responsibility for the firm's actions

**Inside Directors:** members of a corporations BoD who are also full-time employees

**Outside Directors:** members of a corp. board of directors who are not also employees of the corp. on a day-to-day basis

**CEO:** highest ranking executive in a company/org

**Public Corporation:** business whose stock is widely held by a small group of individuals, not usually available for sale

**Private Corporation:** business whose stock is held by a small group of individuals and not available for sale

### Chapter 4: LO4 (cont)

**Initial Public Offering (IPO):** selling shares of stock in a company for the first time to the public

**Private Equity Firms:** companies that buy publicly traded companies and then make them private

**Income Trust:** structure allowing companies to avoid paying corp. inc. tax if they distribute all/most earnings to investors

**Limited Liability:** investor liability is limited to personal investments in the corp.

courts cannot go after personal assets of investors in the event corp. goes bankrupt

**Stock:** a share of ownership in a corp.

**Double Taxation:** a corp. must pay income taxes on its profits, then shareholders pay personal income tax on dividends from corp.

**Dividends:** the amount of money, normally portion of profit, that is distributed to shareholders

**Co-operative:** org. that is formed to benefit its owners in the form of reduced prices and/or distribution of surpluses at year end