SMALL BUSINESS GLOSSARY

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SMALL BUSINESS GLOSSARY TERMS

https://www.sba.gov/document/support-glossary-business-terms#

Acquisition

The acquiring of supplies or services by the federal government with appropriated funds through purchase or lease.

Affiliates

Business concerns, organizations, or individuals that control each other or that are controlled by a third party. Control may include shared management or ownership; common use of facilities, equipment, and employees; or family interest.

Best and Final Offer

For negotiated procurements, a contractor's final offer following the conclusion of discussions.

Certificate of Competency

A certificate issued by the Small Business Administration (SBA) stating that the holder is "responsible" (in terms of capability, competency, capacity, credit, integrity, perseverance, and tenacity) for the purpose of receiving and performing a specific government contract.

Certified 8(a) Firm

A firm owned and operated by socially and economically disadvantaged individuals and eligible to receive federal contracts under the Small Business Administration's 8(a) Business Development Program.

Contract

A mutually binding legal relationship obligating the seller to furnish supplies or services (including construction) and the buyer to pay for them.

Contracting

Purchasing, renting, leasing, or otherwise obtaining supplies or services from nonfederal sources. Contracting includes the description of supplies and services required, the selection and solicitation of sources, the preparation and award of contracts, and all phases of contract administration. It does not include grants or cooperative agreements.

Contracting Officer

A person with the authority to enter into, administer, and/or terminate contracts and make related determinations and findings.

Contractor Team Arrangement

An arrangement in which (a) two or more companies form a partnership or joint venture to act as potential prime contractor; or (b) an agreement by a potential prime contractor with one or more other companies to have them act as its subcontractors under a specified government contract or acquisition program.

Defense Acquisition Regulatory Council (DARC)

A group composed of representatives from each Military department, the Defense Logistics Agency, and the National Aeronautics and Space Administration and that is in charge of the Federal Acquisition Regulation (FAR) on a joint basis with the Civilian Agency Acquisition Council (CAAC).

Defense Contractor

Any person who enters into a contract with the United States for the production of material or for the performance of services for the national defense.

Electronic Data Interchange

Transmission of information between computers using highly standardized electronic versions of common business documents.

Emerging Small Business

A small business concern whose size is no greater than 50 percent of the numerical size standard applicable to the Standard Industrial Classification code assigned to a contracting opportunity.

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.

Fair and Reasonable Price

A price that is fair to both parties, considering the agreed-upon conditions, promised quality, and timeliness of contract performance. "Fair and reasonable" price is subject to statutory and regulatory limitations.

Federal Acquisition Regulation (FAR)

The body of regulations which is the primary source of authority governing the government procurement process. The FAR, which is published as Chapter 1 of Title 48 of the Code of Federal Regulations, is prepared, issued, and maintained under the joint auspices of the Secretary of Defense, the Administrator of General Services Administration, and the Administrator of the National Aeronautics and Space Administration. Actual responsibility for maintenance and revision of the FAR is vested jointly in the Defense Acquisition Regulatory Council (DARC) and the Civilian Agency Acquisition Council (CAAC).

Full and Open Competition

With respect to a contract action, "full and open" competition means that all responsible sources are permitted to compete.

Intermediary Organization

Organizations that play a fundamental role in encouraging, promoting, and facilitating business-to-business linkages and mentor-protégé partnerships. These can include both nonprofit and for-profit organizations: chambers of commerce; trade associations; local, civic, and community groups; state and local governments; academic institutions; and private corporations.

Joint Venture

In the SBA Mentor-Protégé Program, an agreement between a certified 8(a) firm and a mentor firm to perform a specific federal contract.

Mentor

A business, usually large, or other organization that has created a specialized program to advance strategic relationships with small businesses.

Negotiation

Contracting through the use of either competitive or other-than-competitive proposals and discussions. Any contract awarded without using sealed bidding procedures is a negotiated contract.

Partnering

A mutually beneficial business-to-business relationship based on trust and commitment and that enhances the capabilities of both parties.

Prime Contract

A contract awarded directly by the Federal government.

Protégé

A firm in a developmental stage that aspires to increasing its capabilities through a mutually beneficial business-to-business relationship.

Request for Proposal (RFP)

A document outlining a government agency’s requirements and the criteria for the evaluation of offers.

SCORE

Counselors to America's Small Business is a 12,400-member volunteer association sponsored by the SBA. SCORE matches volunteer business-management counselors with present prospective small business owners in need of expert advice.

Small Business

A business smaller than a given size as measured by its employment, business receipts, or business assets.

Small Business Development Centers (SBDC)

SBDCs offer a broad spectrum of business information and guidance as well as assistance in preparing loan applications.

Small Business Innovative Research (SBIR) Contract

A type of contract designed to foster technological innovation by small businesses with 500 or fewer employees. The SBIR contract program provides for a three-phased approach to research and development projects: technological feasibility and concept development; the primary research effort; and the conversion of the technology to a commercial application.

Small Disadvantaged Business Concern

A small business concern that is at least 51 percent owned by one or more individuals who are both socially and economically disadvantaged. This can include a publicly owned business that has at least 51 percent of its stock unconditionally owned by one or more socially and economically disadvantaged individuals and whose management and daily business is controlled by one or more such individuals.

Standard Industrial Classification (SIC) Code

A code representing a category within the Standard Industrial Classification System administered by the Statistical Policy Division of the U.S. Office of Management and Budget. The system was established to classify all industries in the US economy. A two-digit code designates each major industry group, which is coupled with a second two-digit code representing subcategories.

Subcontract

A contract between a prime contractor and a subcontractor to furnish supplies or services for the performance of a prime contract or subcontract.

Owned by: Office of Business Development

Starting and managing a business shouldn’t feel like decoding a legal dictionary. Our glossary breaks down the essential terms you need to know, from the basics of forming an LLC to the finer points of compliance and asset protection. Whether you’re weighing your options between an S-Corp and a C-Corp or navigating tax jargon, this guide is your go-to resource for clear, jargon-free explanations that make business formation simple. Have a term that’s stumping you? Let us know, and we’ll add it to our list!

Administrative Dissolution: Dissolution of a limited liability company by an act of the state department in charge of business entities, caused by the LLC’s failure to comply with certain statutory requirements.
Amendment: An addition to, deletion from, or a change of existing provisions of the articles of organization or operating agreement of a limited liability company.
Annual Meeting: An annual meeting is the yearly meeting of shareholders, upper management, and directors (or managing members) of a company.
Annual Report: An annual report is a business document filed with the state that gives a short summary of the business’s structure.
Anonymous LLC: An anonymous LLC is a limited liability company (LLC) where the name and contact information of the members and managers are private.
Articles of Incorporation: Legal documents filed with the government to create a corporation.
Articles of Organization: Part of a formal legal document used to establish a limited liability company (LLC) at the state level.
Balance Sheet: A statement that shows the assets and financial obligations of your business.
Business License: A legal document that allows your business to operate in your state.
Business Plan: A written plan that outlines what your business will do, how it will do it, how you will market your product or service, the assets that you already have, any funding that you still need, how the business will be structured, and the financial outlook for your business.
Bylaws: Bylaws are self-imposed rules that constitute an agreement or contract between a corporation and its members to conduct the corporate business in a particular way.
C-Corporation: A business structure in which owners, or shareholders, are taxed separately from the entity.
Capital: Money used to run a business.

Cash Flow: The movement of money into and out of your business. Cash flow can be positive (meaning that you're making more than you spend) or negative (meaning that you're spending more than you make).
Certificate of Formation: A document that allows you to register a limited liability company (LLC) in the state in which it has been filed. This is another common name for the Articles of Incorporation.
Certificate of Insurance: A statement that shows that your business is insured.
Check the Box Rules: The IRS procedure that permits a taxpayer to elect whether the LLC will be taxed as a partnership (or a disregarded entity) or a corporation.
Compliance: The process of following specific rules to ensure a company is a separate entity from its owners and can operate legally and safely.
Compounding: The process of growing an amount of money by reinvesting profits.
Conversion: The process of changing a business entity from one form to another, such as from a sole proprietorship to an LLC.
Corporation: An independent legal and tax entity, separate from the people who own, control, and manage it. The corporation pays taxes on corporate profits, and the corporation's owners pay taxes on money they draw from the corporation.
Demographic: A group of people who share one or more characteristics, such as age, income level, gender identity, or location. Your target demographic is the segment of the market that you want to sell your product or service to.
Depreciation: A measure of how much value an asset has lost over time.
Disregarded Entity: A single-member LLC which, for federal tax purposes, is considered to be an undivided part of the person or entity who owns it.
Dissolution: The process of legally dissolving or terminating a business entity.
Doing Business As (DBA): The operating name of a company, as opposed to the legal name of the company. Some states require DBA or fictitious business name filings to be made for the protection of consumers conducting business with the entity.
Employer Identification Number (EIN): An EIN functions like a Social Security number for your business.
Equity: The total value of a business if you sold it today.
Federal Employer Identification Number (FEIN): A nine-digit federal employer identification number assigned by the IRS to the limited liability company. A single-member limited liability company without employees may use the member’s Social Security number in lieu of an FEIN.

FICO: A company that calculates credit scores for people and businesses.
Fictitious Business Name: A name used by a natural person or entity for conducting business under such a name, which is different from its legal name.
Fiduciary Duty: A legal obligation of one party to act in the best interest of another. In an LLC, members and managers have fiduciary duties to the company and each other.
Foreign Limited Liability Company: A limited liability company organized under the laws of a state other than the state in which it is seeking authority to conduct business and which is using the term in connection with the LLC. It is the opposite of a domestic limited liability company.
Franchise Tax: A tax levied by some states on certain business entities for the privilege of existing as a legal entity and doing business in that state.
HR: Human resources, the part of a business that handles tasks related to hiring, firing, and giving benefits to employees.
Income Statement: A financial statement showing how much your business earned and spent in a given time period.
Incorporate: To obtain an official charter or articles of incorporation from the state for an organization.
Indemnification: Compensating a person for damages or losses they have incurred or will incur related to a specified accident, incident, or event.
Independent Contractor: Someone hired by a business to provide a service who is not an employee of that business.
Joint Venture: A business arrangement where two or more parties agree to pool their resources for a specific task or business activity.
Liability Insurance: Insurance that protects your business if it causes harm to people or property.
Limited Liability Company (LLC): A business structure that separates the finances and liability of the people who own the business from those of the business itself. For instance, if an LLC goes into debt, only the assets of the business can be used to pay it back; the business owner's personal finances would remain separate.
Liquidity: The ability to turn non-cash assets into cash quickly.
Manager: A person, whether or not a member of a manager-managed company, who is vested with authority to manage the affairs of the limited liability company.
Manager-managed company: A limited liability company which is so designated in its articles of organization.
Meeting Minutes: The written record of the proceedings and decisions made during a meeting of the LLC's members or managers.

Member-managed company: A limited liability company other than a manager-managed company.
Members: The holders of ownership interests in a limited liability company.
Membership interest: A member's rights in the limited liability company, including the member's right to receive distributions of the limited liability company's assets.
Operating Agreement: An operating agreement is a key document used by LLCs because it outlines the business' financial and functional decisions including rules, regulations and provisions.
Organizer: One of the signers of the original articles of organization. This person may, but need not be, a member or a manager of the LLC.
Outsourcing: Buying goods or services from another business instead of making these goods or performing these services with your own employees.
Piercing the Corporate Veil: Refers to a special instance where the court holds the shareholder or director of a corporation personally liable for the corporation's debts.
Professional LLC (PLLC): An LLC structure designed for licensed professionals such as doctors, lawyers, and accountants.
Profit Center: A piece of a business that makes and spends money.
Registered Agent: A person who receives official communications from the government on behalf of a business.
Retained Earnings: The profit that's left over after a business pays all of its expenses.
S-Corporation: A corporation that passes its earnings and losses directly to its shareholders, who are then responsible for paying taxes or claiming tax credits accordingly.
SBA: The federal Small Business Administration, which is a government agency focused on helping entrepreneurs.
Secured Loan: A loan that's secured by collateral, which the lender can take if the loan isn't repaid.
Series LLC: A special form of LLC that allows for the creation of multiple series or cells within the same entity, each with its own assets, liabilities, and members.
Shrinkage: The loss of inventory due to theft, fraud, or clerical errors.
Single member LLC: Membership interest
Sole Proprietorship: A business run by one person that is not legally incorporated. This offers a lot of flexibility but also means that there's no separation of finances or liability between the person and their business.
Tax ID Number: An IRS identification number needed before most bank accounts can be opened. For businesses, it's the employer's identification

number (EIN), required of corporations, nonprofit organizations, associations, partnerships, and some LLCs.
Unsecured Loan: A loan that doesn't require collateral.
Venture Capitalist: An investor who helps to fund a promising business in exchange for a share of the company's equity.
Virtual Office: A business address where the business isn't actually physically located. Virtual offices are commonly used by businesses that have entirely remote staffs but still need to be able to receive mail.
Voting Rights: Rights of members to vote their interests pursuant to provisions of the statute and operating agreement.
Winding Up: The discharging of a limited liability company’s liabilities and the distributing of its remaining assets to its members in connection with its dissolution.