

ASSET

A resource with economic value that is bought or created to increase the value of a company or benefit the company's operations.

ASSUMPTIONS

A statement that is presumed to be true without concrete evidence to support it. In the business world, assumptions are used to enable companies to plan and make decisions in the face of uncertainty. For example: "I assume minimum wage won't rise to \$15 an hour; if it does my business couldn't stay operational."

BALANCE SHEET

A financial statement that compares a company's assets to its liabilities and shareholders' equity.

BREAK-EVEN ANALYSIS

A calculation that determines when a business will be able to cover its expenses and begin to make a profit. It considers expenses, cost of goods sold, capital, and sales forecasts.

BUSINESS IDEATION

The process of generating and forming ideas.



CAPITAL

Money, either equity or debt, available to a company.



CASH-FLOW STATEMENT

A financial statement that shows how changes in the balance sheet and income statement affect cash and cash equivalents.

COST OF GOODS SOLD (COGS)

The direct costs attributable to the production of the goods sold by a company. This amount includes the cost of the materials used in creating the good along with the direct labor costs used to produce the good. It excludes indirect expenses such as distribution costs and sales force costs.

EBIT

An indicator of a company's profitability, calculated as revenue minus expenses, excluding tax and interest. Earnings before interest and taxes is also referred to as "operating earnings," "operating profit," and "profit before interest and taxes (PBIT)."

EXECUTIVE SUMMARY

A 1–2-page document that briefly summarizes the business plan. It does this in a way that readers can rapidly become acquainted with the business plan without having to read the entire document.

EXPENSES

These represent fixed costs that a company will need to pay regardless of the amount of product it makes. They include line items like rent, utilities, and more.

FULL BUSINESS PLAN



A traditional business plan that covers every possible aspect of a company's growth. Usually much longer than a Lean Business Plan, these are less common in modern business practices and usually reserved for companies trying to raise significant amounts of money from traditional and more conservative sources of investment.

INCOME STATEMENT

Also known as the profit and loss statement, it reports revenue, gains, expenses, losses, net income, and other totals for a specified period of time.

LEAN BUSINESS PLAN

A 7–10-page document that explains the management of a company's intentions over the next several years. It includes explanations of strategy, tactics, the overall market, and the product or service sold by the company. "Lean" is adapted from the idea of *The Lean Startup* bestseller and means a more concise and precise version of more traditional business plans.

LEAN CANVAS

An adaptation of the popular Business Model Canvas created in *The Lean Startup* spirit (popularized by Eric Ries's bestseller). It promises an actionable and entrepreneur-focused business plan on a single page. It focuses on problems, solutions, key metrics, and competitive advantages.

LIABILITY

A company's financial debt or obligations that arise during the course of its business operations, such as loans, accounts payable, mortgages, deferred revenues, and accrued expenses.

NOPAT

Net operating profit after tax is a company's potential cash earnings if its capitalization were unleveraged — that is, if it had no debt. It is a more accurate look at operating efficiency for leveraged companies, and it does not include the tax savings many companies get because of existing debt.

OPERATING COSTS

The combined expenses and cost of goods sold. They represent all expenses associated with the maintenance and administration of a business on a day-to-day basis.

PEST

An analysis framework that examines the political, economic, social, and technological environments that a Company operates in and how these factors might impact its ability to thrive.

PITCH DECK

A presentation used to explain the business plan to investors, lenders, and to internal stakeholders. It usually includes a request for a specific investment, loan, or resource to grow the business.

PORTER'S FIVE FORCES

A business model, named after Michael E. Porter, that identifies and analyzes five forces that shape every industry: competition, potential of new entrants, power of suppliers, and threat of substitute products.

ROIC

Return on invested capital is a calculation used to assess a company's efficiency at allocating the capital under its control to profitable investments. It gives a sense of how well a company is using its money to generate returns.

SMALL BUSINESS

A small business is an independent business with fewer than 500 employees.



STRATEGIC MARKETING PLAN

A strategic document that describes how the company will position itself in the market and the process by which it will identify, assess, and respond to market opportunities.

SWOT

An analytical framework that identifies an organization's internal capabilities (strengths and weaknesses) and the external factors (opportunities and threats) that could affect the company's performance.