

Accounting

Chapter 1 – Uses of Accounting Information and the Financial Statements

- **Accounting**—information system that measures, processes, and communicates financial information about an identifiable economic entity
- **Financial Accounting**—generates reports and communicates them to external decision makers so that they can evaluate how well the business has achieved its goals
- **Managerial Accounting**—provides internal decision makers who are charged with achieving the goals of profitability and liquidity with information about financing, investing, and operating activities
- **Assets**—economic resources owned by a business that are expected to benefit future operation
 - o Cash, A/R, N/R, Supplies, Land, Equipment, Inventory
- **Liabilities**—present obligations of a business to pay cash, transfer assets, or provide services to other entities in the future
 - o A/P, N/P, W/P, Taxes Payable, Interest Payable, Bonds Payable
- **Owner's Equity**—represents the claims by the owners of a business to the assets of the business
 - o **Contributed Capital**—amount that stockholders invest in the business
 - o **Retained Earnings**—represent the equity of the stockholders generated from the income-producing activities of the business and kept for use in the business
 - **Revenues and Expenses** are increases and decreases in stockholders equity
 - **Net Income**=revenue>expenses
 - **Net Loss**=revenue<expenses
 - **Dividends**—distributions to stockholders of assets generated by past earnings
 - o **Common Stock**
- **ASSETS = LIABILITIES + STOCKHOLDER EQUITY**
- **Income Statement**—summarizes the revenues earned and expenses incurred by a business over a period of time
- **Statement of Retained Earnings**—shows the changes in retained earnings over a period of time
- **Balance Sheet**—shows the financial position of a business on a certain date, usually the end of the month or year
- **Statement of Cash Flows**

Chapter 2 – Recording and Posting Transactions

- **General Ledger**—the book or file that contains all of the company's accounts, arranged in the order of the chart of accounts
- **General Journal**—The simplest and most flexible type of journal
- **Journal**—A chronological record of all transactions; the place where transactions first enter the accounting records

- **Debit**—left side of an account (**Assets, Dividends, Expenses**)
- **Credit**—right side of an account (**Liabilities, Common Stock, Retained Earnings, Revenue**)

Chapter 3 – Measuring Business Income

- **Adjusting Entries**—apply accrual accounting to transactions that span more than one accounting period
 - Costs have been recorded that must be allocated between 2 or more accounting periods
 - Expenses have been incurred but are not yet recorded
 - Revenues have been recorded that must be allocated between two or more accounting periods
 - Revenues have been earned but are not yet recorded
- **Depreciation**—amount allocated to any one accounting period
- **Adjusted Trial Balance**—prepared after the adjusting entries by listing all of the accounts and their balances; helps prepare financial statements
 - **Journal Entries into Journal**
 - **Trial Balance**
 - **Adjusting Entries**
 - **Adjusted Trial Balance**
 - **Close Accounts**
 - **Post-Closing Trial Balance**
 - **Income Statement**
 - **Statement of Retained Earnings**
 - **Balance Sheet**

Chapter 4 – Closing Entries

- **Closing Entry**—journal entries made at the end of an accounting period in order to prepare for the next accounting period and summarize the revenue and expense accounts
- **Permanent Account**—Balance sheet accounts that carry their balances to the next accounting period
- **Temporary Account**—Accounts such as revenues and expenses that start an accounting period with a zero balance
- **Income Summary**—only used during the closing entries and doesn't appear on any financial statements
- **Worksheet**—preliminary step in the preparation of the financial statements

Chapter 5 – Financial Reporting and Analysis

- **Assets**
 - **Current Assets**—cash and other assets that re reasonably expected to be converted to cash, sold, or consumed within one year or within the normal operating cycle of the business, whichever is longer
 - **Investments**—long-term assets that are not used in the normal operation of the business and that management does not plan to convert to cash within the next year
 - **PPE**—tangible long-term assets used in the continuing operation of the business
 - **Intangible Assets**—long-term assets with no physical substance whose value stems from the right or privileges they extend to their owners
- **Liabilities**
 - **Current**—obligations due to be paid or performed within one year or within the normal operating cycle of the business, whichever is longer
 - **Long-Term**—debts of a business that fall due more than one year in the future or beyond the normal operating cycle, which will be paid out of noncurrent assets

Marketing

Chapter 1 – Creating and Delivering Value

- **Marketing Concept**—marketers first identify consumer needs and then provide products that satisfy those needs, ensuring the firm’s long-term profitability

- **Market**—all the consumers who share a common need that can be satisfied by a specific product and who have the resources, willingness, and authority to make the purchase
- **Business-to-Business Marketing**—marketing of goods and services from one organization to another
- **Lifetime Value of a Customer**—how much profit they expect to make from a particular customer, including each and every purchase he or she will make them now and in the future
- **Market Segment**—distinct group of customers within a larger market who are similar to another in some way and whose needs differ from other customers in the larger market
- **Marketing Plan**—document that describes the marketing environment, outlines the marketing objectives and strategy, and identifies who will be responsible for carrying out each part of the marketing strategy
- **Market Position**—how the target perceives the product in comparison to competitor's brands
- **Marketing Mix**—the tools that are used to create a desired response amount a set of predefined consumers
 - **Product**
 - **Price**
 - **Promotion**
 - **Place**
- **TQM**—management effort to involve all employees from the assembly line onward in continuous product quality improvement
- **CRM (Customer Relationship Management)**—philosophy that sees marketing as a process of building long-term relationships with customers to keep them satisfied and to keep them coming back
- **Return on Investment (ROI)**—direct financial impact of a firm's expenditure of a resource such as time or money

Chapter 2 – Strategic Planning and the Marketing Environment

- **Business Planning**—ongoing process of making decisions that guide the firm both in the short term and for the long haul
- **Business Plan**—plan that includes the decisions that guide the entire organization
- **Marketing Plan**—Document that describes the marketing environment, outlines the marketing objectives and strategy, and identifies who will be responsible for carrying out each part of the marketing strategy
- **Strategic Planning**—decision process that matches an organization's resources and capabilities to its market opportunities for long-term growth and survival
- **Operational Planning**—decision process that focuses on developing detailed plans for day-to-day activities that carry out an organization's functional plans
- **Mission Statement**—a formal document that describes the organization's overall purpose and what it hopes to achieve in terms of its customers, products, and resources
- **Monopoly**—One seller controls a market

- **Oligopoly**—Small number of sellers, each holding substantial market share, in a market with many buyers (Airlines)
- **Monopolistic Competition**—a market structure in which many firms, each having slightly different products, offer unique consumer benefits
- **Perfect Competition**—many small sellers, all of whom offer similar products, are unable to have an impact on the quality, price, or supply of a product

Chapter 3 – Think Globally/Act Ethically

- **Social Profit**—benefit an organization and society receive from the organization's ethical practices, community service, efforts to promote cultural diversity, and concern for the natural environment
- **Social responsibility**—management practice in which organizations seek to engage in activities that have a positive effect on society and promote the public good
- **Puffery**—claims made in advertising that can not be proven true or untrue
- **Slotting allowance**—fee paid by a manufacturer to a retailer in exchange for agreeing to place products on the retailers shelves
- **Consumer Bill of Rights**
 - o Right to be safe
 - o Right to be informed
 - o Right to be heard
 - o Right to choose freely
- **Countertrade**—goods are paid for with other items instead of with cash
- **Quota**—limitations on the amount of a product allowed to enter or leave a country
- **Embargo**—extreme quota that prohibits specified foreign good completely
- **Tariffs**—taxes on imported goods
- **Protectionism**—policy adopted by a government to give domestic companies an advantage
- **Gross Domestic Product (GDP)**—total dollar value of goods and services produced by a nation within its borders in a year
- **Gross National Product (GNP)**—value of all goods and services produced by a country's citizens or organizations, whether located within the country's borders or not
- **Standard of Living**—indicator of the average quality and quantity of goods and services consumed in a country
- **Economic Sanctions**—trade prohibitions imposed by one country against another
- **Licensing**—agreement in which one firm gives another firm the right to produce and market its product in a specific country or region in return for royalties
- **Franchising**—form of licensing involving the right to adapt an entire system of doing business

Chapter 4 – Marketing Information and Research

- **Intranet**—internal corporate communication network that uses internet technology to link company departments, employees, and databases

- **Marketing Research**—process of collecting, analyzing, and interpreting data about customers, competitors, and the business environment in order to improve marketing effectiveness
- **Syndicated Research**—research by firms that collect data on a regular basis and sell the reports to multiple firms
- **Secondary Data**—data that have been collected for some purpose other than that problem at hand
- **Validity**—extent to which research actually measures what it was intended to measure
- **Reliability**—extent to which research measurement techniques are free of errors

Chapter 5 – Consumer Behavior

- **Steps in the Decision Making Process**
 - **Problem Recognition**
 - **Information Search**
 - **Evaluation of Alternatives**
 - **Product Choice**
 - **Postpurchase evaluation**

Chapter 6 – Business to Business Markets

- **Reciprocity**—trading partnership in which two firms agree to buy from one another
- **Just-in-Time**—inventory management and purchasing process that manufacturers and resellers use to reduce inventory to very low levels and ensure that deliveries from suppliers arrive only when needed

Chapter 7 – Marketing Strategy

- **Target Marketing Strategy**—dividing the total market into different segments on the basis of customer characteristics, selecting one or more segments, and developing products to meet the needs of those specific segments
- 20% of purchasers account for 80% of the product's sales
- **Differentiated Targeting Strategy**—Developing one or more products for each of several distinct customer groups and making sure these offerings are kept separate in the marketplace
- **Customer Relationship Management (CRM)**—philosophy that sees marketing as a process of building long-term relationships with customers to keep them satisfied and to keep them coming back

Chapter 9 – Managing the Product

- **Product Line**—firm's total product offering designed to satisfy a single need or desire of target customers

- **Total Quality Management (TQM)**—management philosophy that focuses on satisfying customers through empowering employees to be an active part of continuous quality improvement
- **Product Life Cycle**
 - o **Introduction**—No profits
 - o **Growth**—Profits peak
 - o **Maturity**—Sales peak
 - o **Decline**—Profit declines
- **Trademark**—legal term for a brand name, brand mark, or trade character
- **Licensing**—agreement in which one firm sells another firm the right to use a brand name for a specific purpose and for a specific period of time

Chapter 11 – Pricing the Product

- **Elastic Demand**—demand in which changes in price have large effects on the amount demanded
- **Inelastic Demand**—demand in which changes in price have little or no effect on the amount demanded
- **Variable Costs**—costs of production (raw and processed materials, parts, and labor) that are tied to an very depending on the number of units produced
- **Fixed Costs**—costs of production that do not change with the number of units produced
- **Break-Even Point**—The point at which the total revenue and total costs are equal and beyond which the company makes a profit; below that point the firm suffers a loss
- **Marginal Cost**—The increase in total cost that results from producing one additional unit of a product
- **Marginal Revenue**—The increase in total income or revenue that results from selling one additional unit of a product
- **Types of Pricing**
 - o **Skimming**—very high, premium price that a firm charges for its new highly desirable product
 - o **Penetration**—pricing strategy in which a firm introduces a new product at a very low price to encourage more customers to purchase it
 - o **Trial**—Pricing a new product low for a limited period of a time in order to lower the risk for a customer

Chapter 12 – Communicating the Value Proposition

- **Integrated Marketing Communications**—strategic business process that marketers use to plans, develop, execute, and evaluate coordinated, measurable, persuasive brand communication programs over time to targeted audiences
- **Encoding**—Process of translating an idea into a form of communication that will convey meaning
- **Source**—organization or individual that sends a message
- **Message**—communication in physical form that goes from a sender to a receiver

- **Medium**—communication vehicle through which a message is transmitted to a target audience
- **Receiver**—organization or individual that intercepts and interprets the message
- **Decoding**—process by which a receiver assigns meaning to the message
- **Noise**—anything that interferes with effective communication
- **Feedback**—receivers' reactions to the message
- **Promotion Mix**—Personal Selling, Advertising, Sales Promotions, Public Relations
 - **Sales Promotions**—programs designed to build interest in or encourage purchase of a product during a specified time period
 - **Personal Selling**—marketing communication by which a company representative interact directly with a customer or prospective customer to communicate about a good or service
- **Guerrilla Marketing**—marketing activity in which a firm ambushes consumers with promotional content in places they are not expecting to encounter this kind of activity
- **Viral Marketing**—marketing activity in which a company recruits customers to be sales agents and spread the word about the product

Management

Chapter 1 – Introduction to Management

- Organization—deliberate arrangement of people to accomplish some specific purpose

Chapter 2 – Management Yesterday and Today

- **Bureaucracy**—a form of organization characterized by division of labor, a clearly defined hierarchy, detailed rules and regulations, and impersonal relations.
- **Quantitative Approach**—the use of quantitative techniques (statistics, optimization models, information models) to improve decision making
- **System Approach**—set of interrelated and interdependent parts arranged in a manner that produces a unified whole
 - o **Closed**—not influenced by and do not interact with their environment
 - o **Open**—dynamically interact with their environment
- **Contingency Approach**—says that organizations are different, face different situations, and require different ways of managing
- **Entrepreneurship**—process whereby an individual or group of individuals uses organized efforts to pursue opportunities to create value and grow by fulfilling wants and needs through innovation and uniqueness, no matter what resources the entrepreneur currently has
- **E-business**—comprehensive term describing the way an organization does its work by using electronic linkages with its key constituencies in order to efficiently and effectively achieve its goals
- **E-commerce**—the sales and marketing component of e-business
- **Intranet**—internal organizational communication system that uses the Internet technology and is accessible only to organizational employees, to communicate with its global workforce
- **Quality Management**—philosophy of management driven by continual improvement and responding to customer needs and expectations

Chapter 3 – Organizational Culture and the Environment: The Constraints

- **Omnipotent View of Management**—managers are directly responsible for an organization's success or failure
- **Symbolic View of Management**—an organization's success or failure is due to external forces outside managers' control
- **External Environment**—forces and institutions outside the organization that potentially can affect the organization's performance
 - o **Specific Environment**—external forces that have a direct and immediate impact on manager's decisions and actions and directly relevant to the achievement of the organization's goals
 - o **General Environment**—broad economic, political/legal, sociocultural, demographic, technological, and global conditions that *may* affect the organization

Chapter 4 – Managing in a Global Environment

- **Ethnocentric attitude**—the best work approaches and practices are those of the HOME country

- **Polycentric attitude**—managers in the HOST country know the best work approaches
- **Geocentric attitude**—focuses on using the best approaches and people from around the GLOBE
- **NAFTA**—Eliminated barriers to free trade among the North American continent (and Japan)
- **WTO**—helps businesses conduct their business deal with rules of trade among nations
- **Multinational Corporation**—Maintain significant operations in multiple countries but are managed from a base in the home country
- **Transnational Corporation**—Maintains significant operations in more than one country but decentralizes management to the local country
- **Borderless Organization**—Eliminates structural divisions that impose artificial geographical barriers
- **Franchising**—An organization gives another organization the right to use its brand name, technology, or product specifications in return for a lump-sum payment or a fee usually based on sales
- **Joint Venture**—Partners agree to form a separate, independent organization for some business purpose
- **Market Economy**—Resources are primarily owned and controlled by the private sector
- **Command Economy**—All economic decisions are planned by a central government

Chapter 5 – Social Responsibility and Managerial Ethics

- **Classical View**—Management’s only social responsibility is to maximize profits
- **Socioeconomic View**—Management’s social responsibility goes beyond making profits to include protecting and improving society’s welfare
- **Social Obligation**—obligation of a business to meet economic and legal responsibilities
- **Social Responsiveness**—capacity of a firm to adapt to changing societal conditions
- **Social Responsibility**—Business’s obligation, beyond that required by law and economics, to pursue long-term goals that are good for society
- **Utilitarian View of Ethics**—ethical decisions are made solely on the basis of their outcomes or consequences
- **Locus of Control**—personality attribute that reflects the degree to which people believe they control their own fate

Chapter 6 – Decision Making: The Essence of the Manager’s Job

- **Procedure**—series of interrelated sequential steps that a manager can use to respond to a structured problem
- **Rule**—explicit statement that tells a manager what he or she can or cannot do
- **Policy**—a guideline for making a decision

Chapter 7 – Foundations of Planning

- **Plans**—documents that outline how goals are going to be met and that typically describe resource allocations, schedules, and other necessary actions to accomplish the goals
 - **Strategic Plans**—apply to the entire organization, establish the organization’s overall goals, and seek to position the organization in terms of its environment
 - **Operational Plans**—specify the details of how the overall goals are to be achieved
 - **Long-Term**—beyond 3 years
 - **Short-Term**—1 year or less
 - **Specific Plans**—clearly defined and which leave no room for interpretation

Economics

Chapter 1 – What Economics Do

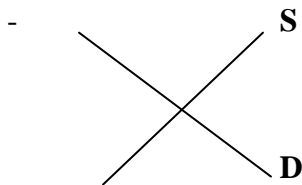
- **Macroeconomics**—study of the national economy and the global economy
- **Microeconomics**—study of the decisions of individual people and businesses and the interaction of those decisions in markets

Chapter 3 – Resources and Wants

- **Scarcity**—condition in which the resources available are insufficient to satisfy people’s want
- **Economics**—the study of choices people make to cope with scarcity
- **Capital**—goods that we have produced and that we can now use to produce other goods and services
- **Entrepreneurship**—resource that organizes labor, land, and capital
- **Production Possibility Frontier**—the boundary between those combinations of goods and services that can be produced and those that cannot
- **Opportunity Cost**—highest valued alternative forgone
- **Marginal Cost**—opportunity cost of producing *one more* unit of a good or service
- **Marginal Benefits**—the benefit that a person receives from consuming one more unit of a good or service
- **Comparative Advantage**—a person can perform the activity at a lower opportunity cost than anyone else

Chapter 4 – Demand and Supply

- **Relative Price**—ratio of one price to another
- **Quantity Demanded**—the amount that consumers plan to buy during a given time period at a particular price
- **Demand**—relationship between the quantity demanded and the price of a good



- **Change in Demand**—The curve shifts to the right (increase) or left (decrease)
- **Change in Quantity Demanded**—a movement along the demand curve
- **Quantity Supplied**—the amount that producers plan to see during a given time period at a particular price
- **Supply**—relationship between the quantity supplied and the price of a good
- **Change in Supply**—any factor that influences selling plans other than the price of the goods changes
- **Change in Quantity Supplied**—a movement along the supply curve
- **Equilibrium**—point at which the supply and demand are equal

Chapter 5 – Price Elasticity of Demand

- **Price Elasticity of Demand**—units free measure of the responsiveness of the quantity demanded of a good to a change in its price when all other influences on buyers' plans remain the same
- **Inelastic**=straight up and down (quantity demanded remains constant) (Basic Needs)
- **Elastic**=Horizontal (Luxury)
- **Elasticity**=1 when it's a perfect parabola

Chapter 6 – Efficiency and Equity

- **Efficient**—when we produce goods and services that people value most highly
- **Marginal Cost**—the opportunity cost of producing *one more* unit of a good or service
- **Consumer Surplus**—value of a good minus the price paid for it
- **Producer Surplus**—price of a good minus the opportunity cost of producing it
- **Public Good**—good or service that is consumed simultaneously by everyone, even if they don't pay for it
- **External Cost**—cost not borne by the producer but borne by other people
- **External Benefit**—benefit that accrues to people other than the buyer of the good
- **Deadweight Loss**—decrease in consumer surplus and producer surplus that results from an inefficient level of production
- **Utilitarianism**—we should strive to achieve the greatest happiness for the greatest number
- **Price Ceiling**—a regulation that makes it illegal to charge a price higher than a specified level

Introduction to Business

- **Stakeholders**—groups or individuals who are impacted in some way by the operations and activities of an organization
 - o **Primary Stakeholders**—employees, stockholders (owners), customers

Chapter 3—Business Law

- **Law**—first and foremost system of social control, concerned with controlling behavior
 - o **Common**—Judges that make decisions on disputes concerning property, contracts, and torts (private wrongs)
 - o **Private**—deals with the relations between individuals, including corporations and the government as a private party in such areas as contracts, agency, torts, corporations, business organizations, and real property
 - o **Public**—Law regulating the relationship between government individuals, including Constitutional law, criminal law, and administrative law
 - o **Civil**—brought to redress some private wrong, such as a personal injury. Usually the person filing this case is seeking money or equitable relief
 - o **Criminal**—consists of that part of the public law in which the government seeks to punish a person for harming public at large
- **Intentional Torts:** battery, assault, false imprisonment, defamation of character, trespassing
- Sources of Law
 - o Constitution
 - o State legislation
 - o Federal legislation
 - o Judicial decisions
- **Sanction** (penalty)—involves what a government or other agency seeks from a person or a business as a result of a legal action
- 2 Major court systems in the United States
 - o Federal court system
 - o State court systems
- Almost all lawsuits begin in a **trial court**
 - o 1 judge
 - o Usually a jury
 - o Determines the facts
 - o Judge applies the law
- Courts then move to the **appellate court** (also called **court of appeals**)
 - o Losing side in the trial court may appeal
 - o Does not take evidence or witnesses
 - o Reviews court records to make sure the trial court correctly applied the law to the facts
 - o Appellate court can reverse decisions made by the trial court
- **Supreme Court**—highest court in the land
- **Arbitration**—alternative dispute system using a 3rd party

- **United Nations**—maintains peace and security in the world, promotes economic and social cooperation among nations and protect human rights
 - **International Court of Justice**—branch of the UN that hears courts by only nations, not businesses or individuals
 - **World Bank**—agency of the UN which exists to make low-interest loans to countries for development of major projects
 - International Monetary Fund—agency of the UN created to promote trade through financial cooperation among member nations
 - **European Union**—Goal is to include single monetary and fiscal policies among member nations, common foreign policies, cooperation in the administration of justice, and uniformity of laws
- **Income tax**—income received by individuals and businesses that is taxed and collected by the **IRS**
 - As income increases, so to does tax rate
- **Property taxes**—taxes assessed on real and personal property
 - **Real Property**—all land and all objects that are permanently attached to the land
 - **Personal Property**—everything that is not real property
- **Payroll taxes**—employer’s share of Social Security taxes and federal and state unemployment taxes. Taxes are paid on wages, salaries, and commissions
- **Sales taxes**—taxes on goods when they are sold and are calculated as a percentage of the sales price
- **Excise taxes**—taxes imposed on specific items such as gas, alcohol, cigarettes, cars
- **Negligence**—failure to act like as a reasonable and prudent person would in a like situation

Chapter 4—Finance

- **Finance**—providing and obtaining money
- **Investments**—investors seek to direct their money to money users in order to meet their financial goals
- **Management**—effective financial decision making
- **Institution**—facilitates financial transactions
- **Securities**—Money users create these, also called bonds
 - These bonds are purchased by money providers
 - **Equity**—these securities are called shares
 - These share (common stock) are purchased by those who become stockholders
- **Risk**—money providers that buys shares (stock) faces risk if there is uncertainty regarding the financial benefits that will be received (common stock is more riskier than a company’s bonds)
- **Defaulting**—missing or delaying a scheduled payment of money to a lender
 - No risk for US issued federal government bonds
- **Regular cash payments**
 - For lenders its called **interest**

- For owners it's called **dividends**
- **Time Value of Money**—Money received sooner can be reinvested to provide additional financial returns
- **Financial Markets**—brings together and offers relevant information to sellers and buyers
 - **NYSE**-New York Stock Exchange
 - **OTC (Over-the-Counter)**—buyers and sellers interact through nationwide computer linkage
 - **Money Market**—mechanism for bringing together buyers and sellers of securities that mature in 1 year or less
 - **Mature**—a security matures when a money user makes the final agreed upon payment to a money provider
 - **Capital Market**—mechanism for bringing together buyers and sellers of securities that mature in more than 1 year
 - **Primary Market**—mechanism for bringing together buyers and sellers of new securities
 - Money user gets money it did not have access to previously
 - A new claim is created
 - **Secondary Market**—mechanism for reselling securities that were earlier sold in primary markets
 - Stock trades in the stock market
- **Liquidity**—ability to quickly convert a security to cash at a price related to its fair market value without high transaction costs
- **Diversification**—method of spreading out, and thereby proportionally reducing, financial risks for both money providers and users
- **Commercial and Savings Bank**—accepts deposits and makes loans to businesses and households
- **Credit Unions**—accepts savings only from, and make loans only to, the household sector
- **Insurance Companies**—Make payments to, or on behalf of, businesses or households when unforeseen events occur such as: theft, flood, fire, or loss of life
- **Stock Brokerage Firms**—Helps households select securities that best meet the investors' savings goals and risk preferences
- **Mutual Funds**—large pool of money that is accumulated through many households' small deposits, and that is invested in a diversified portfolio on which each participating household has a claim
- **Pension Fund**—large pool of money invest by a particular employing organization or labor union on behalf of its workers or members to provide those individuals with income after they retire at some future date
- **Investment Bank**—"Wall Street" firm that helps large companies obtain huge amounts of money, sometimes in the billions of dollars, by selling new securities in the primary market
- **Venture Capital Firm**—provides smaller amounts of money to a start up company that is not yet large enough to deal with the securities markets and investment banking firms

Chapter 5 – Management

- **Management**—process of reaching organizational goals by working with and through people and other organizational resources
- **First Line Manager**—coordinates the work of others and responsible for basic work
- **Middle Line Manager**—coordinates the work of other managers, most vulnerable during a downsizing
- **Top Line Manager**—small group of senior executives responsible for the entire organization
- 4 Functions of Management: Plan, Organize, Lead, Control
- **Effectiveness**—how well management uses organizational resources to reach organizational goals
- **Efficiency**—degree to which organizational are fully used without waste
- **Centralized Decision-Making**—formal authority concentrated in one area or level and top management makes the most important decisions
- **Decentralized Decision-Making**—delegates decision making authority to those down the organizational hierarchy
- **Strategic Planning**—top management creates long range goals which are broad in nature about future goals
- **Tactical Planning**—lower management creating short, detailed range goals about day-to-day operations
- **Mission Statement**—formalized document stating the organizations purpose for existing
- **Division of Labor**—dividing work into separate jobs and assigning tasks to workers
- **Specialization**—subdividing tasks into smaller jobs
- **Departmentalization**—grouping jobs together so that similar or associated tasks can be coordinated
 - **Functional**—based on type of work functions being performed
 - **Product**—organizing according to product or service
 - **Geographic**—based on territory according to location of work being done
 - **Customer**—based on major customer groups
 - **Process**—organized according to major phases of the process used to manufacture projects
- **Line Authority**—relationships between managers and subordinates
- **Staff Authority**—right of managers to advise or assist lower-level managers who possess line authority
- **Functional Authority**—right to give orders within an area of the organization in which that right would normally be nonexistent
- **Legitimate (position) Power**—derived from organizational position which includes the right to decide positive and negative consequences for employee behavior
- **Personal Power**—relationship with others by having extensive content knowledge or from respect the individual aspires
- **Autocratic Leaders**—Prefer to make decisions on their own
- **Participative Leaders**—Share decision making responsibilities with other group members and encourage discussion of issues
- **Free Rein Leaders**—turn over all decision making to subordinates

- **Team Building:** Forming, Storming, Norming, Performing, Adjourning
- **Total Quality Management**—holding all members of an organization accountable of every activity in which they are involved in relation to production or services to customers

Chapter 8 – Risk Management and Insurance

- **Loss**—unintentional decline or disappearance of value due to an event
- **Risk**—the possibility of loss
 - o **Speculative**—the chance of loss and the chance of profit
 - o **Pure**—only the possibility of loss
- **Peril**—the cause of loss
- **Hazards**—conditions that increase the chance of risk
- Risk Control: risk avoidance, loss prevention, loss reduction,
- **Insurance**—device for reducing risk to any one individual by combining a sufficient number of policyholder risks; best for low frequency high severity risks
- **Accidental**—loss that was not expected and couldn't be controlled
- **Actuaries**—experts who gather data and mathematically determine the probability of losses
- **Moral Hazard**—a personal attitude, characteristic, or habit that increases the likelihood of loss
- Insurers overcome underwriting losses by earning return on investments
- Insurance costs increase when the price of the products being insured increases
- Typical Insurance Process: the sale, underwriting, issuing the policy, renewal process, claim process
- **Underwriting**—process by which insurance companies decide which potential customers to insure and the coverage that insured will be offered
- **Renewal**—Renewing the insurance when the policy ends

Law

Chapter 1 – Law as the Foundation of Business

- **Law**—Rules made up and laid down by the state and backed up by enforcement
- **Common Law**—the role of **judges** in the determining of laws and how they apply
- **Civil Law**—relies on legislation rather than judicial decisions for law
- **Public Law**—matters that involve the regulation of society as opposed to individuals interacting
- **Private Law**—legal problems and relationships that exist between individuals
- **Constitutional Law**—Interpretation and application of either the federal or a state constitution
- **Administrative Law**—Legal principles that apply to government agencies, bureaus, boards, and commissions
- **Criminal Law**—legal aspects of crime
- **Property Law**—state’s recognition of an individuals exclusive right in both tangible and intangible resources
- **Contract Law**—agreements to exchange resources can be enforced
- **Tort Law**—Law allows one to recover damages from another for injuries that do not arise from breaches of agreement
- **Substantive Law**—legal relationship of people with other people or between them and the state
- **Procedural Law**—the method and means by which substantive law is made and administered
- **Legislation**—formal written law
- **Statute**—Legislation adopted by Congress or a state legislature
- **Ordinance**—Laws passed by local government
- **Compensatory Damages**—remedy for a breach of contract in which the victim of the breach is made “whole” in an economic sense
- **Negligence**—failure to exercise the degree of care the law requires under the circumstance
- **Tort**—Civil wrong other than a breach of contract committed against persons and their property for which the law gives a right to recover damages
- **Intentional Tort**—assault and battery, false imprisonment, libel, slander

Chapter 3 – The Court System

- **Personnel**
 - **Judges and Justices**
 - **Jurors**
 - **Lawyers**
- **Organization**
 - **State Court**
 - **Trial Courts**—parties file their lawsuits or complaints seeking to protect property rights or redress a wrongdoing
 - **Appellate Court**—a court in which a party is entitled to one review of a trial court to review and decide whether or not the law was applied correctly
 - **Small Claims Court**—handles litigation between business and its customers

- **Federal Courts**
 - **District Court**—the trial courts of the federal judiciary system
 - **Appellate Courts**—Only hears reviews from federal cases
- **Judicial Review**—power to review laws passed by the legislative body and to declare them to be unconstitutional and thus void
- **Judicial Restraint**—those who believe that power should not be used except in unusual cases

Chapter 4 – Litigation Process

- **Counterclaim**—when a defendant (**counterplaintiff**) wants to sue the plaintiff (**counterdefendant**)
- **Appellant**—the party doing the appealing in an appellate court
- **Appellee**—successful party in the trial court

Chapter 5 – Alternative Dispute Resolution Systems

- **Arbitration**—disputing parties submit their dispute to a neutral third party (**arbitrator**)
- **Submission**—act of referring a matter to arbitration
- **Award**—the decision in arbitration
- **Mediation**—a 3rd party attempts to assist disputing parties to resolve their difference
 - **Mediator**—the 3rd party, which can't impose a binding solution

Chapter 6 – The Constitution

- **1st Amendment**—Freedom of religion, the press, speech, assembly
- **Defamation**—publication of anything injurious to the good name or reputation of another
 - **Libel**—Printed defamation
 - **Slander**—Spoken defamation
- **14th Amendment**—no state shall make or enforce any law which shall abridge the privileges or immunities of citizens of the United States; nor shall any state deprive any person of life, liberty, or property

Chapter 7 – The Property System

- **Mortgage**—transfer of an interest in property for the purpose of creating a security for a debt
- **Real Property**—ownership to land and interests in land such a mining rights or leases
- **Personal Property**—All other types of resources are protected under this
- **Estate**—bundle of rights and powers of land ownership
- **Life Estate**—grants ownership in land for the lifetime of a specified person
- **Leasehold Estate**—property right granted to tenants by a landlord
- **Deed**—document of title that transfers ownership of land

- **Eminent Domain**—the power to take private property for “public use” upon the payment of “just compensation”
- **Public Nuisance**—one arising from some use of land that causes inconvenience
- **Private Nuisance**—any unreasonable use of one’s property so as to cause substantial interference with the enjoyment or use of another’s land establishes a common law

Assault—the threat of harm

Battery—the action of harm