

Business Term Glossary

50 Quick Definitions and Tips



If you're launching your first business, you've probably encountered a lot of unfamiliar legal and financial terms, from “capital contributions” to “EBITDA” to “operating agreements.” This glossary was created to make those terms understandable. It's designed specifically for new business owners who want to build confidence, avoid costly mistakes, and communicate more effectively with lawyers, accountants, and investors. Inside, you'll find plain-English definitions of 50 essential business terms, each paired with real-world context and practical tips. Whether you're forming an LLC, reviewing a contract, or just trying to make sense of what everyone else seems to know, this guide is your starting point.

TERM	DEFINITION	TIPS
Member	An owner of an LLC. Members can be individuals or companies.	You're likely a Member if you are starting an LLC.
Manager	Person responsible for day-to-day operations of an LLC. Can be a member or a third party.	Define this in your Operating Agreement.
Capital Contribution	Money or assets owners invest in a business. Determines ownership percentage.	Track carefully for tax and ownership records.
Operating Agreement	Document outlining LLC rules, ownership, and responsibilities.	Have all members sign it and keep it updated.
Articles of Organization	Form filed with the state to legally create an LLC.	File with your Secretary of States office.
EIN (Employer Identification Number)	Tax ID from the IRS for opening bank accounts and hiring employees.	Apply online at IRS.gov – it's free!
Limited Liability	Personal asset protection from business debts or lawsuits.	Forming an LLC or Corporation gives you this benefit.
Sole Proprietorship	Single-owner business without legal separation from the owner.	Simple to start, but no liability protection.

Corporation (C-Corp)	Separate legal entity owned by shareholders. Pays taxes as a business.	Best for raising large amounts of capital.
S-Corporation (S-Corp)	Pass-through tax entity for smaller businesses meeting IRS rules.	File IRS Form 2553 to elect S-Corp status.
Bylaws	Internal rules that govern a corporation's operations.	Required in many states for corporations.
Shareholder	An owner of a corporation who holds stock.	Voting and profits often depend on how many shares you own.
Stock	A unit of ownership in a corporation.	Issue stock to raise money or give to founders.
Distributions	Profit payments to LLC members or S-Corp shareholders.	Must follow your Operating Agreement rules.
Dividends	Profit payments made to corporate shareholders.	Usually paid out by larger, profitable corporations.
Trademark	Legal protection for business names, logos, or slogans.	Register with USPTO to strengthen rights.
Copyright	Protects creative works like content, photos, and software.	Automatically applies when you create original content.
Patent	Legal protection for inventions and processes.	Must apply and be approved by the U.S. Patent Office.
NDA (Non-Disclosure Agreement)	Keeps sensitive information confidential between parties.	Use before discussing deals or sharing IP.

Assumed Name / DBA	A registered name your business uses that is different from the legal name.	Check with your state or county for registration steps.
EBITDA	Earnings Before Interest, Taxes, Depreciation, and Amortization. Measures profitability.	Used by investors to compare business performance.
Gross Revenue	All income before expenses are deducted.	Track this to see your business's overall size.
Net Profit	What is left after all expenses. Also called the bottom line.	Helps you know if you're really making money.
Break-Even Point	When your business income equals your costs.	Helps you price services and project profits.
Cash Flow	The money moving in and out of your business.	Cash-positive means your business can cover its bills.
Burn Rate	How fast you're spending money. Important for startups.	Know this if you have limited savings or funding.
Accounts Receivable	Money owed to you by customers.	Invoice promptly and follow up to keep cash flowing.
Accounts Payable	Money you owe to suppliers or vendors.	Track closely to avoid late fees.
Balance Sheet	Snapshot of your company's assets, liabilities, and equity.	Use it to understand your business's net worth.
Income Statement	Shows revenue, costs, and profits over a period.	Also called Profit & Loss Statement.

Business License	Permit to operate legally in a city, county, or state.	Check local rules â€” many require one.
Registered Agent	Receives legal documents for your business.	Must be available during business hours.
Annual Report	State-required yearly filing to maintain your business status.	Set calendar reminders to avoid penalties.
1099 Form	Tax form for non-employees you paid \$600+ in a year.	Send by Jan 31 to contractors and IRS.
W-2 Form	Tax form for employees showing income and withholdings.	Required for each employee annually.
Payroll Taxes	Taxes you withhold and pay for employees.	Includes Social Security and Medicare.
Self-Employment Tax	Taxes paid by sole proprietors or LLC members.	Covers Social Security and Medicare.
Depreciation	The gradual loss in value of business assets.	Deduct on your taxes for things like equipment.
Amortization	Spread out cost of intangible assets or loan repayments.	Shows up in accounting and tax filings.
Fiscal Year	12-month accounting period for reporting income and taxes.	Doesn't have to be the calendar year.
Business Plan	Written roadmap for your business goals and strategy.	Useful for staying focused or raising money.

Personal Guarantee	You personally promise to repay a business loan.	Common when your business has no credit history.
Business Credit	A score showing how reliably your business repays debt.	Helps you qualify for loans and better terms.
Equity	The value of ownership in the business.	Can be split among partners or offered to investors.
ROI (Return on Investment)	A measure of how much return you get from an investment.	Helps guide spending and growth decisions.
Business Bank Account	A separate account just for business funds.	Keeps taxes and finances clean.
Franchise	A business that runs under an established brand using their model.	You pay fees and follow their system.

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