

Subject: Business Economics

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Unit No.: 2 (Two)

Title: Creative Issues and Idea Processing

Lecture No: 2 (Two)

Title: Creative & Organization - A Managerial Perspective

Glossary

Bootstrapping

Bootstrapping is an important means of financing a small firm through highly creative acquisition and use of resources without raising equity from traditional sources or borrowing money from a bank.

Public Offering

“Going public” refers to a corporation’s raising capital through the sale of securities on the stock markets.

Debt Financing

Secured financing of a new venture that involves a payback of the funds plus a fee (interest for the use of the money).

Equity Financing

It involves the sale (exchange) of some of the ownership interest in the venture in return for an unsecured investment in the firm. Money invested in the venture with no legal obligation for entrepreneurs to repay the principal amount or pay interest on it. Funding sources, public offering and private placement.

Input requirements: Resources such as people, raw materials, energy, information, or finance that are put into a system to obtain a desired output. Inputs are classified under costs in accounting.

Fixed capital: fixed capital includes the assets and capital investments that are needed to start up and conduct business, even at a minimal stage.

Working capital: working capital is a measure of both a company's efficiency and its short term financial health.

Working capital is calculated as:

Working capital= current assets- current liabilities

Current assets: current assets are balance sheet accounts that represent the value of all assets that can reasonably accept to be converted into cash within one year. Current assets include cash and cash equivalents, accounts receivable, inventory, marketable securities, prepaid expenses and other liquid assets that can be readily converted to the cash.

Current liability: current liabilities are a company's debts or obligations that are due within one year, appearing on the company's balance sheet and include short term debt, accounts payable accrued liabilities and other debts.