

# **GLOSSARY**

## **BUSINESS TERMS and CONCEPTS**

Third Edition



## FOREWORD

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Business enterprises constantly have to adapt to changes in the milieu within which they operate. For one, globalization has been shaping the ever changing forces that guide firms in decision making. It would thus be advantageous for an entrepreneur to continuously be 'in the know' of the circumstances dictating not only his survival, but more importantly, his ability to remain competitive. With the language of business likewise constantly evolving, there is a need to update and increase the grasp by MSMEs of current business terminologies and forms of expression.

This revised and augmented edition of the GLOSSARY contains more than 1,300 business terms that have been organized and cross-referenced for the convenience of its users. It will be helpful in dealing with the plethora of new terms that have been minted to capture the dynamic nature of today's business environment.

Readers are invited to send comments or suggestions on this publication by e-mail or mail.

The Department of Trade and Industry (DTI), through the Bureau of Micro, Small, and Medium Enterprise Development (BMSMED) will consider these inputs in its preparation of future editions of this material.

## **A**

### **ABAC**

APEC Business Advisory Council. Established in 1995, the ABAC is a permanent council composed of up to three senior business people from each member economy to provide advice on implementation of APEC action plans and on other specific business sector priorities. *See also APEC.*

### **Ability to pay**

The borrower's ability to make interest and principal payments on debts.

### **Accelerated depreciation**

Any depreciation method that produces larger deductions for depreciation in the early years of an asset's life.

### **Accession**

The process of adding a country to an international agreement, such as the GATT, WTO, EU, or NAFTA.

### **Account**

A record of a business transaction. A written or unwritten contract to purchase and take delivery with payment to be made later as arranged.

### **Account balance**

The difference between the debit and the credit sides of an account.

### **Accountant**

One who is skilled at keeping business records. Usually, a highly trained professional rather than one who keeps books. An accountant can set up the books needed for a business to operate and help the owner understand them.

### **Accounting period**

A time interval at the end of which an analysis is made of the information contained in the bookkeeping records. Also, the period covered by the profit and loss statement.

### **Accounting price**

A term often used synonymously with shadow price. The term "accounting" indicates that the price is not market price. Accounting prices reflect, for example, the economic value of inputs and outputs as opposed to their financial or market value.

### **Accounts payable**

Money owed to an individual or business for goods or services that have been received but not yet paid for.

### **Accounting rate of return**

The ratio of profit before interest and taxation to the percentage of capital employed at the end of a period. Variations include using profit after interest and taxation, equity capital employed, and average capital for the period.

### **Accounting ratio**

The ratio of the accounting price of a good or service to its market price.

### **Accounts receivable**

Money owed to a business for goods or services that have been delivered but not yet paid for.

**Accounts receivable turnover**

The ratio of net credit sales to average account receivable, a measure of how quickly customers pay their bills.

**Across the board**

A phrase which means “to cover all.”

**Accrual basis**

A method of keeping accounts that show expenses incurred and income earned for a given fiscal period, even though such expenses and income have not been actually paid or received in cash.

**Accrual method of accounting**

Sales and expenses are incurred when they are made or they are incurred.

**Acid-test ratio**

Also called quick ratio, the ratio of current assets minus inventories, accruals, and prepaid items to current liabilities. It measures the firm’s ability to meet its current liability obligation without using its inventories.

**Accumulation**

The acquisition of an increasing quantity of something. The accumulation of factors, especially capital, is a primary mechanism for economic growth.

**Actionable subsidy**

A subsidy that is not prohibited by the WTO but that member countries are permitted to levy countervailing duties against.

**ADB**

Asian Development Bank. A multilateral development finance institution founded in 1966 by 31 member governments to promote the social and economic progress of the Asian and Pacific region. Over the past 31 years, the Bank’s membership has grown to 57, of which 41 are from the region and 16 from outside the region.

**Administered price**

A price for a good or service that is set and maintained by government, usually requiring accompanying restrictions on trade if the administered price differs from the world price.

**Administered protection**

Protection (tariff or NTB) resulting from the application of any one of several statutes that respond to specified market circumstances or events, usually as determined by an administrative agency. Several such statutes are permitted under the GATT, including anti-dumping duties, countervailing duties, and safeguards protection. *See GATT and NTBs.*

**Administrative expense**

Expenses chargeable to the managerial, general administrative, and policy phases of a business in contrast to sales, manufacturing, or cost of goods expense.

**Ad valorem**

A tax, duty, or fee, which varies based on the value of the products, services, or property on which it is levied. Expressed as a percentage of value, e.g., a 10 percent ad valorem duty on the cost, insurance, freight price of imported shoes.

**Advance deposit requirement**

A requirement that some proportion of the value of imports, or of import duties, be deposited prior to payment, without competitive interest being paid.

**Affidavit**

A statement written and sworn to in the presence of someone authorized to administer an oath, such as a notary public.

**Affiliate**

A company which is related to another company in some way.

**AFS**

APEC Food System. Established in February 1999 as an ad hoc task force. It is a joint and cross-cutting action being implemented by all APEC Member Economies and APEC fora to achieve three food related goals - the development of rural infrastructure, the promotion of trade in food products, and the dissemination of technological advances in food production and processing. These goals are all aimed at improving the efficiency of food production and trade for the benefit of APEC Member Economies. *See also APEC.*

**AFTA**

ASEAN Free Trade Area. An agreement on local manufacturing among ASEAN countries. When the AFTA agreement was originally signed, ASEAN had only six members namely, Brunei Darussalam, Indonesia, Malaysia, Philippines, Singapore, and Thailand. Vietnam joined in 1995, Laos and Myanmar in 1997 and Cambodia in 1999. All four latecomers were required to sign the AFTA agreement to join the ASEAN, but were given longer timeframes in which to meet AFTA’s tariff reduction obligations. The primary goals of AFTA are to: 1) increase ASEAN’s competitive edge as a production base in the world market through the elimination of tariffs and non-tariff barriers; and 2) attract more foreign direct investment to ASEAN. *See also ASEAN.*

**After-tax**

An amount (usually income) after taxes have been subtracted.

**After-tax benefit**

The amount of net cash inflow realized by an organization from a taxable cash receipt after income tax effects have been considered. The amount is determined by multiplying the cash receipt by  $(1 - \text{tax rate})$ .

**After-tax cost**

The amount of net cash outflow resulting from a tax-deductible cash expense after income tax effects have been considered. The amount is determined by multiplying the cash expense by  $(1 - \text{tax rate})$ .

**Agrarian reform**

A government program of equitably distributing land with a comprehensive structural support of production factors, financing, and distribution. The program’s main objective is to ensure both productivity and equity in the economy for the common good. It guarantees just compensation for the affected landowners.

**Agribusiness**

The International Service for National Agricultural Research defines agribusiness as “all markets and private business-oriented entities involved in the production, storage, distribution, and processing of agri-based products and in the supply of production inputs and the provision of services such as extension, administration, research, etc.”

**Agricultural good**

A good that is produced by agriculture. Contrasts with manufactured good.

**Agricultural loans**

Represent loans granted to finance the acquisition of work animals, farm equipment and machinery, farm inputs (i.e., seeds, fertilizer, feeds), poultry, livestock, and similar items; construction and/or acquisition of facilities for production, processing, storage and marketing; and efficient and effective merchandising of agricultural commodities stored and/or processed by the facilities aforesaid in domestic and foreign commerce.

**Agro-industry**

Economic entities that process materials from primary agricultural/animal production, forestry and fishery (the processing can include transformation and preservation through physical or chemical alterations, storage, packing, and distribution) can be considered agro-industries. Thus, the term agro-industry can be thought of simply as a subset of agribusiness and is synonymous with agro-processing, agri-based industries, or agro-industries. It does not include industries supplying agriculture with industrial machinery, inputs, and tools.

**Aid**

Assistance provided by countries and by international institutions such as the World Bank to developing countries in the form of monetary grants, loans at low interest rates, in kind, or a combination of these.

**Amortization**

To liquidate on an installment basis; the process of gradually paying off a liability over a period of time.

**Annuity**

Period payments, like annual or quarterly payments over a specified period of time, say for five years; or over an unspecified period like "for life."

**Antedated**

In banking, antedated refers to cheques which have been written by the maker, and dated at some point in the past.

**Anti-dumping duties**

The General Agreement on Tariffs and Trade (GATT)'s Article 6 allows anti-dumping duties to be imposed on goods that are deemed to be dumped and causing injury to producers of competing products in the importing country. These duties are equal to the difference between the goods' export price and their normal value, if dumping causes injury. *See also GATT.*

**Anti-dumping suit**

A complaint by a domestic producer that imports are being dumped, and the resulting investigation and, if dumping and injury are found, anti-dumping duty.

**Anti-Money Laundering Act of 2001 (R.A. 9194)**

An Act Amending Republic Act No. 9160, otherwise known as the "Anti-Money Laundering Law of 2001." Money laundering is a crime whereby the proceeds of an unlawful activity are transacted, making them appear to have originated from legitimate sources.

**Anti-trust policies**

Government legislation that prevents firms from exercising monopoly, collusion, and all other forms of conspiracies that go against fair competition.

**APEC**

Asia-Pacific Economic Cooperation. The premier forum for facilitating economic growth, cooperation, trade and investment in the Asia-Pacific region. APEC is the only inter-governmental grouping in the world operating based on non-binding commitments, open dialogue, and equal respect for the views of all participants. Unlike the World Trade Organization or other multilateral trade bodies, APEC has no treaty obligations required of its participants. Decisions made within APEC are reached by consensus and commitments are undertaken voluntarily. APEC has 21 members – referred to as "Member Economies." *See also WTO.*

**APO**

Asian Productivity Organization. An intergovernmental regional organization established by Convention in 1961 by several governments in Asia to hasten their economic development. It is non-political, non-profit-making and non-discriminatory. APO aims to increase productivity and, consequently, accelerate economic development in the Asian and Pacific region by mutual cooperation. Membership is open to all Asian and Pacific governments that are members of the Economic and Social Commission for Asia and the Pacific (ESCAP) of the United Nations. Governments outside the Asian and Pacific region may become Associate Members.

**Apparel**

Clothing. The apparel sector is important for trade because, as a very labor intensive sector, it is a likely source of comparative advantage for developing countries.

**Application software**

Programs that allow users to perform specific tasks on a computer.

**Applied tariff rate**

The actual tariff rate in effect at a country's border.

**Appraisal costs**

Costs that are incurred to identify defective products before the products are shipped to customers.

**Appreciation**

The increase in the value of an asset in excess of its depreciable cost due to economic and other conditions, as distinguished from increases in value due to improvements or additions made to it.

**ASEAN**

Association of Southeast Asian Nations. An organization established by the Bangkok Declaration (1967), linking the nations of Indonesia, Malaysia, Philippines, Singapore, and Thailand. Subsequently, Brunei Darussalam (1984), Vietnam (1995), Laos (1997), Myanmar (1997), and Cambodia (1999) were admitted. ASEAN seeks to promote socioeconomic progress and regional stability through cooperation in banking, trade, technology, agriculture, industry, and tourism.

**Assessment of risk**

Identifies potential hazards and alternative strategies to meet business plan goals and objectives.

**Asset base for loans**

Tangible collateral valued at more than the amount of money borrowed.

**Asset/Equity ratio**

The ratio of total assets to stockholder equity.

**Assets**

Represent items that are owned or available to be used in the venture operations.

**Asset turnover**

The ratio of net sales to total assets. It is a measure of operational efficiency, which shows how much revenue is produced per peso of assets available to the business.

**ATM**

Automated Teller Machine. Computer-controlled terminal located on the premises of financial institutions or elsewhere, through which customers may make deposits, withdrawals or other transactions as they would through a bank teller.

**Auction market**

A market where buyers and sellers bargain directly with each other.

**Audit**

An examination of a company's accounting records and books conducted by an outside professional in order to determine whether the company is maintaining records according to generally accepted accounting principles.

**Automatic funds transfer**

A transfer of funds from one account or investment vehicle to another using electronic or telecommunications technology.

**Average collection period**

The average time it takes a firm to collect its accounts receivable. It measures the credit management performance of the firm.

**Average cost**

The total cost of production divided by the total volume of output.

**Average pricing**

An approach using average cost as the basis for setting a price.

**Average product**

The average product of a factor in a firm or industry is its output divided by the amount of the factor employed.

**Average propensity**

The fraction of total income spent on an activity, such as consumption or imports.

**Avian virus**

Avian influenza, otherwise known as bird flu, is an infectious disease of birds caused by type A strains of the influenza virus. The disease, which was first identified in Italy more than 100 years ago, occurs worldwide. The quarantining of infected farms and destruction of infected or potentially exposed flocks are standard control measures.

**B****B2B**

Business-to-business. A transaction that occurs between a company and another company, as opposed to a transaction involving a consumer. The term may also describe a company that provides goods or services for another company.

**Back office**

Refers to the activities of a firm that are necessary to its functioning but are not directly part of production, such as accounting. Such activities, despite the name that suggests a location behind the shop or shop floor, are increasingly done at remote locations, including in other countries, as business process outsourcing.

**Backward linkage**

The use by one firm or industry of produced inputs from another firm or industry.

**Bad debt**

Accounts receivable that will likely remain uncollectible and will be written off. Bad debts appear as an expense on the company's income statement, thus reducing net income.

**Bad loans**

Loans which are in arrears exceeding a certain time limit and/or for which the value of collateral has been eroded or disappeared for economic reasons.

**Backward integration**

Acquiring ownership of one's supply chain, usually in the hope of reducing supplier power and thus cutting input costs.

**Balance**

The amount of money remaining in an account.

**Balanced Scorecard**

A concept for measuring whether the smaller-scale operational activities of a company are aligned with its larger-scale objectives in terms of vision and strategy. The strategic management system helps managers focus on performance metrics while balancing financial objectives with customer, process and employee perspectives. Implementing the scorecard typically includes four processes: 1) Translating the vision into operational goals; 2) Communicating the vision and linking it to individual performance; 3) Business planning; and 4) Feedback and learning and adjusting the strategy accordingly.

**Balance of payments (national)**

A record of payments that one country makes to and receives from all other foreign countries.

**Balance of trade**

The difference between the export earnings and import payments of all goods or merchandise trade transacted by a country.

**Balance sheet**

An itemized statement that lists the total assets and total liabilities of a given business to determine its net worth at a given moment in time. It is called a balance sheet because the value of assets must equal the total of liabilities and net worth.

**Balloon payment**

A large, lump-sum payment scheduled at the end of a series of considerably smaller periodic payments.

**Bank holiday**

The temporary closing of a bank in the event that its obligations exceed its resources.

**Banking day**

Any day banks are open for business in the Philippines, excluding Saturdays, Sundays, legal holidays, or any other day that may be declared as holiday by the Government.

**Bank lending rate**

Weighted average interest rate charged by commercial banks on loans granted during a given period of time. Monthly data are derived as the ratio of actual interest income on their peso-denominated loans (i.e., demand/time loans, bills discounted, mortgage contract receivables, and restructured loans, whether secured or unsecured) to the total outstanding level of these loans. Weekly data refer to the weighted average interest rate on loans granted for all maturities during the reference period.

**Bankruptcy**

The condition of being unable to pay debts, with liabilities greater than assets.

**Barrier**

Any impediment to the international movement of goods, services, capital, or other factors of production. Most commonly a trade barrier.

**Barter**

A method of payment using non-money items.

**Baseline data**

Data that (a) describe the initial conditions and circumstances to be addressed by the plan, program, and project activities; and (b) serve also as the starting or reference point for measuring the performance and impact of these activities.

**Base year**

The year used as the basis for comparison by a price index such as the CPI. The index for any year is the average of prices for that year compared to the base year; e.g., 110 means that prices are 10% higher than in the base year. The base year is also the year whose prices are used to value something in real terms or after adjusting for inflation. *See also CPI.*

**Basis point**

One one-hundredth of a percentage point. Small changes in interest rates are commonly measured in basis points.

**Before-tax profit margin**

The ratio of net income before taxes to net sales.

**Benchmark**

Reference point or standard against which performance, progress, or results may be compared -- e.g., (a) how and what has been realized in the past; (b) how and what other comparable organizations are currently achieving; (c) how and what was targeted or budgeted for; and (d) how and what could reasonably have been expected to emerge in the circumstances.

**Benefit**

Usually refers to the marketed output of a project, or in the case of projects like schools and hospitals, to the major services provided by the project. Other benefits such as foreign exchange savings, worker capacity building and training, employment generation, and income distribution are generally considered as externalities and are dealt with separately in the appraisal.

**Benefit-cost analysis**

A procedure for evaluating the desirability of a project by weighing benefits against costs. Results may be expressed in many ways -- including internal rate of return, net present value, and benefit-cost ratio. Financial profitability is a type of benefit-cost analysis, but it does not provide a sufficient measure of a project's net return to the economy in situations where the market prices used do not reflect the true economic value of the inputs and outputs. In such instances, economic benefit-cost analysis using accounting prices is required.

**Benefit-cost ratio**

The ratio of benefits to costs. It should be calculated using the present values of each, discounted at an appropriate accounting rate of interest. The ratio should be at least 1.0 for the project to be acceptable. Inconsistent benefit-cost ratios may arise, since they are calculated in various ways, including: (a) present value of all positive cash flows divided by present value of all negative cash flows (both on annual basis); (b) present value of gross benefits from each year divided by present value of annual costs, including investment; and (c) present value of net annual operating benefits over present value of investment costs.

**Benefit payments**

Disbursements for retirement, disability, death maternity, sickness, and funeral benefits.

**Best practices**

Methods of performing a process or sub-process that have been identified inside or outside of the organization and which are validated, codified, diffused, and shared with others to encourage reciprocity and knowledge sharing.

**Bilateral**

Between two countries, in contrast to plurilateral and multilateral. *See also plurilateral and multilateral.*

**Bill of exchange**

An order written by an exporter instructing an importer, or an importer's agent, to pay a specified amount of money at a specified time.

**Bill of lading**

The receipt given by a transportation company to an exporter when the former accepts goods for transport. It includes the contract specifying what transport service will be provided and the limits of liability.

**Bill of materials**

A control sheet that shows the type and quantity of each item of material going into a completed unit of product.

**Bill of sale**

Formal legal document that conveys title to or interest in specific property from the seller to the buyer.

**BIMP-EAGA**

Also known as the Brunei Darussalam-Indonesia-Malaysia-Philippines East ASEAN Growth Area. This initiative was launched by the four governments in 1994, the objective of which was to hasten, through regional cooperation, the development of the economy of Brunei and sub-regions of the three other countries.

**Binding**

A restriction that is met exactly, and is therefore having an effect on behavior.

**Biotechnology**

The application of science and technology to living organisms as well as parts, products and models thereof, to alter living or non-living materials for the production of knowledge, goods and services.

**Bioterrorism Act**

The events of September 11, 2001 in the US highlighted the need to enhance the overall security of the US food supply. As a response, the US Congress passed and President Bush



signed into law the Public Health Security and Bioterrorism Preparedness and Response Act of 2002 (Bioterrorism Act). The Act includes a number of provisions designed to improve the food safety efforts of the US Food and Drug Administration (FDA) in cooperation with US Customs and Border Protection (CBP), including new authority to protect the food supply against terrorist acts and other threats.

**Black market**

An illegal trading of goods, services, or currency at a price higher or lower than the legal rate mandated by law.

**Blank check**

A check that is signed by the payer but with no specific amount indicated, leaving this determination up to the drawee.

**Blowing**

A consumer being supplied and billed for services or goods they didn't order. Often, the supply is accompanied by a notice telling the consumer that if the offer is not rejected within a specified time, the seller will send an invoice or debit an existing account or line of credit. A common example of blowing is a person or business receiving an invoice for entry in an advertising directory when they had not previously asked for the entry.

**Blue-collar**

Refers to employees who perform manual labor, such as those involved in production and maintenance.

**Bond**

A debt instrument, issued by a borrower and promising a specified stream of payments to the purchaser, usually regular interest payments plus a final repayment of principal.

**Bookkeeping**

The process of recording business transactions into the accounting records. The "books" are the documents in which the records of transactions are kept.

**Book value**

The value of an asset as it appears on a balance sheet, equal to cost minus accumulated depreciation.

**Border price**

The price of a tradable good or service at a country's border or port of entry. For exports, the free on board price; for imports, the cost, insurance, freight price.

**Border protection**

Any measure which acts to restrain imports at point of entry.

**Border tax adjustment**

Rebate of indirect taxes (taxes on other than direct income, such as a sales tax or VAT) on exported goods, and levying of them on imported goods.

**Borrowing**

The amount that an entity, usually a country or its government, has borrowed. Thus often the (negative of) the net foreign asset position or the national debt.

**Bottleneck**

A machine or process that limits total output because it is operating at capacity.

**Boycott**

To protest by refusing to purchase from someone, or otherwise do business with them. In international trade, a boycott most often takes the form of refusal to import a country's goods.

**BPO**

Business process outsourcing. The outsourcing and/or offshoring of business processes (e.g. back office functions such as accounting, human resource management, etc.)

**BPR**

Business process reengineering. Reengineering is about radical change. BPR differs from continuous (incremental) improvement programs that place emphasis on small, gradual changes, of which the object is to improve on what an organization is already doing. This incremental change to improve business performance typically takes one of several forms, e.g., quality (total quality management), automation, reorganization, downsizing, and rightsizing. BPR is a balanced approach that may contain elements of more traditional improvement programs with which it is often confused. However, BPR is much more than that. First, BPR seeks breakthroughs in important measures of performance rather than incremental improvements. Second, BPR pursues multifaceted improvement goals, including quality, cost, flexibility, and speed, accuracy, and customer satisfaction concurrently.

**Brainstorming**

A technique for generating ideas. Most effective when undertaken as a group activity.

**Brand**

A design, mark, symbol, or other device that distinguishes one line or type of goods from those of a competitor.

**Branding**

Putting value, characteristics, qualities, and meaning to a product or service as a method to differentiate it from the ones in the market and to encourage customers to associate themselves with it.

**Brand name**

A term, symbol, design, or combination thereof that identifies and differentiates a seller's products or service.

**Breach of contract**

Failure to perform provisions of a contract.

**Break-even point**

The level of activity at which an organization neither earns a profit nor incurs a loss. The break-even point can also be defined as the point where total revenue equals total costs and as the point where total contribution margin equals total fixed costs.

**Broadband**

Describes a communication medium that can transmit multiple data channels simultaneously (as opposed to narrowband, which can only transmit one data channel, typically either voice or digital information). In Internet terms, most consumers would understand broadband as a "high-speed and always-on Internet delivery channel."

**Browser**

A World Wide Web program for navigating the Internet. Most browsers display graphics and formatted pages and let you click to hyperlinks to jump from one page to another. Netscape and Explorer are examples of browsers. *See also World Wide Web.*

**BSE**

Bovine spongiform encephalopathy, or “mad cow disease”.

**Budget**

An estimate of the income and expenditures for a future period of time, usually one year.

**Business development services (BDS)**

BDS are non-financial services delivered in an integrated approach to assist individuals and MSMEs in starting, improving, and sustaining their business operations.

**Business ethics**

The application of ethical principles to business relationships and activities.

**Business failure**

A business that has terminated operations with a loss to creditors.

**Business incubator**

A facility that provides shared space, services, and management assistance to new businesses.

**Business plan**

The description of the future direction of the business; written document describing all relevant internal and external elements and strategies for starting a new venture.

**Buyback**

When a firm builds a plant in a country and agrees to take a certain percentage of the plant's output as partial payment of the contract.

**Buyout**

The purchase of an existing business.

**C****CAD**

Computer-aided design. The use of sophisticated computer systems to design new products.

**Cairns Group**

A group of agricultural exporting nations lobbying for agricultural trade liberalization. It was formed in 1986 in Cairns, Australia just before the beginning of the Uruguay Round. Current membership: Argentina, Australia, Bolivia, Brazil, Canada, Chile, Colombia, Costa Rica, Guatemala, Indonesia, Malaysia, New Zealand, Paraguay, Philippines, South Africa, Thailand and Uruguay.

**CAM**

Computer-aided manufacturing. The use of computer-controlled machines to manufacture products.

**Capacity building/development**

The process by which individuals, organizations, institutions, and societies develop and enhance their abilities, individually and collectively, to perform functions, solve problems, generate learning-based innovations, and set and achieve higher-level (as distinct from immediate or intermediate) targets and objectives.

**Capital**

Resources that will yield benefits and create wealth gradually over time. It is related to investment and in contrast to consumption. It may be divided into physical and financial, fixed and working, etc. Sometimes it is defined more broadly to include human capital (e.g., training and education that yields benefits over time) or innovative technologies and managerial practices (that yield a competitive advantage).

**Capital allowance**

The tax advantage that a company is granted for money that it spends on fixed assets.

**Capital budget**

A budget covering the acquisition of land, buildings, and items of capital equipment; such a budget may have a time horizon extending 30 years or more into the future.

**Capital equipment**

Equipment that an individual uses to manufacture a product, provide a service, or to sell, store, and deliver merchandise. Such equipment will not be sold in the normal course of business, but will be used and worn out or consumed in the course of business.

**Capital expenditures**

Amount used during a particular period to acquire or improve long-term assets such as property, plant, or equipment.

**Capital expenditures for fixed assets**

Include cost of acquisition of new and used fixed assets, fixed assets produced by the establishment for its own use, major alterations, additions and improvements to fixed assets, whether done by others, or done on own account.

**Capital gains**

The financial gain made upon the disposal of an asset. The gain is the difference between the cost of its acquisition and net proceeds upon its sale.

**Capital goods**

Stocks of physical or financial assets that are capable of generating income.

**Capital inflow**

A net flow of capital, real and/or financial, into a country, in the form of increased purchases of domestic assets by foreigners and/or reduced holdings of foreign assets by domestic residents.

**Capital infusion**

An increase in financial capital provided from outside a bank, corporation, or other entity.

**Capital intensive**

Describing an industry or sector of the economy that relies relatively heavily on inputs of capital, usually relative to labor, compared to other industries or sectors.

**Capital loss**

The decrease in value that the owner of an asset experiences when the price of the asset falls, including when the currency in which the asset is denominated depreciates.

**Capital outflow**

A net flow of capital, real and/or financial, out of a country, in the form of reduced holdings of domestic assets by foreigners and/or increased holdings of foreign assets by domestic residents.

**Capital-saving**

A technological change or technological difference that is biased in favor of using less capital.

**Capital-using**

A technological change or technological difference that is biased in favor of using more capital.

**Carrier**

A firm that provides transportation of persons or goods.

**Carry forward**

When an exporting country uses part of the following year's quota during the current year.

**Carrying costs**

The expenses associated with maintaining and storing products before they are sold or used.

**Carry over**

When an exporting country utilizes the previous year's unutilized quota.

**Cartel**

A group of businesses or nations that act together as a single producer to obtain market control and to influence prices in their favor by limiting production of a product.

**Cash**

Money on hand or readily available.

**Cash budget**

A detailed plan showing how cash resources will be acquired and used over some specific time period.

**Cash disbursements**

Include all outlays of cash in the period covered. The most common cash disbursements are cash purchases, payments of accounts payable, rent expense, wages and salaries, tax payments, fixed asset outlays, interest payments, and principal payments.

**Cash flow**

The actual movement of cash within a business; the analysis of how much cash is needed and when that money is required by a business within a period of time.

**Cash flow statement**

A financial statement that records the cash flow of a project, or financial entity. It is frequently referred to as the "sources-and-uses-of-funds" statement, and is customarily divided into "sources of funds" (cash flow from operating profits and depreciation, borrowing, equity, etc.) and "uses of funds" (capital investments, taxes, interest, debt amortization, dividends, etc.)

**Cash in advance**

A payment term wherein the buyer pays the seller before shipment is effected.

**Cash method of accounting**

Sales and expenses are incurred when payment is received or invoice is paid.

**Cash receipts**

The money received by a business from customers. Cash receipts include all items from which cash inflows result in any given financial period. The most common components of cash receipts are cash sales, collections of accounts receivable, and other cash receipts.

**CBA**

Collective Bargaining Agreement. The negotiated contract between a legitimate labor organization and the employer concerning wages, hours of work, and all other terms and conditions of employment in a bargaining unit including mandatory provisions for grievance and arbitration machinery.

**CEFTA**

Central European Free Trade Agreement. A trade agreement between Romania, Bulgaria, Croatia and the Republic of Macedonia. Former members are Poland, the Czech Republic, Slovakia, Hungary and Slovenia. CEFTA was established by Poland, Hungary and Czechoslovakia on December 21, 1992 in Kraków, Poland. Slovenia joined CEFTA in 1996, Romania in 1997, Bulgaria in 1998, Croatia in 2002, and the Republic of Macedonia in 2006. The agreement provides for the gradual establishment of a free trade area for industrial goods and a gradual reduction of certain, but not all, barriers to trade in agro-food products.

**Ceiling price**

The maximum price set up by the government for essential goods and services in times of national emergencies to protect the common good.

**Cell**

In information technology application, it is the intersection of a row and a column on a spreadsheet.

**Central bank**

The institution in a country that is normally responsible for managing the supply of the country's money and the value of its currency on the foreign exchange market.

**Centralization**

The degree to which authority is retained by higher-level managers in an organization rather than being delegated.

**Certificate of deposit (CD)**

A time deposit with a specific maturity date.

**Chaebol**

A form of large business in South Korea, a conglomerate consisting of many companies centered around a parent company. They are family-controlled and have strong ties to government. They are similar to the keiretsu of Japan, except that the chaebol do not own banks.

**Chain of command**

The line along which authority flows from the top of the organization to any individual.

**Chamber of Commerce**

An association to which businesses belong in a town, city, or region.

**Check**

A draft or order upon a financial institution or banking house purporting to be drawn upon a deposit of funds, for the payment of a certain sum of money to a certain person therein named, or to his order, or to bearer, and payable instantly on demand. It is a negotiable instrument, and as such, must fulfill certain conditions. It must contain the phrase, "Pay to the order of"; the amount shown on the check's face must be clearly discernible; and it must have the signature of the drawer. Checks are usually dated but the lack of a date does not impair its negotiability. See also negotiable instruments.

**Checking deposit**

Accounts at a financial institution (checking accounts) that permit the account holder to transfer funds to a third party via a check (an order to pay).

**Checklist**

A set of questions or verification points (checkpoints) that an organization needs to monitor or address on a periodic basis. The categories on a checklist can include such issues as maintenance, compliance either with legislation or with internal codes of practice, equipment checks (pressure, temperature, etc.), availability of equipment, among others.

**Child labor**

Work that is harmful to a child's physical or mental health, development, or education, and that is therefore targeted for elimination by labor standards.

**C.I.F.**

Cost, insurance, freight. The border price of an import that includes purchase cost abroad and charges for the international freight and insurance necessary to bring it to the port of entry, and to unload it on the dock alongside the ship.

**Circumvention**

Getting around commitments in the WTO such as commitments to limit agricultural export subsidies. Includes: avoiding quotas and other restrictions by altering the country of origin of a product; measures taken by exporters to evade anti-dumping or countervailing duties.

**Cleaner production**

The continuous application of an integrated preventive environmental strategy to processes, products, and services to increase efficiency and reduce risks to humans and the environment.

**Clearing system**

An arrangement among financial institutions for carrying out the transactions among them, including canceling out offsetting credits and debits on the same account.

**Client/server model**

A system whereby the user's personal computer (the client) obtains data from a central computer, but processing is done at the client level.

**Close-end credit**

A loan, plus any interest and finance charges, that is to be repaid in full at a specified date. Loans that have real estate or motor vehicles as collateral are usually closed-end.

**C.O.D.**

Cash on delivery, meaning that payment is made when the goods are delivered.

**Codex Alimentarius (CA)**

The CA means "food code." It deals with food quality and safety in the context of international trade. The CA is a collection of international food standards mainly to protect the health of consumers. It is meant to contribute to fair practices in international food trade through widespread adherence to harmonized and science-based food standards, as well as other legitimate factors. The Codex Alimentarius Commission (CAC) is the body responsible for developing the CA. It was established in 1961 by the Food and Agriculture Organization (FAO) and World Health Organization (WHO). The CAC is an intergovernmental body served by a joint FAO/WHO Secretariat.

**COGS**

Cost of goods sold. The direct cost to the business owner of those items which will be sold to customers. It includes materials, labor, and overhead costs that have gone into the products that have been produced during a period. Sales less COGS equals gross profit.

**Collateral**

Property or goods used as security against a loan and forfeited to the lender if the borrower defaults.

**Collusion**

Cooperation among firms to raise price and otherwise increase their profits.

**Commercial banks**

These are corporations which in addition to the general powers incident to corporations are authorized to accept drafts and issue letters of credit; discount and negotiate promissory notes, drafts, bills of exchange, and other evidences of debts; receive deposits; buy and sell foreign exchange and gold or silver bullion; and lend money against securities consisting of personal property or first mortgages on improved real estates and the insured improvements thereon.

**Commercial paper**

Short-term, negotiable debt of a firm; thus, a bond of short maturity issued by a company.

**Commercial presence**

Having an office, branch, or subsidiary in a foreign country.

**Commission**

An amount of money paid, especially to a sales representative, for making sales of products and services.

**Commitment fee**

A fee paid to a commercial bank in return for its legal commitment to lend funds that have not yet been advanced.

**Commodity**

Could refer to any good, but in a trade context, a commodity is usually a raw material or primary product that enters into international trade, such as metals (tin, manganese) or basic agricultural products (coffee, cocoa).

**Commodity prices**

Usually means the prices of raw materials and primary products.

**Common cost**

*See indirect cost.*

**Comparative advantage**

The principle that states that since every country produces some things more efficiently than others, a country will be better off if it specializes in those items it produces most efficiently. Thus, it exports them and imports those it does not produce as efficiently.

**Competition**

The interactions between two or more sellers or buyers in a single market, each attempting to get or pay the most favorable price. Economists usually interpret and model these interactions as among individual economic agents -- firms or consumers.

**Competitive advantage**

It is the unique blend of activities, assets, relationships, history, and market conditions that an organization exploits in order to differentiate itself from its competitors, and thus create value.

**Competitiveness**

Usually refers to characteristics that permit a firm to compete effectively with other firms due to low cost or superior technology, perhaps internationally (global competitiveness).

**Compliant**

Manufactured or produced in accordance with a specified body of rules.

**Compound growth**

A method of calculating growth over a period of time, which yields the percentage rate required to grow from the initial value to the final value at a constant compounding rate. Compounding means that growth for a given year is calculated including all growth in the previous year (e.g., at 10 percent compound growth, 100 would grow to 110, 121, 133, 146, etc. for each succeeding year).

**Comptroller**

The chief accountant in a business.

**Compulsory licensing**

For patents: when the authorities license companies or individuals other than the patent owner to use the rights of the patent — to make, use, sell or import a product under patent (i.e., a patented product or a product made by a patented process) — without the permission of the patent owner. Allowed under the WTO's TRIPS (intellectual property) Agreement provided certain procedures and conditions are fulfilled.

**Concession**

The term used in GATT negotiations for a country's agreement to bind a tariff or otherwise reduce import restrictions, usually in return for comparable "concessions" by other countries. See *also* GATT.

**Concessional financing**

Loans made by a government at an interest rate below the market rate as an indirect method of providing a subsidy.

**Consignment**

An arrangement whereby merchandise owned by one party (the consignor) is sold by another party (the consignee). The consignor retains title to the goods until the consignee has sold them. The consignee sells the goods for commission and remits the net proceeds to the consignor.

**Constant price**

Price from which the effects of inflation have been removed. It is the price that has been deflated to "real" terms by an appropriate price index based on prices that prevailed at a certain date (e.g., 1960) and on price increases since that time.

**Consumer goods**

Articles necessary for daily living, such as food, clothes, and everyday things.

**Consumption tax**

Taxes levied on the consumption of goods and services. Indirect taxes on consumption include excise duties, wholesale or retail sales taxes, value-added taxes, or other taxes on intermediate transactions. Consumption taxes form a wedge between the price paid by the purchaser and the

price received by the supplier. For any good or service, the demand price is the market price plus consumption taxes and less consumption subsidies.

**Contingent valuation**

A formal survey technique that requires respondents to specify their preferences for different goods or services and how much they would pay to obtain them.

**Contract**

A legally binding agreement between two or more parties.

**Contribution**

The amount paid to the Social Security System (SSS) by and on behalf of the member in accordance with Section 18 of the SSS Act of 1997 (R.A. 8282).

**Contribution margin**

The amount remaining from sales revenue after all variable expenses have been deducted.

**Control**

The process of instituting procedures and then obtaining feedback as needed to ensure that all parts of the organization are functioning effectively and moving toward overall company goals.

**Conversion cost**

Direct labor cost combined with manufacturing overhead cost.

**Convertible foreign exchange**

Foreign exchange that can be converted without restrictions into any of the major international currencies.

**Cookie**

A message given to a web browser by a web server. The browser stores the message in a text file. The message is then sent back to the server each time the browser requests a page from the server. The main purpose of cookies is to identify users and possibly prepare customized web pages for them.

**Cooperative**

A duly registered association of at least 15 persons with a common bond of interest who voluntarily join together to achieve a lawful common social and economic end.

**Copyright**

It is the body of law that grants authors, artists and other creators protection for their literary and artistic creations, which covers the following works: literary works; musical works; works of art; maps and technical drawings; photographic works; motion pictures; computer programs; and multimedia products. Protection is acquired at the moment of creation of the work and deposit of copies with the National Library and the Library of the Supreme Court is encouraged to obtain a certificate that can be used as prima facie evidence for prosecution of infringement.

**Core competencies**

The key functions that an organization does best and uses to create sustainable value and wealth.

**Corporate culture**

Organization's norms and value systems.

**Corporate social responsibility (CSR)**

An expression used to describe what some see as a company's obligation to be sensitive to the needs of all of the stakeholders in its business operations. A company's stakeholders are all those who are influenced by, or can influence a company's decisions and actions. These can include (but are not limited to): employees, customers, suppliers, community organizations, subsidiaries and affiliates, joint venture partners, local neighborhoods, investors, and shareholders (or a sole owner). CSR is closely linked with the principles of "sustainable development" in proposing that enterprises should be obliged to make decisions based not only on the financial/economic factors but also on the social and environmental consequences of their activities. *See also sustainable development.*

**Cost**

(a) As opposed to benefit. An expense related to purchase of inputs, including capital equipment, buildings, materials, technology and licensing fees, labor, public utilities, etc. Costs such as despoiling the environment and injuries to workers' health, since they fall outside the financial accounts of the project, are generally regarded as externalities and dealt with separately; (b) as opposed to value. The amount of resources used to produce a good or service (a supply-side concept, e.g., "domestically it would cost 510 units of money to produce this wrench, but its value is only 58").

**Cost-benefit analysis**

*See benefit-cost analysis.*

**Cost management**

The effective use of resources to create, market, and distribute products and services to customers.

**Cost-of-living index**

A price index that reflects changes in the cost of living. It measures the relative money cost of a fixed group or "basket" of goods and services at different dates. This basket is representative of those goods and services on which an average person would spend his or her income.

**Cost-plus pricing**

A pricing method in which a predetermined markup is applied to a cost base to determine a target selling price.

**Counterfeit**

Unauthorized representation of a registered trademark carried on goods identical or similar to goods for which the trademark is registered, with a view to deceiving the purchaser into believing that he/she is buying the original goods.

**Countertrade**

The trade of goods and services for other goods and services.

**Countervailing measures**

Action taken by the importing country, usually in the form of increased duties to offset subsidies given to producers or exporters in the exporting country.

**Country of origin**

The country in which a good was produced, or sometimes, in the case of a traded service, the home country of the service provider.

**Coupon**

A piece of paper that offers a payment, service, or reduction in the price of goods.

**CPI**

Consumer Price Index measures the prices of consumer goods and services and the pace of Philippine inflation.

**Creative industries**

Economic activities that transform and deploy creativity, skills and intellectual property to produce and distribute products and services of social and cultural meaning. This creative sector involves a range of industries, not only in arts and culture (music, visual arts, fashion, architecture, film, etc.) but also in science-computer software, transport system design, among others.

**Credit**

Another word for debt. Credit is given to customers when they are allowed to make a purchase with the promise to pay later. A bank gives credit when it lends money.

**Credit crunch**

A shortage of available loans. In well-functioning markets, this would simply mean a rise in interest rates, but in practice it often means that some borrowers cannot get loans at all, a situation of credit rationing.

**Credit guarantee**

Commitment by an export credit agency to reimburse a lender if the borrower fails to repay a loan. The lender pays a guarantee fee.

**Critical to quality characteristic**

Element of a process or practice that has a direct impact on its perceived quality.

**CRM**

Customer Relationship Management. CRM entails all aspects of interaction a company has with its customer, whether it be sales- or service-related. Computerization has changed the way companies are approaching their CRM strategies because it has also changed consumer-buying behavior. With each new advance in technology, especially the proliferation of self-service channels like the web and WAP phone, more of the relationship is being managed electronically. Organizations are therefore looking for ways to personalize online experiences through tools such as help-desk software, e-mail organizers and web development applications.

**Cross-hauling**

The simultaneous shipment of the same product in opposite directions over the same route. The export of the same good by two countries to each other would be cross-hauling, if it occurs at the same time.

**Cross-licensing agreement**

An arrangement in which a company licenses valuable intangible property to a foreign partner and receives a license for the partner's valuable knowledge; reduces risk of licensing.

**Cross subsidy**

The use of profits from one activity to cover losses from another. Thus the use of high prices for some of a firm's products, for example, to permit it to price below cost for others. In international trade, this could be one explanation for dumping.

**Cultural relativism**

The belief that ethics are culturally determined and that firms should adopt the ethics of the cultures in which they operate.

**Currency**

Money used in exchanges, which has an assigned value and is authorized by law.

**Currency crisis**

Occurs when a speculative attack on the exchange value of a currency results in a sharp depreciation in the value of the currency or forces authorities to expend large volumes of international currency reserves and sharply increase interest rates to defend the prevailing exchange rate.

**Currency risk**

Uncertainty about the future value of a currency.

**Currency speculation**

To buy or sell a currency in anticipation of its appreciation or depreciation respectively, the intent being to make a profit or avoid a loss.

**Current assets**

Valuable resources or property owned by a company that will be turned into cash within one year or used up in the operations of the company within one year. Generally includes cash, accounts receivable, inventory, and prepaid expenses.

**Current liabilities**

Amount owned that would ordinarily be paid by a company within one year. Generally includes accounts payable, salaries, and current portion of long-term debt, interest.

**Current price**

Price that includes the effects of inflation or deflation; price as they are actually observed or prevailing (as opposed to constant prices).

**Current principal balance**

The principal loan amount still outstanding or payable.

**Current ratio**

Indicator of short-term debt paying ability. Determined by dividing current assets by current liabilities. The higher the ratio, the more liquid the company; also referred to as the liquidity ratio.

**Cursor**

The blinking symbol (often a vertical bar) that designates the focal point in a document displayed in a computer screen where data is placed or written. In Windows programs, the cursor location can be changed using the arrow key or the mouse pointer.

**Customer service and satisfaction**

Tracking and monitoring of customer complaints and suggestions.

**Customs area**

A geographic area that is responsible for levying its own customs duties at its border.

**Customs classification**

The category defining the tariff to be applied to an imported good.

**Customs duty**

An import tariff.

**Customs officer**

The government official who monitors goods moving across a national border and levies tariffs.

**Customs procedure**

The practices used by customs officers to clear goods into a country and levy tariffs. Includes clearance procedures such as documentation and inspection, methods of determining a good's classification, and methods of assigning its value as the base for an ad valorem tariff. Any of these can impede trade and constitute a NTB. *See also NTBs.*

**Customs union**

Members apply a common external tariff (e.g. the European Union).

**Customs valuation**

The method by which a customs officer determines the value of an imported good for the purpose of levying an ad valorem tariff. When this method is biased against importing, it becomes an NTB.

**Cybersquatting**

The registration of a commercially valuable Internet domain name, as a trademark, with the intention of selling it or profiting from its use. *See also domain name.*

**Cycle time**

The length of time required to turn materials into products.

**D****Database program**

Application software used to manage files of related data.

**Debenture**

A debt that is not backed by collateral, but only by the credit and good faith of the borrower.

**Debit**

A debt charged against a personal or business account.

**Debt**

That which is owed. Debt refers to borrowed funds and is generally secured by collateral or a co-signer.

**Debt cancellation**

The most extreme form of debt relief, in which a country's debts are completely forgiven, so that no repayment of interest or principal is required.

**Debt capacity**

The amount a firm can borrow up to the point where the firm value no longer increases.

**Debt crisis**

A situation in which a country, usually a developing country, finds itself unable to service its debts.

**Debt ratio**

Indicates how much of the total funds are supplied by creditors. Determined by dividing total debt by total asset.

**Debt relief**

Any arrangement intended to reduce the burden of debt on a country, usually including forgiveness of part or all of what is owed to creditors who may include private banks and other entities, government, or international financial institutions.

**Debt service**

The payments made by a borrower on its debt, usually including both interest payments and partial repayment of principal.

**Debt-to-income ratio**

The ratio, expressed as a percentage, which results when a borrower's monthly payment obligation on long-term debts is divided by his or her gross monthly income.

**Decentralization**

The delegation of decision-making authority throughout an organization by allowing managers at various operating levels to make key decisions relating to their area of responsibility.

**Decision making**

The process of generating and evaluating alternatives and making choices among them.

**Decreasing cost**

Average cost that declines as output increases, due to increasing returns to scale.

**Default**

To fail to make a payment on schedule.

**Deferred charge**

An expenditure treated as an asset that carries forward until it becomes pertinent to the business at hand, e.g., advance rent payment.

**Deferred taxes**

A non-cash expense that provides a source of free cash flow. Amount allocated during the period to cover tax liabilities that have not yet been paid.

**Deficiency payment**

A type of agricultural domestic support, paid by governments to producers of certain commodities and based on the difference between a target price and the domestic market price or loan rate, whichever is less.

**Deficit**

The excess of liabilities over assets; a negative net worth.

**Deficit financing**

The method used by a government to finance its budget deficit, that is, to cover the difference between its tax receipts and its expenditures. The main choices are to issue bonds or to print money.

**Deflation**

(a) The process of reducing current values or current prices in relation to constant (inflation-removed) prices. (b) A general reduction in market price levels (current unit prices go down, thus being the opposite of inflation).

**De-industrialization**

A decline over time in the share of manufacturing in an economy, usually accompanied by growth in the share of services. Typically accompanied by an increase in manufactured imports, it may raise concern that the country is losing valuable economic activity to others.

**Delinquency**

Failure to make a payment on a debt or obligation by the specified due date.

**Delivered at frontier (DAF)**

Seller must supply the goods at his or her own risk and expense delivered to a named place (usually a border location) by a specified time. The buyer is responsible for the importation. This is normally used with rail, truck, or multi-modal shipments.

**Delivered duty paid (DDP)**

Seller must supply the goods at his or her own risk and expense to a named place in the country of importation. The seller is responsible for importation, payment of duty, and on carriage to the location agreed upon with the buyer.

**Delivered duty unpaid (DDU)**

Seller fulfills the contract obligations when the goods have arrived at a named place in the importing country. The seller bears all the costs and risk except for import duties and other customs clearance costs.

**Delivered ex ship (DES)**

Seller fulfills the contract obligations when the goods have been made available to the buyer on board a ship at the named port of destination. The seller must bear all costs and risks associated in bringing the goods to the named port of destination. The buyer is responsible for all costs necessary to unload the goods and clear them through customs.

**Delivery cycle time**

The amount of time required from receipt of an order from a customer to shipment of the completed goods.

**Demand**

Need or desire for a good or service. Such need will vary depending on the person, the price, the circumstance, or the desire. Demand is thus usually expressed in terms of the quantities that would be demanded at various prices. The resulting "demand curve" usually slopes downwards, indicating that people will demand more at lower prices than at higher prices.

**Demand deposits**

Deposits payable on demand and transferable by check or otherwise usable in making payments.

**Demand price**

The price at which a given quantity is demanded.

**Deposit**

An amount of money placed with a bank for safekeeping, convenience, and/or to earn interest.

**Depreciation**

A decrease in value through age, wear, or deterioration. Depreciation is a normal expense of doing business that must be taken into account. There are laws and regulations governing the manner and time periods that may be used for depreciation.



**Depreciation tax shield**

A reduction in the amount of income subject to tax that results from the presence of depreciation deductions on the income statement. The reduction in tax is computed by multiplying the depreciation deduction by the tax rate.

**Depression**

A time span marked by a severe drop in the level of economic activity and very high levels of unemployment.

**Deregulation**

The reduction of government's role in controlling markets, leading to freer markets, and presumably a more efficient marketplace.

**Desktop**

The primary display screen of a graphical user interface, on which various icons represent files, groups of files, programs, or the like, which can be moved, accessed, added to, put away, or thrown away in ways analogous to the handling of file folders, documents, notes, etc. on a real desk.

**Devaluation**

A reduction in the official fixed rate at which one currency exchanges for another under a fixed-rate regime, usually to correct a balance of payments deficit.

**Development bank**

A multilateral institution that provides financing for development needs of a regional group of countries.

**Development financing**

Financing to rapidly expand the business.

**Differential cost**

Any cost that is present under one alternative but is absent in whole or in part under another alternative in a decision making situation.

**Differentiated marketing**

Selecting and developing a number of offerings to meet the needs of a number of specific market segments.

**Differentiated product**

A firm's product that is not identical to products of other firms in the same industry. Contrasts with homogeneous product.

**Direct channel**

A distribution channel without intermediaries.

**Direct cost**

Any variable cost directly attributable to production. Items that are classed as direct cost include materials used, labor deployed, and marketing budget.

**Direct exporting**

Selling goods to another country by taking care of the transaction.

**Direct labor**

Those factory labor costs that can be physically traced to the creation of products in a "hands on" sense.

**Direct lease**

Contract in which a lessor purchases new equipment from the manufacturer and leases it to the lessee.

**Direct loans**

Loans granted by the lending institutions directly to small and medium enterprises.

**Direct materials**

Those materials that become an integral part of a finished product and that can be conveniently traced into it.

**Direct selling**

The process whereby the producer sells to the user, ultimate consumer, or retailer without intervening middlemen such as wholesalers, retailers, or brokers. Direct selling offers many advantages to the customer, including lower prices and shopping from home. Potential disadvantages include the lack of after-sales service, an inability to inspect products prior to purchase, lack of specialist advice, and difficulties in returning or exchanging goods.

**Direct tax**

A tax on income or net profit, as opposed to an indirect tax, which falls on the output (e.g., an excise or turnover tax) or on an input (e.g., a payroll tax).

**Discount**

A deduction from the stated or list price of a product or service in relation to the standard price. A discount is a selling technique to encourage customers to buy and is offered for a variety of reasons: for buying in quantity or for repeat buying; as a special offer to move a slow-moving line or for paying by cash, etc.

**Discount rate**

The interest rate at which future values are discounted to the present. It is usually considered roughly equal to the opportunity cost of capital.

**Discounted cash flow (DCF)**

A type of analysis based on discounting cash flows to the present by a given discount rate. It allows an analyst to take into account the fact that a peso of benefit received a year from today is not as valuable as a peso of cost incurred today. For example, if the cost had not been incurred, the peso could have been invested, and in a year's time at an interest rate of, say 10 percent, the capital would have grown to P1.10. Because projects vary widely in the pattern of their costs and benefits over time, DCF is necessary to place them on a common present-value basis for comparison purposes.

**Discretionary fixed costs**

Those fixed costs that arise from annual decisions by management to spend in certain fixed cost areas such as advertising and research.

**Discriminatory tariff**

A higher tariff against one source of imports than against another. Except in special circumstances, such as anti-dumping duties, this is a violation of MFN and is prohibited by the WTO against other members.

**Disinvest**

To reduce inventories, either absolutely or by more than any increase in plant and equipment.

**Disposable income**

Income minus taxes. More accurately, income minus direct taxes plus transfer payments; that is, the income available to be spent (including on imports) and saved.

**Distortion**

When prices and production are higher or lower than levels that would usually exist in a competitive market.

**Distribution channel**

All of the individuals and organizations involved in the process of moving products from producer to consumer. The route a product follows as it moves from the original grower, producer, or importer to the ultimate consumer.

**Distributor**

Middleman, wholesaler, agent, or company distributing goods to dealers or companies.

**Divestiture**

A complete asset or investment disposal such as outright sale or liquidation.

**Dividend**

The amount paid each quarter by a corporation to its stockholders for each share of stock.

**Domain name**

A domain name locates an organization or other entity on the Internet. For example, the domain name www.totalcakes.com.au locates an Internet address for "totalcakes.com" at Internet point 199.0.0.2 and a particular host server named "www". The "com" part of the domain name reflects the purpose of the organization or entity (in this example, "commercial") and is called the top-level domain name. The "totalcakes" part of the domain name defines the organization or entity and together with the top-level is called the second-level domain name. The second-level domain name maps to and can be thought of as the "readable" version of the Internet address. Domain names have to be registered to be valid and usable on the Internet. It can take a number of days before a new domain name becomes active.

**Domestic**

From or in one's own country. A domestic producer is one that produces inside the home country. A domestic price is the price inside the home country.

**Domestic credit**

Credit extended by a country's central bank to domestic borrowers, including the government and commercial banks.

**Domestic export**

Export for goods grown, mined, cultured, or manufactured in the Philippines.

**Domestic market**

The market within a country's own borders. Dumping, for example, may be defined by comparing the price charged for export with the price charged on the domestic market, that is, to buyers within the exporting country.

**Domestic resource cost**

The cost of resources used in production that are not imported. The term is often used in connection with the domestic cost of saving a unit of foreign exchange.

**Domestic trade**

Commerce within a country; wholesale and retail trade.

**Domestic value added**

Output cost in domestic prices minus the cost of material inputs at domestic prices.

**Domino effect**

A series of events like the fall of one domino causing others to fall after it in a chain reaction (e.g., the closing of a large manufacturing plant led to a domino effect, causing the closure of other businesses dependent on it).

**Dotcom**

A company doing business mostly or solely on the Internet.

**Down payment**

A partial payment at the time of buying.

**Downsize**

Term currently used to indicate employee reassignment, layoffs, and restructuring in order to make a business more competitive, efficient, and/or cost-effective.

**Drawback**

Rebate of import duties when the imported good is re-exported or used as input to the production of an exported good.

**DSL**

Digital Subscriber Line. A technology for bringing broadband information to homes and small businesses over ordinary copper telephone lines. xDSL refers to different variations of DSL, such as ADSL, HDSL, and SDSL. With DSL technology, Internet connection and telephone can be used at the same time.

**Dumping**

Occurs when goods are exported at a price less than their normal value, generally meaning they are exported for less than they are sold in the domestic market or third-country markets, or at less than production cost.

**Durable good**

A good that can continue to be used over an extended period of time.

**Duty**

A tariff or tax collected on imported goods at the port of entry. A duty can also be applied to exports as well. It may be specific (ton) or ad valorem (percentage). It is distinct from an excise tax, which is applied on all goods whether imported or produced domestically.

**Duty-free**

Without tariff, usually applied to imports on which normally a tariff would be charged, but that for some reason are exempt. Travelers, for example, may be permitted to import a certain amount duty-free.

**E****Earnings**

A sum of money gained from employment, usually quoted before tax, including extra reward such as fringe benefits, allowances, or incentives. In business, income or profit from a business, quoted gross or net of tax.

**Earnings before interest after taxes (EBIAT)**

A financial measure defined as revenues less cost of goods sold and selling, general, and administrative expenses. In other words, operating and non-operating profit before the deduction of interest plus cash income taxes. Equivalent to EBIT minus cash taxes.

**Earnings before interest and taxes (EBIT)**

A financial measure defined as revenues less cost of goods sold and selling, general, and administrative expenses. In other words, operating and non-operating profit before the deduction of interest and income taxes.

**Earnings before interest, taxes, and depreciation (EBITD)**

A financial measure defined as revenues less cost of goods sold and selling, general, and administrative expenses. In other words, operating and non-operating profit before the deduction of interest and income taxes. Depreciation expenses are not included in the costs.

**Earnings before interest, taxes, depreciation, and amortization (EBITDA)**

A financial measure defined as revenues less cost of goods sold and selling, general, and administrative expenses. In other words, operating and non-operating profit before the deduction of interest and income taxes. Depreciation and amortization expenses are not included in the costs.

**Earnings before taxes (EBT)**

A financial measure defined as revenues less cost of goods sold and selling, general, and administrative expenses. In other words, operating and non-operating profit before the deduction of income taxes.

**EBPP**

Electronic bill presentment and payment. The process by which companies bill customers and receive payments electronically over the Internet.

**E-business**

A contraction of "electronic business." It is the conduct of business on the Internet, including the electronic purchasing and selling of goods and services, servicing customers, and communications with business partners.

**Eco-label**

Information (typically provided on a label attached to a product) informing a potential consumer of a product's characteristics, or of the production or processing method(s) used in its production.

**E-commerce**

A contraction of "electronic commerce." Commercial trade that is carried out electronically – orders are placed and funds are transferred electronically. A glorified way of saying "buying and selling items over the Internet."

**Econometrics**

The application of statistical methods to the empirical estimation of economic relationships. Econometric analysis is used extensively in international economics to estimate the causes and effects of international trade, exchange rates, and international capital movements.

**Economic growth**

The increase over time in the capacity of an economy to produce goods and services and (ideally) to improve the well-being of its citizens.

**Economic price**

Synonymous with efficiency price, or a price that reflects the relative value that should be assigned to inputs and outputs if the economy is to produce the maximum value of physical output efficiently. There is no consideration of income distribution or of other "non-efficiency" goals.

**Economic rate of return**

More completely known as the internal economic rate of return, or an internal rate of return based on economic prices.

**Economies of scale**

Refers to the notion of increasing efficiencies of the production of goods as the number of goods being produced increases. Typically, the average costs of producing a good will diminish as each additional good is produced, since the fixed costs are shared over an increasing number of goods.

**Economies of scope**

Used to describe decreasing cost per unit of production due to greater efficiency in doing the same things over and over again.

**Ecotourism**

Travel undertaken to witness the unique natural or ecological quality of particular sites or regions, including the provision of services to facilitate such travel.

**EDI**

Electronic Data Interchange. The transfer of data between different companies using networks, such as the Internet. As more and more companies get connected to the Internet, EDI is becoming increasingly important as an easy mechanism for companies to buy, sell, and trade information.

**EER**

Effective Exchange Rate. The domestic market (local) price of a good divided by its border (dollar) price. In effect, it is the exchange rate actually paid for a given good, and serves as an estimate of the shadow exchange rate for that good. Thus, the EER can be different from the official exchange rate.

**Effectiveness**

The capability of bringing about an effect or accomplishing a purpose, sometimes without regard to the quantity of resources consumed in the process.

**Efficiency**

The capability of producing desired results with a minimum of energy, time, money, materials, or other costly inputs.

**Electronic Commerce Act of 2000**

A Philippine Law under Republic Act No. 8792, An Act Providing for the Recognition and Use of Electronic Commercial and Non-Commercial Transactions and Documents, Penalties for Unlawful Use Thereof and for other Purposes. This Act aims to facilitate domestic and international dealings, transactions, arrangements, agreements, contracts and exchanges and storage of information through the utilization of electronic, optical, and similar medium, mode, instrumentality and technology to recognize the authenticity and reliability of electronic documents related to such activities and to promote the universal use of electronic transactions in the government and general public.

**Electronic mail (e-mail)**

Text messages transmitted directly from one computer to another.

**E-mail address**

The address used to send and receive e-mail. The e-mail address contains the username, the @ symbol, and the domain name (example: bsm@dti.gov.ph). This is read: bsm at dti dot gov dot ph.

**Embargo**

The prohibition of some category of trade. May apply to exports and/or imports, of particular products or of all trade, vis a vis the world or a particular country or countries.

**Employer's liability insurance**

Coverage against suits brought by employees.

**EMS**

Environmental Management Systems. A set of processes and practices that enables an organization to reduce its environmental impacts and increase its operating efficiency. In other words, the EMS is the part of the overall management system that addresses the impact of an organization's activities, products, and services on the environment. Most EMS are built on the "Plan, Do, Check, Act" model. This model leads to continual improvement based upon: 1) Planning, including identifying environmental aspects and establishing goals [plan]; 2) Implementing, including training and operational controls [do]; 3) Checking, including monitoring and corrective action [check]; and 4) Reviewing, including progress reviews and acting to make needed changes to the EMS [act].

**End-of-pipe technology**

A technology designed to control pollution from another technology, generally installed at the point of emission.

**Enterprise**

A venture characterized by innovation, creativity, dynamism, and risk. An enterprise can consist of one project, or may refer to an entire organization.

**Entrepreneur**

An individual who engages in a business; an innovator of business enterprise who recognizes opportunities to introduce a new product, a new process or an improved organization, and who raises the necessary money, assembles the factors for production, and organizes an operation to exploit the opportunity.

**Entrepreneurship**

Process of creating something new and assuming the risks and rewards.

**Entry barrier**

A natural or artificial impediment to a firm beginning to operate in an industry. Entry barriers give a first mover advantage to firms already in an industry, and these are often national firms in competition with potential foreign entrants.

**Environmental analysis**

Assessment of external uncontrollable variables that may impact the business plan.

**Environmental dumping**

Export of a good from a country with weak or poorly enforced environmental regulations, reflecting the idea that the exporter's cost of production is below the true cost to society, providing an unfair advantage in international trade. Also called eco-dumping.

**Environmental impact assessment (EIA)**

The critical appraisal, both positive and negative, of the likely effects of a proposed project, development, activity or policy on the environment.

**Environmentally sound technologies (ESTs)**

Technologies that have the potential for significantly improved environmental performance relative to other technologies. ESTs protect the environment; are less polluting; use all resources in a more sustainable manner; recycle more of their wastes and products; and handle residual wastes in a more acceptable manner than the technologies for which they are substitutes. ESTs are not just individual technologies, but total systems which include know-how, procedures, goods and services, and equipment as well as organizational and managerial procedures.

**Environmental management accounting (EMA)**

The identification, collection, estimation, analysis, internal reporting, and use of materials and energy flow information, environmental cost information, and other cost information for both conventional and environmental decision-making within an organization. EMA places particular emphasis on accounting for environmental costs.

**EOQ**

Economic Order Quantity. The order size for materials that will result in a minimization of the costs of ordering inventory and carrying inventory.

**Equipment**

Physical property of a more or less permanent nature ordinarily useful in carrying on operations, other than land, buildings, or improvements to either of them. Examples are machinery, tools, tracks, cars, ships, furniture, and furnishings.

**Equity**

(a) In financing and investment, the money contributed directly by the owner(s) and for which dividends may be paid, as opposed to debt, which is money borrowed by the project that must be repaid and on which interest is usually charged; (b) social justice, as opposed to (pure) economic efficiency regardless of distribution issues.

**Equivalent quota**

The quota that sets the same level of imports that is entering a country under a tariff, or perhaps under some other NTB. See also NTBs.

**Ergonomics**

The study of workplace design and the physical and psychological impact it has on workers. Ergonomics is about the fit between people, their work activities, equipment, work systems, and environment to ensure that workplaces are safe, comfortable, efficient, and that productivity is not compromised.

**ERP**

Enterprise Resource Planning. A business management system that integrates all facets of the business, including planning, manufacturing, sales, and marketing. As the ERP methodology has become more popular, software applications have emerged to help business managers implement ERP in business activities such as inventory control, order tracking, customer service, finance, and human resources.

**Establishment**

An economic unit which engages in one or predominantly one kind of economic activity at a fixed single physical location, and having permanency of assets, such as goods for resale, materials, products, equipment, etc., in its premises during its operation.

**E-tailing**

A contraction of "electronic retailing." The selling of goods and services in the Internet or through e-mail solicitation.

**Ethical trade**

This refers primarily to trade that conforms with high levels of labor standards, including the avoidance of child labor, forced labor, sweatshops, adverse health and safety conditions, and violations of labor rights.

**Euro**

The common currency of a subset of the countries of the European Union, adopted January 1, 1999, with paper notes and coins put into circulation January 1, 2002.

**European Union**

A group of European countries that have chosen to integrate many of their economic activities, including forming a customs union and harmonizing many of their rules and regulations. As of January 1, 2007, the EU had 27 member countries.

**E-VAT**

The expanded Value-Added Tax Law, Republic Act 9337, which took effect last November 1, 2005 removes the VAT exemption of several formerly exempt sectors of the economy. Thus, the burden of taxation is now shared more equitably. The previously exempted transactions that are now subject to 10% VAT are as follows: 1) medical services such as dental and veterinary services rendered by professionals; 2) legal services; 3) non-food agricultural, marine and forest products; 4) cotton and cotton seeds; 5) coal and natural gas; 6) petroleum products; 7) sale and importation of raw materials for manufacture of petroleum products; 8) passenger cargo vessels of more than 5,000 tons; 9) work of art, literary works, musical compositions; 10) generation, transmission and distribution of electricity including that of electric cooperatives; 11) sale of residential lot valued at more than Php1,500,000; 12) sale of residential house and lot/dwellings valued at more than Php2,500,000; and 13) lease of residential unit with a monthly rental of more than Php10,000. The additional revenue generated would address the delivery of basic services such as building and maintaining public schools, constructing farm to market roads, bridges and other infrastructure, maintaining peace and order, improving hospitals and public health services. Starting 2006, 30% of the incremental VAT collection for the year will be used for social services and capital expenditures for country development. The percentage will be increased by 5% each year until it reaches 50% in the year 2010.

**E-waste**

Electronic equipment that is no longer useful as originally intended, but can be reused or recycled into a new product.

**Exchange rate**

The number of units of domestic currency per unit of international currency. It may also be expressed in an inverse fashion.

**Exchange rate protection**

The manipulation of the exchange rate so as to increase the domestic prices of, and demand for, domestically produced goods. Since an undervalued currency stimulates demand for all

domestically produced tradable goods, this form of protection, unlike tariff protection, can only be provided to the tradable sector as a whole, not to individual industries.

**Exchange risk**

Uncertainty about the value of an asset, liability, or commitment due to uncertainty about the future value of an exchange rate. Unless they cover themselves in the forward market, traders with commitments to pay or receive foreign currency in the future bear exchange risk. So do holders of assets and liabilities denominated in foreign currency.

**Excise tax**

A tax imposed on goods manufactured or produced in the Philippines for domestic sale or consumption or any other disposition. It is also imposed on goods that are imported.

**Executive orders**

Directives issued by the President that have the force and effect of laws enacted by Congress.

**Exhaustion**

In intellectual property protection, the principle that once a product has been sold on a market, the intellectual property owner no longer has any right over it. (A debate among WTO member governments is whether this applies to products put on the market under compulsory licenses.) Countries' laws vary as to whether the right continues to be exhausted if the product is imported from one market into another, which affects the owner's rights over trade in the protected product. *See also parallel import.*

**Expense account**

Amount of money that an employee or group of employees can draw on to reclaim personal expenses incurred in carrying out activities for an organization.

**Experience good**

A product whose value can be better known after having consumed it. Producers of experience goods may temporarily charge a price lower than marginal cost to induce buyers to try the product. Done with an export, this would be legally considered dumping.

**Export**

All goods leaving the country, which are properly cleared through the Customs.

**Export credit**

A loan to the buyer of an export, extended by the exporting firm when shipping the good prior to payment, or by a facility of the exporting country's government. In the latter case, by setting a low interest rate on such loans, a country can indirectly subsidize exports.

**Export credit insurance**

A program to guarantee payment to exporting firms who extend export credits.

**Export-import company**

A firm whose business consists mainly of international trade: buying goods in one country and selling them in another, thus both exporting and importing. Same as import-export company.

**Exporting**

The process of selling goods made in one country to another country.

**Export limitation**

Any policy that restricts exports.

**Export management company**

Export specialists who act as an export marketing department for client firms.

**Export processing zone**

A designated area in a country in which firms can import duty-free as long as the imports are used as inputs to production of exports.

**Export promotion**

A strategy for economic development that stresses expanding exports, often through policies to assist them such as export subsidies. The rationale is to exploit a country's comparative advantage, especially in the common circumstance where an over-valued currency would otherwise create bias against exports.

**Export quota**

A quantitative restriction on exports.

**Export subsidy**

A subsidy to exports; that is, a payment to exporters of a good per unit of the good exported.

**Export tariff**

A tax on exports, more commonly called an export tax.

**External debt**

The amount that a country owes to foreigners, including the debts of both the country's government and its private sector.

**External economies of scale**

A form of increasing returns to scale in which productivity and thus costs of individual firms depend on the output of their entire industry, rather than just their own. *See also internal economies of scale.*

**Externality**

An impact of a project, good or bad, not reflected in its financial accounts. For example, a project may harm the environment, train workers, or make it easier for other firms to get started in a related line of business. But these effects do not show up in its financial statements. Thus, it may be necessary to take such externalities into account and place a value on them if they are significantly out of line with the general results expected from the projects.

**External stakeholders**

Individuals or groups who have some claim on a firm such as customers, suppliers, and unions. *See also stakeholders.*

**Extranet**

An intranet that is partially accessible to authorized persons outside of a company or organization. *See also intranet.*

**F****Facsimile (fax) machine**

A device that transmits and receives copies of documents via telephone lines.

**Factor cost**

The cost of a good or service used in production, excluding indirect taxes and subsidies.

**Factor mix**

The share of various factors of production in producing a product or service. For example, a labor-intensive factor mix for road building would involve head baskets and hoes; a capital-intensive one would involve bulldozers and trucks. Factor mix is always a relative concept. For example, labor's share in value added in a labor-intensive cement manufacturing plant might be less than its share in value added in a capital-intensive residential construction project.

**Factor of production**

An input into production. Often a distinction is drawn between "primary" factors of production - - such as capital, labor, and land (including mineral resources) -- and "secondary" factors of production, such as materials and technologies.

**Factory gate price**

A basic price with the "factory gate" as the pricing point, that is, the price of the product available at the factory, excluding any separately billed transport or delivery charge.

**Fair price**

In anti-dumping cases, the price to which the export price is compared, which is either the price charged in the exporter's own domestic market or some measure of their cost, both adjusted to include any transportation cost and tariff needed to enter the importing country's market. In the context of the Fair Trade Movement, a fair price is a price that, when paid to the individual producers of a product such as coffee or handicrafts, gives them access to a viable standard of living, including nutrition, health care, education, and cultural autonomy. *See also Fair Trade Movement.*

**Fair Trade Movement**

A system overseen by several international non-governmental organizations (NGOs), in which products of developing countries are purchased at a fair price from individual producers and sold with a fair trade label to consumers in developed countries. These intermediaries also seek to promote other objectives, including environmental sustainability and capacity building, while keeping prices to consumers low by bypassing more conventional intermediaries.

**FAO**

The Food and Agriculture Organization of the United Nations leads international efforts to defeat hunger. Serving both developed and developing countries, FAO acts as a neutral forum where all nations meet as equals to negotiate agreements and debate policy. FAO is also a source of knowledge and information. It helps developing countries and countries in transition modernize and improve agriculture, forestry and fisheries practices and ensure good nutrition for all. Since FAO's founding in 1945, it has focused special attention on developing rural areas, home to 70 percent of the world's poor and hungry people.

**Farm gate price**

A basic price with the "farm gate" as the pricing point, that is, the price of the product available at the farm, excluding any separately billed transport or delivery charge.

**FAS**

Free alongside ship. The same as free on board (FOB) but without the cost of loading onto a ship. *See also FOB.*

**Fax modem**

A circuit board that allows a document to be sent from a computer disk to another computer or a fax machine.

**FDI**

Foreign direct investment. Acquisition or construction of physical capital by a firm from one (source) country to another (host) country.

**Feasibility study**

A detailed examination of the comparative costs and benefits (tangible or otherwise) of a programme or project being proposed or identified as attractive, suitable, or feasible. It is normally carried out based on mutually agreed terms of reference previously drawn up at the identification or pre-feasibility (indicative programming) stage. If the conclusions are favorable, then the financing proposal will be drawn up, and financing negotiations proceed without the need for further studies.

**Feedback**

Refers to the customer's response to a particular product or service. It is used to gauge a campaign's effectiveness and how well it is received by customers.

**FIFO**

First In First Out. A method of inventory control whereby first items into inventory are first items out.

**File server**

The computer that stores the programs and common data for a local area network.

**Finance**

The money needed by an individual or company to pay for something, for example, a project or stocks.

**Financial analysis**

A diagnosis of trends that is indicative of the magnitude, timing, or riskiness of the firm's future cash flows through the use of data from balance sheet and income statement, which shows financial status at a point of time and financial operation over a period of time, respectively.

**Financial institution**

An enterprise such as a bank whose primary business and function is to collect money from the public and invest it in financial assets such as stocks and bonds.

**Financial intermediaries**

Institutions that provide the market function of matching borrowers and lenders or traders.

**Financial plan**

A section of the business plan providing an account of the new firm's financial needs and sources of financing and a projection of its revenues, costs, and profits.

**Financial position**

The account status of a firm's or individual's assets, liabilities, and equity positions as reflected on its financial statement.

**Financial rate of return**

The financial profitability of a project. It usually refers to an annual return on net fixed assets or on investment. It may also refer to the internal rate of return, which is determined through discounted cash-flow analysis.

**Financial ratios**

Control mechanisms to test financial strength of new venture. Examples of which are acid-test ratio, current ratio, debt ratio, and debt-to-income ratio.

**Financial risk**

The risk that the cash flow of an issuer will not be adequate to meet its financial obligations.

**Financial statements**

Reports of a firm's financial performance and resources, including an income statement, a balance sheet, and a cash flow statement.

**Financing activities**

A section on the statement of cash flows that includes all transactions (other than payment of interest) involving borrowing from creditors and all transactions (except stock dividends and stock splits) involving the owners of a company.

**Finished goods**

Goods that are completed as to manufacturing but not yet sold to customers.

**Firewall**

A hardware or software device that screens all incoming and outgoing network requests. A firewall protects the data stored on an internal network from crackers, and can restrict the operations that internal users can perform (e.g. the web pages they request can be screened by the server being viewed).

**First to file system**

The scheme used by the Intellectual Property Office of the Philippines for the grant of patents and trademarks, which encourages intellectual property owners to file an application as early as possible and determines ownership between similar application based on an earlier filing date.

**Fiscal**

Relating to financial matters, especially in respect to government collection, use, and regulation of money through taxation.

**Fixed asset**

A long-term property owned by a firm that is used by a firm in the production of its income. Tangible fixed assets include real estate, plant, and equipment. Intangible fixed assets include patents, trademarks, and customer recognition.

**Fixed asset turnover**

Indicates the firm's ability to generate sales in relation to its fixed asset base.

**Fixed costs/expenses**

Those costs which do not vary from one period to the next. Generally, these expenses are not affected by the volume of business.

**Fixed-rate loan**

A loan that carries an unchanging interest rate throughout the life of the loan.

**Flexible machine cells**

Flexible manufacturing technology in which a grouping of various machine types, a common materials handler, and a centralized cell controller produce a family of products.

**Flexible manufacturing technology**

Manufacturing technology designed to improve job scheduling, reduce setup time, and improve quality control.

**Flexitime**

The practice of permitting employees to choose, with certain limitations, their own working hours.

**Float**

The period between the presentation of a check as payment and the actual payment to the payee.

**Floating rate**

An interest rate that is not fixed and which changes according to fluctuations in the market.

**Floor**

A lower limit on an interest rate, price, or the value of an asset.

**Flow processing/flow production**

An efficient method of converting raw material into finished product eliminating or minimizing transportation, handling of parts and work in progress.

**F.O.B.**

Free on board. The value of the goods free on board the carrier at the frontier of the exporting country. It includes inland freight, export duty, and other expenses. Ocean freight, insurance, and consular fee are, however, excluded.

**Focus Group Discussion**

A qualitative research methodology that gathers a select group of individuals to get their opinions and observe their attitude towards a particular product, idea, or service. It is usually conducted with a moderator directing the discussion.

**Food Sanitation Law (FSL)**

Japan imports are subject to two basic laws: the Food Sanitation Law and the Plant Quarantine Law. The FSL specifies the maximum pesticide levels that are allowed on the product. If this maximum level is exceeded, the product will be rejected. *See also Plant Quarantine Law.*

**Foot and mouth disease (FMD)**

FMD is a highly contagious disease, which chiefly affects cloven-hoofed animal species (cattle, sheep, goats and pigs). When FMD breaks out in one species in a given country, exports of meat from all four types of animal are suspended.

**Foreign exchange**

Narrowly defined, any non-domestic currency. More generally, any tradable and convertible monetary resource -- whether in the form of actual foreign currency, gold, credits in foreign banks, etc. It usually implies freely convertible foreign exchange, although non-convertible currencies within trading blocs may sometimes be included.

**Foreign exchange market**

The market on which national currencies are exchanged for one another.

**Forward integration**

Integration toward the final users of a company's goods or services.

**Foreign trade zone**

An area within a country where imported goods can be stored or processed without being subject to import duty. Also called a "free zone," "free port," or "bonded warehouse."

**Forward integration**

Acquisition by a firm of a larger part of its distribution chain, moving it closer to selling directly to its ultimate customers.

**Forward linkage**

The provision by one firm or industry of produced inputs to another firm or industry.

**Forward rate**

An estimate of what an interest rate will be at a specified future time.

**Fragmentation**

The splitting of production processes into separate parts that can be done in different locations, including in different countries.

**Franchise**

An agreement enabling a third party to sell or provide products or services owned by a manufacturer or supplier. The franchise is regulated by a franchise contract, or franchise agreement, that specifies the terms and conditions of the franchise.

**Franchisee**

Person obtaining the franchise.

**Franchising**

Allowing another party to use a product or service under the owner's name.

**Franchisor**

Person offering the franchise.

**Fraud**

The use of dishonesty, deception, or false representation in order to gain a material advantage or to injure the interest of others.

**Freebie**

A product or service that is given away, often as a business promotion.

**Free enterprise**

An economic system in which individuals and companies conduct business with minimal government control.

**Free foreign exchange**

Free and freely convertible foreign exchange against which there are no pre-emptive claims (e.g., a claim for repayment on foreign exchange that has been borrowed).

**Free list**

A list of goods that a country has designated as able to be imported without being subject to tariff or import licensing.

**Free market**

A market in which supply and demand are unregulated except by the country's competition policy, and rights in physical and intellectual property are upheld.

**Free trade agreement**

A negotiated treaty among two or more countries to form a free trade area.



**Free trade area**

Trade within the group is duty-free but members set their own tariffs on imports from non-members (e.g., AFTA).

**Freight**

A transportation term meaning either goods being transported, and/or charges incurred for such transport.

**Fringe benefits**

Non-financial supplements to employees' compensation.

**FTA**

A free trade area is a grouping of countries within which tariffs and non-tariff trade barriers between the members are generally abolished but with no common trade policy toward non-members. The North American Free Trade Area (NAFTA) and the European Free Trade Association (EFTA) are examples of free trade areas.

**Fumigation**

A method of pest control that completely fills an area with gaseous pesticides (which are not toxic if used properly) to suffocate or poison the pests within. It is utilized for control of pests in buildings (structural fumigation), soil, grain, and produce, and is also used during processing of goods to be imported or exported to prevent transfer of exotic organisms. In Japan, specific imports such as bananas are automatically fumigated upon arrival (fruit fly infestation) whereas other imports will be fumigated when/or if plant quarantine finds pests on the product.

**Fund flow**

An accounting statement showing the sources and uses of funds. It is similar to a cash-flow statement, except that fund-flow statement generally deals in longer-term flows (e.g., yearly) and with non-cash items such as the issue of new equity shares or debt bonds.

**G****Gains from trade**

The net benefits that countries experience as a result of lowering import tariffs and otherwise liberalizing trade.

**GATT**

The General Agreement on Tariffs and Trade (GATT) is a multilateral agreement, originally negotiated in 1947 in Geneva among 23 countries, to reduce tariffs and other trade barriers. It provides a framework for periodic multilateral negotiations on trade liberalization. One of such negotiations was the Uruguay Round. Part of the final agreement of the Uruguay Round, concluded in December 1993, led to the establishment of the World Trade Organization to replace the GATT; it commenced operation on 1 January 1995. *See also WTO.*

**GDP**

Gross Domestic Product. The value of all goods and services produced domestically; the sum of gross value added of all resident institutional units engaged in production (plus any taxes, and minus any subsidies, on products not included in the values of their outputs).

**General ledger**

Accounting records that show all the financial statement accounts of a business.

**General manager**

An entrepreneur who functions as an administrator of a business.

**Genetic engineering**

The genetic engineering process utilizes viruses and bacteria most often to implant the desired gene(s) into the organism. The gene is surrounded by an activator that causes the gene to switch on or off when desired. The ability to activate or deactivate a trait is the driving force behind genetic engineering. It occurs within both plants and animals. Genetic engineering within food crops is done to create pest and disease resistance, improve crops, and improve product characteristics. In farm animals, genetic engineering is being conducted to increase growth or weight gain, to alter milk properties, to reduce lactose or increase shelf life, or increase disease resistance. Industrial products are also being produced within mammals, such as spider silk protein in goat milk. *See also GMO.*

**Geographical indication**

Signs used on goods that have a specific geographical origin and possess qualities or a reputation that are due to that place of origin. Most commonly, a geographical indication consists of the name of the place of the goods. Example is "Switzerland" or "Swiss", which is widely perceived as a geographical indication for products that are made in Switzerland and, in particular, for watches.

**Globalization**

Also used to encompass a variety of other changes that were perceived to occur at about the same time, such as an increased role for large corporations (MNCs) in the world economy and increased intervention into domestic policies and affairs by international institutions such as the IMF, WTO, and World Bank.

**Globalization of markets**

Moving away from an economic system in which national markets are distinct entities, isolated by trade barriers and barriers of distance, time, and culture, and toward a system in which national markets are merging into one global market.

**Globalization of production**

Trend by individual firms to disperse parts of their productive processes to different locations around the globe to take advantage of differences in cost and quality of factors of production.

**GMO**

A plant or animal microorganism or virus, which has been genetically engineered or modified. GMOs are also called transgenic organisms because genes have been transferred.

**GMP**

Good Manufacturing Practice is a set of regulations, codes, and guidelines for the manufacture of drugs, medical devices, diagnostic products, food products and Active Pharmaceutical Ingredients (APIs). Since sampling products will statistically only ensure that the samples themselves (and perhaps the areas adjacent to where the samples were taken) are suitable for use, and end-point testing relies on sampling, GMP takes the holistic approach of regulating the production and laboratory testing environment itself. An extremely important part of GMPs is documenting every aspect of the process, activities, and of operations. If the documentation is not correct and in order, showing how the product was made and tested, that allows for traceability, and recall from the market in the event of future problems, then the product is considered contaminated or adulterated.

**GNP**

Gross National Product. The GDP adjusted with the net factor income from the rest of the world. It refers to the aggregate earnings of the factors of production (nationals) plus indirect taxes (net) and capital consumption allowance.

**Good**

A product that can be produced, bought, and sold, and that has a physical identity. Contrasts with service. Trade in goods is much easier to measure than trade in services, and thus much more thoroughly documented and analyzed.

**Grace period**

A time period after a payment is due in which that payment may be made with or without penalty but no legal action.

**Grade**

Differences in degree, worth, or ranking between products or services that have the same functional use.

**Grievance procedure**

A systematic process through which employees complain about matters affecting them.

**Gross income**

Income before expenses.

**Gross output**

The total output of a firm, industry, or economy without deducting intermediate inputs. For a firm or industry, this is larger than its value added which is net of its own intermediate inputs. For an economy, gross output is greater than net output, which deducts the amount of the good itself used as an intermediate input.

**Gross profit**

The difference between the selling price and the cost of an item. Gross profit is calculated by subtracting cost of goods sold from net sales.

**Gross profit margin**

Computed by dividing gross profits over gross revenues; gross profit margin shows the relationship between profit and sales. A rising margin means rising profitability and growth. Conversely, a falling margin means falling profitability.

**Gross regional domestic product**

Aggregate of the gross value added or income from each industry or economic activity of the regional economy.

**Gross value added**

The difference between gross output and intermediate inputs. Gross output of a production unit during a given period is equal to the gross value of the goods and services produced during the period and recorded at the moment they are produced, regardless of whether there is a change of ownership. Intermediate inputs refer to the value of goods and services used in the production process during the accounting period.

**Growth capital**

Funding that allows a company to accelerate its growth. For new startup companies, growth capital is the second stage of funding after seed money.

**Growth rate**

The rate of an economy's growth as measured by its technical progress, the growth of its labor, and the increase in its capital stock.

**GSP**

The Generalized System of Preferences is an autonomous, country-specific policy that permits tariff reductions or possibly duty-free entry of certain imports from designated developing countries.

**Guarantee**

A pledge by a third party to repay a loan in the event that the borrower defaults.

**Guarantor**

A person or organization that guarantees repayment of a loan if the borrower defaults or is unable to pay.

**Guest worker**

A foreign worker who is permitted to enter a country temporarily in order to take a job for which there is shortage of domestic labor.

**G8**

Group of eight leading industrial countries: Canada, France, Germany, Italy, Japan, Russia, United Kingdom, and the United States.

**H****HACCP**

Hazard Analysis and Critical Control Point. This system was developed in 1996 and is preferred by food safety professionals around the world. It is designed to prevent the occurrence of food-borne hazards from production through the processing, storage, and distribution of a food product. The HACCP method involves the identification of specific hazards throughout the entire process and focuses on preventive measures to assure the quality and safety of food. This includes analysis of raw material sources and usage, processing equipment, operating practices, packaging, and storage, together with marketing and conditions for intended use.

**Halal**

A Quranic term which means allowed or lawful. Halal foods and drinks are permitted for consumption by Allah – the Supreme Law Giver. Eating Halal is obligatory for every Muslim.

**Haram**

A Quranic term which means prohibited or unlawful. Haram foods and drinks are absolutely prohibited by Allah. Eating Haram is prohibited for every Muslim.

**Hard currency**

A currency that is widely accepted around the world, usually because it is the currency of a country with a large and stable market. Examples today include the U.S. dollar and the Euro.

**Hard disk**

A data storage device located inside the casing of the computer. The hard disk is non-removable (it cannot be removed while the computer is running) and stores important data such as the computer operating system. The hard disk usually has greater storage capacity than removable media such as floppy disks and rewritable CDs.

**Hardware**

The electronic and mechanical parts of a computer, but not the information stored on it.

**Harmonization**

The changing of government regulations and practices, as a result of an international agreement to make those of different countries the same or more compatible. In the case of tariffs, this means making tariff rates more similar across industries and/or across countries.

**Harmonized system**

An international nomenclature developed by the World Customs Organization, which is arranged in six-digit codes allowing all participating countries to classify traded goods on a common basis. Beyond the six-digit level, countries are free to introduce national distinctions for tariffs and many other purposes.

**Headquarters services**

The activities of a firm that typically occur at its main location and that contribute in a broad sense to its productivity at all of its locations and plants. These may include management, accounting, marketing, and R&D.

**Holding company**

A parent organization that owns and controls other companies.

**Home-based business**

A business that maintains its primary facility in the residence of its owner.

**Home page**

The "table of contents" to a Web site, detailing what pages are on a particular site. The first page a person sees when accessing a Web site.

**Homogeneous product**

The product of an industry in which the outputs of different firms are indistinguishable. Contrasts with differentiated product.

**Horizontal integration**

The extension of activities by an enterprise to the same general line of business or an expansion into supplementary (e.g., from general paper products to those for toiletry or greeting purposes), complementary (to packaging), or compatible products or services (printing and labeling, etc.).

**Host country**

The country into which a foreign direct investment is made. *See also FDI.*

**Hot money**

Holdings of very liquid assets, which may be sold or cashed on short notice and then removed from a country, often in response to expectations of devaluation or other financial crisis.

**HRM**

Human Resource Management. The wide range of organizational activities involved in staffing, training and development, compensation, health and safety, employee and labor relations, and human resource research.

**HTML**

Hypertext Markup Language. HTML is the language used to create web pages. The advent of web software such as Dreamweaver and Frontpage means that knowledge of HTML is no longer essential to create effective web pages. These packages can automatically create HTML code for a given page layout.

**HTTP**

Hypertext Transfer Protocol. HTTP is the language that computers use to talk to each other over the World Wide Web to request and transfer files and web pages.

**Human capital**

The stock of knowledge and skill, embodied in an individual as a result of education, training, and experience, that makes him or her more productive.

**Hyperinflation**

Very rapid growth in the rate of inflation so that money loses value and physical goods replace currency as a medium of exchange.

**I****ICT**

Information and Communication Technology. The totality of electronic means to collect, store, process and present information to end-users in support of their activities.

**IER**

Internal Economic Rate of Return. The internal rate of return based on economic as opposed to financial prices.

**IFC**

International Finance Corporation. A corporation owned by the World Bank that produces a number of well-known stock indexes for emerging markets. Its major role is to provide financing for projects in less developed countries. *See also World Bank.*

**IiP**

Investors in People. An international quality standard focused on people aimed at improving business performance. IiP enables an organization to: (1) assess their people management development practices and compare it with the standard; (2) get insights on how current practices may be aligned with the standard; and (3) receive consultancy support from both international and local practitioners. IiP was introduced in the United Kingdom in 1991 in partnership with leading national business, personnel, professional, and employee organizations. It was launched in the international arena since 1998.

**ILO**

International Labor Organization. A United Nations specialized agency that establishes and monitors compliance with international standards for human and labor rights. *See also labor standard.*

**IMF**

International Monetary Fund. The organization that industrialized nations have established to reduce trade barriers and stabilize currencies, especially those of less industrialized nations. As of June 2007, it had 185 member countries.

**Implicit tariff**

Tariff revenue on a good or group of goods, divided by the corresponding value of imports.

**Import**

All goods entering any of the seaports or airports of the Philippines properly cleared through the Customs or remaining under Customs control, whether the goods are for direct consumption, for trading, for warehousing, or for further processing.

**Import authorization**

The requirement that imports be authorized by a special agency before entering a country, similar to import licensing.

**Import duty**

A tariff on imports.

**Import license**

The license to import under an import quota or under exchange controls.

**Import parity price**

A price charged for a domestically produced good that is set equal to the domestic price of an equivalent imported good -- thus the world price plus transport cost plus tariff.

**Import quotas**

Restrictions on the quantity and/or value of imports of specific commodities for some given time period, which are administered globally, selectively or bilaterally.

**Import subsidies**

Subsidies on goods and services that become payable to resident producers when the goods cross the frontier of the economic territory or when the services are delivered to resident institutional units.

**Import substitute**

A good produced on the domestic market that competes with imports, either as a perfect substitute or as a differentiated product.

**Import surcharge**

A tax levied uniformly on most or all imports, in addition to already-existing tariffs.

**Income**

The amount of money received by a person, household, or other economic unit per unit time in return for services provided or goods sold.

**Income statement (profit and loss statement)**

A financial document that shows how much money (revenue) came in and how much money (expense) was paid out.

**Income tax**

A tax levied directly on the income of a person or a company and paid to the local government.

**Incremental**

Additional, in the case of larger increments; marginal in the case of very small increments.

**Incremental income flow**

The additional income lost or gained by any income group (e.g., project, workers, consumers, government) with the implementation of a project because of distortions in market prices. Thus, the group either does not receive exactly its shadow value or it must pay more or less than the shadow value of goods received from the project. Two types of distribution exist: allocation and redistribution. Income gained by a group may represent an allocation of the project's net profit or surplus over and above earnings required to cover the opportunity cost of capital. On the other hand, if the additional income is obtained or occurs because other factors of production are not paid their full shadow value, the gain may be called a redistribution of income.

**Indebtedness**

The amount that is owed; thus amount of an entity's (individual, firm, or government's) financial obligations to creditors.

**Indirect channel**

The selling and distribution of products to customers through intermediaries such as wholesalers, distributors, agents, dealers, or retailers.

**Indirect cost**

A fixed or overhead cost that cannot be attributed directly to the production of a particular item and is incurred even when there is no output.

**Indirect exporting**

Selling goods to another country through a person in the entrepreneur's home country.

**Indirect labor**

The factory labor costs of janitors, supervisors, engineers, and others that cannot be traced directly to the creation of products in a "hands on" sense.

**Indirect materials**

Small items of material such as glue and nails that may become an integral part of a finished product but that are traceable into the product only at great cost or inconvenience.

**Indirect tax**

A tax on the output (e.g., excise tax) or one of the inputs (e.g., payroll tax); in contrast to direct tax, which is levied on net income.

**Industrial applicability**

One of the three requirements for patentability, which requires that the invention be applicable for practical purposes. *See also Inventive step and Novelty.*

**Industrial design**

Any composition of lines or colors or any three dimensional form, whether or not associated with lines or colors, provided that such composition or form gives a special appearance to or can serve as a pattern for an industrial product or handicraft.

**Industrialization**

The establishment and subsequent growth of industrial production in a country, usually meaning heavy manufacturing.

**Industrial loans**

Represent loans granted to finance the establishment, rehabilitation, development, expansion, and operation of industrial projects and enterprises. Such enterprises include those engaged in the purchase, processing, and transformation of raw materials, manufacture of goods, as well as the marketing thereof, including the purchase of industrial machinery, equipment and implements used or to be used therein. Industrial loans are also granted to Participating Financial Institutions (PFIs).

**Industry analysis**

Review of industry trends and competitive strategies.

**Inferior good**

A good the demand for which falls as income rises.

**Inflation**

A sustained increase in a country's general level of prices that devaluates its currency, often caused by excess demand in the economy.

**Inflation rate**

The percentage increase in the price level per year.

**Infomercial**

A television or cinema commercial that includes helpful information about a product as well as advertising content.

**Informatization**

The process primarily by which information technologies, such as the world-wide web and other communication technologies, have transformed economic and social relations to such an extent that cultural and economic barriers are minimized.

**Infrastructure**

The facilities that must be in place in order for a country or area to function as an economy and as a state, including the capital needed for transportation, communication, and provision of water and power, and the institutions needed for security, health, and education.

**Infringement**

An invasion of one of the exclusive rights of intellectual property. Infringement of a utility patent involves the making, using, selling, offering to sell, or importing of a patented product or process without permission. Infringement of a design patent involves fabrication of a design that, to the ordinary person, is substantially the same to an existing design, where the resemblance is intended to induce an individual to purchase one thing supposing it to be another. Infringement of a trademark consists of the unauthorized use or imitation of a mark that is the property of another in order to deceive, confuse, or mislead others. Infringement of a copyright involves reproducing, adapting, distributing, performing in public, or displaying in public the copyrighted work of someone else.

**Initial public offering (IPO)**

The first sale of privately owned equity (stock or shares) in a company via the issue of shares to the public and other investing institutions.

**Injury**

Harm to an industry's owners and/or workers.

**In kind**

Referring to a payment made with goods instead of money.

**Innovation**

The development of new products, processes, organizations, management practices, and strategies.

**Input**

That which is consumed by the project, as opposed to the project's output. It usually refers to the physical inputs used by the project including materials, capital, labor, and public utilities. Other "inputs" such as environmental quality, foreign exchange, and workers' health are usually considered as externalities.

**Insolvency**

The inability to pay debts when they become due. Insolvency will apply even if total assets exceed total liabilities, if those assets cannot be readily converted into cash to meet debts as

they mature. Even then, insolvency may not necessarily mean business failure. Bankruptcy may be avoided through debt rescheduling or turnaround management.

**Insurance**

An arrangement in which individuals or companies pay another company to guarantee them compensation if they suffer loss resulting from risks such as fire, theft, or accidental damage.

**Integrated approach**

A method for managing the different phases of a program and project cycle in a systematic and standardized manner, with the same criteria of consistency and sustainability being applied to program and project activities throughout the cycle.

**Integration**

Economic integration refers to reducing barriers among countries to transactions and to movements of goods, capital, and labor, including harmonization of laws, regulations, and standards. Common forms include FTAs, customs unions, and common markets.

**Intellectual Property Office of the Philippines**

Otherwise known as the IP Philippines, it is the Office created under R.A. 8293 to administer the establishment of patent, trademarks, utility model, and industrial design rights in the country; adjudicate disputes involving intellectual property rights; and promote the transfer or dissemination of technology. *See also IPRs.*

**Intensive**

Of production, using a relatively large amount of an input.

**Interbank rate**

The rate of interest charged by a bank on a loan to another bank.

**Interest**

A charge paid by a borrower to a lender for the use of the lender's money. It is expressed as a percentage rate over a period of time.

**Interest arbitrage**

A form of arbitrage intended to profit from a difference in interest rates in different markets. It consists of simultaneously borrowing at the low interest rate and lending at the higher interest rate in order to profit from the difference.

**Interest bearing account**

An account in a bank or other financial institution that pays interest to the depositor.

**Interest rate**

The amount of interest charged for borrowing a particular sum of money over a specified period of time.

**Intermediate input**

An input to production that has itself been produced and that, unlike capital, is used up in production. As an input it is in contrast to a primary input and as an output it is in contrast to a final good. A very large portion of international trade is in intermediate inputs. It is the same as an intermediate good.

**Intermediate transaction**

The sale of a product by one firm to another, presumably to be used as an intermediate input.

**Intermittent dumping**

Dumping that occurs for short periods of time, presumably to dispose of temporary surpluses of goods and not intended to eliminate competition. It is the same as sporadic dumping.

**Intermodalism**

The use of more than one form (mode) of transportation, as when a shipment travels by both sea and rail.

**Internal economies of scale**

Economies of scale that are internal to a firm; that is, the firm's average costs fall as its own output rises.

**Internal stakeholders**

People who work for or own the business such as employees, directors, and stockholders. *See also stakeholders.*

**International Accounting Standards Committee (IASC)**

Organization of representatives of 106 professional accounting organizations from 79 countries that is attempting to harmonize accounting standards across countries.

**International financial institution**

Usually refers to intergovernmental organizations dealing with financial issues, most often the IMF and/or the World Bank.

**International Trademark Classification System**

Also known as the Nice system for classification of word marks, which allows for the storage of data on registered trademarks in an orderly manner in relation to the types of goods or services.

**Internet**

A computer network which connects computers all over the world, enabling computer users to communicate via e-mail, find information on the World Wide Web, and access remote computer systems such as library catalogs. The Internet began as a project of the US Department of Defense and now has millions of users worldwide.

**Intranet**

An internal network of computer systems, usually located within an organization.

**Inventive step**

One of the three requirements for patentability, which requires that the invention be obscure to a person who is familiar with (not a special knowledge of) the technology taught by the application at the time the application is filed.

**Inventoriable costs**

All costs that are involved in the purchase or manufacture of goods. In the case of manufactured goods, these costs consist of direct materials, direct labor, and manufacturing overhead costs used in the production process.

**Inventory turnover**

The ratio of annual sales to inventory. Low turnover is an unhealthy sign, indicating excess stocks and/or poor sales.

**Inventory**

Raw materials, items available for sale or in the process of being made ready for sale. They can be individually valued by several different means, including cost or current market value, and collectively by FIFO, last in first out (LIFO), or other techniques.

**Investing activities**

A section on the statement of cash flows that includes any transactions that are involved in the acquisition or disposition of noncurrent assets.

**Investments**

Amount of money or other resources measured in terms of money placed on activities or other forms of assets for the purpose of earning profits.

**Invoice**

A document that a supplier sends to a customer detailing the cost of products or services supplied and requesting payment.

**Involuntary bankruptcy**

Petition of bankruptcy filed by creditors without consent of entrepreneur.

**IPRs**

Intellectual Property Rights. Ownership of ideas, including literary and artistic works (protected by copyright), inventions (protected by patents), signs for distinguishing goods of an enterprise (protected by trademarks), and other elements of industrial property.

**IRR**

Internal Rate of Return. The discount rate that will cause the net present value of an investment project to be equal to zero; thus, the internal rate of return represents the true interest return promised by a project over its useful life.

**ISO**

International Organization for Standardization. A network of national standards institutes from 146 countries working in partnership with international organizations, governments, industry, and business and consumer representatives.

**ISO 9000**

A family of standards primarily concerned with quality management. This means what the organization does to fulfill the customer's quality requirements and applicable regulatory requirements, while aiming to enhance customer satisfaction and achieve continual improvement of its performance in pursuit of these objectives. It is not a standard for ensuring a product or service is of quality; rather, it attests to the process of production, and how it will be managed and reviewed. Companies that conform to these standards can receive ISO 9000 certification.

**ISO 14000**

A family of standards primarily concerned with environmental management. This means what the organization does to minimize harmful effects on the environment caused by its activities and to achieve continual improvement of its environmental performance.

**ISO 22000**

Recently, the ISO has developed the ISO 22000 standard for the certification of food safety management systems. ISO 22000 is an internationally recognized standard that aims to improve food safety by harmonizing the requirements for food safety management throughout the food supply chain. It covers all organizations in the food chain from farmers to catering, including packaging. ISO 22000 is a guidance standard describing the requirements of a food safety management system; it is also an auditable standard and can be used for certification and registration.

## **ISP**

Internet Service Provider. A company providing connection to the Internet to individuals and businesses. ISPs usually offer e-mail services to their clients, and may also offer disk space for the storage of web pages.

## **ITC**

The International Trade Center. Originally established by the old GATT and is now operated jointly by the WTO and the UN, the latter acting through the UN Conference on Trade and Development (UNCTAD). Focal point for technical cooperation on trade promotion of developing countries.

## **J**

### **Job description**

A document that describes the tasks and responsibilities of a job and its relationships to other jobs.

### **Job enrichment model**

It represents the idea that managers can change specific job characteristics to promote job satisfaction and so motivate employees.

### **Job sharing**

Two part-time people splitting the duties of one job in some agreed-on manner and being paid according to their contributions.

### **Job specification**

A statement of the minimum acceptable qualifications a person should possess to perform a particular job.

### **Joint venture**

An agreement between two or more firms to undertake the same business strategy and plan of action.

### **Just-in-time (JIT) inventory method**

The practice of having inputs to the production process delivered precisely when they are needed, thereby assigning to suppliers the responsibility for keeping inventories to a minimum.

## **K**

### **Kaizen**

A Japanese term referring to continual improvement involving everyone at every level in an organization. It is a strategy to improve and maintain all processes through gradual, incremental improvements. Kaizen aims to eliminate waste (as defined by Joshua Isaac Walters "activities that add cost but do not add value").

### **Keiretsu**

A group, or network, of manufacturing and other companies in Japan, usually centered around a bank and including a trading company. Keiretsus are characterized by cross-ownership of shares, strategic coordination, and preference for transactions within the network.

## **Key performance indicators (KPIs)**

Financial and non-financial metrics used to help an organization define and measure progress toward organizational goals. KPIs are used in business intelligence to assess the present state of the business and to prescribe a course of action. The act of monitoring KPIs in real-time is known as business activity monitoring. KPIs are frequently used to "value" difficult to measure activities such as the benefits of leadership development, engagement, service, and satisfaction. KPIs are typically tied to an organization's strategy (as exemplified through techniques such as the Balanced Scorecard). The KPIs differ depending on the nature of the organization and the organization's strategy. They help an organization to measure progress towards their organizational goals, especially toward difficult to quantify knowledge-based processes.

## **Knock-off**

A broad term encompassing both counterfeits and items that look like branded products though they don't actually bear forged trademarks.

## **Knowledge-based economy**

An expression coined to describe trends in advanced economies towards greater dependence on knowledge, information and high skill levels, and the increasing need for ready access to all of these by the business and public sectors.

## **Knowledge management**

The collection of processes that govern the creation, dissemination, and utilization of knowledge. The objective of knowledge management is to make the best use of the knowledge assets available to an organization and turning them into a powerful driver for competitiveness. The rise of knowledge management coincides with the emergence of the so-called knowledge-based economy. In the new economic era, traditional production factors such as land and capital are being replaced by the intangible asset of knowledge as the critical input for corporate competitiveness. An example of a knowledge-based company and product is Microsoft, the software company that essentially packages and sells the staff's knowledge and ideas. It does not require a huge parcel of land or large amounts of raw materials for its production processes. Microsoft's main input is the brainpower of its staff, yet it makes millions of dollars in profits.

## **L**

### **Labeling**

A requirement to label imported goods with information about how they were produced. This is often suggested as an alternative to trade restrictions as a means to pursue particular trade-related objectives involving, for example, environment or labor standards.

### **Labor force**

The number of available workers in a country, defined as the sum of those who are employed and those who are classed as unemployed.

### **Labor intensive**

Describing an industry or sector of the economy that relies relatively heavily on inputs of labor, usually relative to capital but sometimes to human capital or skilled labor, compared to other industries or sectors.

### **Labor standard**

Any of many conditions of workers in the workplace that are viewed as important for their well being, and minimum levels of which are advocated by labor rights activists and have been agreed to by many of the countries that are members of the ILO.

**LAN**

Local Area Network. An interconnected group of personal computers and related hardware located within a limited area.

**Late-mover advantage**

Benefits enjoyed by a company that is late to enter a new market, such as consumer familiarity with the product or knowledge gained about a market.

**Late-mover disadvantage**

Handicap experienced by being a late entrant in a market.

**Law of diminishing returns**

A rule stating that as one factor of production is increased while others remain constant, the extra output generated by the additional input will eventually fall. The law of diminishing returns therefore means that extra workers, extra capital, extra machinery, or extra land may not necessarily raise output as much as expected.

**Lead market**

Market where products are first introduced.

**Lead time**

The interval between the time that an order is placed and the time that the order is finally received from the supplier.

**Lean manufacturing**

A business performance improvement tool that focuses on enhancing quality, cost, delivery and people. Exposes waste and makes continuous improvement possible. It was pioneered at Toyota and now used in much of the automobile industry.

**Learning by doing**

Refers to the improvement in technology that takes place in some industries, early in their history, as they learn by experience, so that average cost falls as accumulated output rises.

**Least-cost analysis**

A type of analysis commonly used to compare alternative projects or project designs when the value of output (benefits) cannot be measured adequately (e.g., certain transport projects). If it can be assumed that the (unquantifiable) benefits exceed the costs and if appropriate adjustments are made for any differences in benefits among the alternatives, then the task is to minimize the cost of obtaining them through least-cost analysis. Although cross-over discount rates may be generated, a legitimate rate of return cannot be obtained from such analysis, for it is done without reference to the value to users of the output.

**Legal risk**

The likelihood that a trading partner will opportunistically break a contract or expropriate intellectual property rights.

**Lessee**

An entity that leases an asset from another entity.

**Lessor**

An entity that leases an asset to another entity.

**Letter of agreement**

A document that constitutes a simple form of contract.

**Letter of credit**

A mechanism used by exporters and importers, and usually provided by the importing company's bank to the exporter to safeguard the contractual expectations and particularly financial exposure of the exporter of the goods or services. A letter issued by a bank that can be presented to another bank to authorize the issue of credit or money.

**Letter of guarantee**

A letter concerned with providing safeguards to buyers that suppliers will meet their obligations or vice-versa, and are issued by the supplier's or customer's bank depending on which party seeks the guarantee.

**Levy**

A tax or tariff.

**Liability**

An amount owed (i.e., payable) by an individual or entity for items or services received, expenses incurred, assets acquired, and amount received but not yet earned.

**Liability insurance**

Risk protection for actions for which a business is liable.

**Liberalization**

The process of making policies less constraining of economic activity. An example of which is the reduction of tariffs and/or removal of nontariff barriers.

**Liberal trade**

Free trade, or something approximating that. Thus a trade regime in which tariffs are low or zero and in which nontariff barriers are largely absent.

**Licensing**

Allowing someone else to use something of the company's; contractual arrangement giving rights to others to use intellectual property in return for a royalty or fee.

**LIFO**

Last In First Out. An inventory costing method whereby last items into inventory are first items out.

**Light manufacturing**

Sectors of the economy that produce manufactured goods without large amounts of physical capital, thus likely to be labor intensive.

**Limited liability company**

A special type of partnership where liability is limited and continuity options are more flexible.

**Limited partner**

A party in a partnership agreement that usually supplies money and has few responsibilities.

**Limit pricing**

The act of setting a selling price just below the level at which other sellers would find it profitable to enter a market.

**Line**

A position in an organization that is directly related to the achievement of the organization's basic objectives.



**Linear programming**

A mathematical tool designed to assist the manager in making decisions in situations where constraining or limiting factors are present.

**Line of credit**

An informal loan arrangement between a bank and a customer allowing the customer to borrow up to a pre-specified amount.

**Linking scheme**

A requirement that, in order to get an import license, the importer must buy a certain amount of the same product from local producers.

**Liquid assets**

Financial assets that can be quickly converted to cash without risk of substantial loss.

**Liquidation value**

Worth of a company if everything was sold today.

**Liquidity**

A market characterized by a high level of trading activity, allowing buying and selling with minimum price disturbance. Also a market characterized by the ability to buy and sell with relative ease.

**Liquidity crisis**

A financial crisis that occurs due to lack of liquidity. In international finance, it usually means that a government or central bank runs short of international reserves needed to peg its exchange rate and/or to service its foreign loans.

**Living wage**

A real wage that is high enough for the worker and family to survive and remain healthy and comfortable, sometimes called meeting basic needs. Term is used in calling for higher wages in both developed and developing countries, where concepts of basic needs may be very different.

**Loan**

An amount, usually of money, conveyed by one to another in the expectation that it will be returned, perhaps with specified interest, at a later date. When the lender and borrower are in different countries with separate monetary and legal systems, loans bear extra risk.

**Loan agreement**

A document that states what a business can and cannot do as long as it owes money to the lender.

**Loan amortization schedule**

The timetable for repaying the interest and principal on a loan.

**Loan portfolio**

Includes all loans and advances (net of valuation reserves) in the Consolidated Statement of Condition/Balance Sheet excluding the following: Interbank Loans Receivables; Agrarian Reform/Other Agricultural Credit Loans – P. D. No. 717; loans granted under Special Financing Programs; foreign currency denominated loans and advances; loans from multilateral and bilateral sources which are relented by a bank on a wholesale basis to conduit financial institutions.

**Loans granted**

Loans approved by banks, which had been credited to a borrower's account or made available to him during a given period of time. Loans granted are classified by purpose, by debt instrument, and by industry.

**Loan shark**

A person or business that lends money at extremely high interest rates.

**Loans outstanding**

The unpaid balance of loans as of a certain date. All categories (except on type of debt instruments) on loans outstanding of commercial banks do not include past due items, items in litigation, domestic and foreign bills-clean. Loans outstanding are classified by region, by purpose, by debt instrument, by industry, by type of security, and by borrower.

**Local content requirement**

A requirement that some specific fraction of a good be produced domestically.

**Locational advantage**

Any reason for a firm to locate production, or a stage of production, in a particular place, such as availability of a natural resource, transport cost, or barriers to trade. May explain why a country's firms succeed in trade, or why a multinational firm locates there.

**Logistics**

The procurement and physical transmission of material through the supply chain, from suppliers to customers.

**Long-term assets**

Value of property, equipment, and other capital assets minus the depreciation. This is an entry in the bookkeeping records of a company, usually on a "cost" basis and thus does not necessarily reflect the market value of the assets.

**Long-term debt**

Money owed by the company to a bank or financial lending institution, payable over a period exceeding one year.

**Long-term liabilities**

The liabilities (expenses) that will not mature within the next year.

**Lump sum**

A large one-time payment of money.

**M****Macroeconomics**

The study of the sum total of economic activity, dealing with the issues of growth, inflation, unemployment, and national economic policies relating to these issues.

**Made-to-measure tariff**

A tariff set so as to raise the price of an imported good to the level of the domestic price, so as to leave domestic producers unaffected. Also called a scientific tariff.

**Make-or-buy decisions**

Whether a firm should make or buy component parts.

**Management**

The use of professional skills for identifying and achieving organizational objectives through the deployment of appropriate resources. The art of conducting and supervising a business.

**Management plan**

A section of the business plan describing the key players in a new firm and their experience and qualifications.

**Managerial accounting**

The phase of accounting concerned with providing information to managers for use in planning, controlling operations, and decision-making.

**Managerial decisions**

Decisions concerning the operation of the firm, such as the choice of firm size, firm growth rates, and employee compensation.

**Mandated countertrade**

A requirement by government that importing firms engage in countertrade, as a means of increasing exports.

**Manpower**

A portion of population, which has actual or potential capability to contribute to the production of goods and services.

**Manufactured good**

A good that is produced by manufacturing.

**Manufacturing**

The conversion of raw materials into finished products through the efforts of workers and the use of production equipment.

**Manufacturing overhead**

All costs associated with the manufacturing process except direct materials and direct labor.

**Margin of profit**

Gross profit divided by net sales. Used to measure a firm's operating efficiency and pricing policies in order to determine how competitive the firm is within the industry.

**Market**

A set of potential or real buyers, or a place in which there is a demand for products or services. Actual or potential buyers of a product or service.

**Marketable**

Possessing the potential to be commercially viable.

**Marketable title**

A clear, reasonably incontestable title to a piece of real estate that is good for transaction purposes.

**Market access**

The ability of firms from one country to sell in another.

**Market analysis**

The study of a market to identify and quantify business opportunities.

**Market clearing**

Equality of quantity supplied and quantity demanded. A market-clearing price is a price that causes quantities supplied and demanded to be equal.

**Market demand**

Total volume purchased in a specific geographic area by a specific customer group in a specified time period under a specified marketing program.

**Market development**

Marketing activities designed to increase the overall size of a market through education and awareness.

**Market exchange rate**

The rate at which foreign currency is bought or sold on free or open markets.

**Market forecast**

An anticipated demand that results from a planned marketing expenditure.

**Marketing**

One of the main management disciplines, encompassing all the strategic planning, operations, activities, and processes involved in achieving organizational objectives by delivering value to customers. Marketing management focuses on satisfying customer requirements by identifying needs and wants.

**Marketing costs**

All costs necessary to secure customer orders and get the finished product or service into the hands of the customer. This term is synonymous with order-getting and order-filling costs.

**Marketing mix**

The set of product, place, promotion, price, and packaging variables, which a marketing manager controls and orchestrates to bring a product or service into the marketplace.

**Marketing plan**

The part of the business plan outlining the marketing strategy for a product or service. The marketing plan includes information such as the product or service offered, pricing, target market, competitors, marketing budget, and promotional mix.

**Marketing strategy and action plan**

A section of the business plan outlining the specific activities to meet the venture's goals and objectives.

**Market interest rate**

Rate of interest paid on deposits and other investments, determined by the interaction of the supply of and demand for funds in the money market.

**Market niche**

A well-defined group of customers for which what a businessperson has to offer is particularly suitable.

**Market positioning**

Finding a market niche that emphasizes the strengths of a product or service in relation to the weaknesses of the competition.

**Market power**

Ability of a firm to exercise control over industry prices or output.

**Market price**

(a) The price of a good or service in the domestic market; (b) The cost of a good including indirect taxes and subsidies.

**Market research**

A technical analysis of factors such as volume, price trends, and market breadth that are used to predict price movement.

**Market segment**

Refers to a subgroup of individuals having similar characteristics or demographics. A market is divided according to behavior, attitude, and geography, among other factors.

**Market segmentation**

Process of dividing a market into definable and measurable groups for purposes of targeting marketing strategy.

**Market share**

A company's percentage share of total sales within a given market.

**Market value**

The highest price that a buyer would pay and the lowest price a seller would accept on a property. Market value may be different from the price a property could actually be sold at a given time.

**Markup**

The difference between the cost of a product or service and its selling price.

**Mass customization**

The production of a variety of end products at a unit cost that could once be achieved only through mass production of a standardized output.

**Mass marketing**

Selecting and developing a single offering for an entire market.

**Materials requisition form**

A detailed source document that specifies the type and quantity of materials that are to be drawn from the storeroom and identifies the job to which the materials are to be charged.

**M-commerce**

Use of handheld wireless devices such as mobile phones and palm pilots to interact and transact via high-speed connection to the internet.

**MEGMA**

Market Encounter Goes to Manila, Inc. is a Metro Manila-based nonstock, nonprofit organization composed of government and non-government agencies. The organization was established in 1985 to assist in the full development of the primary domestic market for SMEs; to enable SME producers to test their products in the domestic markets; and to strengthen their capabilities to move into the export markets.

**Merchandise**

Goods bought and sold in a business. "Merchandise" or stock is a part of inventory.

**Merger**

Joining two or more companies. A variety of motives may exist for mergers: to increase economic efficiency, to acquire market power, to diversify, to expand into different geographic markets, to pursue financial and research and development synergies, etc.

**MFN**

Most-favored-nation treatment (GATT Article I, GATS Article II and TRIPS Article 4), the principle of not discriminating between one's trading partners. That is, and with some exceptions, every country gets the lowest tariff that any country gets, and reductions in tariffs to one country are provided also to others.

**Microeconomics**

The study of the individual parts of the economy, the household, and the firm. It looks at how prices are determined and how prices then determine the production, distribution, and use of goods and services.

**Microfinance**

The provision of a broad range of financial services such as deposits, loans, payment services, money transfers, and insurance products to the poor and low-income households and their microenterprises.

**Middleman**

A person or company that performs functions or renders services involved in the purchase and/or sale of goods in their flow from producer to consumer.

**Middle product**

A good that has undergone some processing and that requires further processing before going to final consumers; an intermediate good. Sanyal and Jones (1982) introduced the term, observing that almost all international trade is of middle products, and they provided a model based on that assumption.

**Minimum wage**

Wage fixed by the law that an employer can pay a worker. Also known as statutory minimum wage.

**MIS**

Management Information System. Any organized approach for obtaining relevant and timely information on which to base management decisions.

**Mission statement**

A broadly stated definition of the basic purpose and scope of an organization.

**Modem**

Modulator/Demodulator. A device that connects a computer to a telephone line, which enables access to the Internet.

**Monetary policy**

Government policy concerning money and credit conditions, especially the rate of growth in the money supply and the level of interest rates.

**Monitoring system**

A computer-based system that processes data to provide information about the performance of a business process.

**Monopoly**

Absolute control of all sales and distribution in a market by one firm due to some barriers to entry of other firms, allowing the firm to sell at a higher price than the socially optimal price.

**Monopsony**

The existence of only one buyer in a market, forcing sellers to accept a lower price than the socially optimal price.

**Mortgage**

A long-term loan from a creditor that pledges an asset, such as real estate, as collateral for the loan.

**MRP**

Material Requirements Planning. An operations research tool that employs the computer to assist the manager in overall materials and inventory planning.

**Multilateral**

Among a large number of countries.

**Multilevel sales**

Also known as network marketing. Rather than hiring sales staff, multilevel sales companies sell their products through thousands of independent distributors. Multilevel sales companies offer distributors commissions on both retail sales and the sales of their "down-line" (the network of other distributors they sponsor).

**Multinational corporation**

A corporation that operates in two or more countries. Since it is headquartered in only one country but has production or marketing facilities in others.

**Multiple rates of return**

More than one rate of return from the same project that make the net present value of the project equal to zero. This situation arises when the IRR method is used for a project in which negative cash flows follow positive cash flows. For each sign change in the cash flows, there is a different rate of return.

**Multipoint pricing**

Occurs when a pricing strategy in one market may have an impact on a rival's pricing strategy in another market.

**N****National parameter**

A shadow price or accounting price that is the same for all projects in the country. In most cases, the shadow price for foreign exchange and the premium on savings over consumption are national parameters.

**Nationalization**

A government takeover of a private company.

**National treatment**

The principle of providing foreign producers and sellers the same treatment provided to domestic firms.

**Natural person**

This term appears in the GATS where it deals with the international movement of employees of firms that are providing services in another country. Persons are called "natural" to distinguish them from "juridical persons," such as partnerships or corporations, which are given certain rights of persons under the law.

**Natural resource**

Anything that is provided by nature, such as deposits of minerals, quality of land, old-growth forests, fish populations, etc. The availability of particular natural resources is an important determinant of comparative advantage and trade in products that depend on them. Natural resources are primary factors of production.

**Natural trade**

Trade that is either free or restricted, but that is not artificially encouraged by subsidies or other stimulants.

**Natural trading partner**

A country with whom another country's trade is likely to be large, because of low transport or other trade costs between them.

**Near money**

Assets that are easily convertible into cash, such as money market accounts and bank deposits.

**Negative amortization**

A loan repayment schedule in which the outstanding principal balance of the loan increases, rather than amortizing, because the scheduled monthly payments do not cover the full amount required to amortize the loan. The unpaid interest is added to the outstanding principal, to be repaid later.

**Negative cash flow**

Occurs when spending in a business is greater than earnings.

**Negative working capital**

Occurs when current liabilities exceed current assets, which can lead to bankruptcy.

**Negotiable instruments**

Credit documents that are transferable from one party to another in place of money.

**Negotiation**

A discussion that aims to resolve a difference of opinion, or dispute, or to settle the terms of an agreement or transaction.

**Net advantage to leasing**

The net present value of entering into a lease financing arrangement rather than borrowing the necessary funds and buying the asset.

**Net assets**

The amount by which the value of a company's assets exceeds its liabilities.

**Net benefit**

Benefits minus costs.

**Net capital**

The amount by which assets exceed the value of assets not easily converted to cash.

**Net cash balance**

The amount of cash that is on hand.

**Net domestic product**

Gross domestic product minus depreciation. This is the most complete measure of productive activity within the borders of a country, though its accuracy suffers from the difficulty of measuring depreciation.

**Net fixed assets**

The value of fixed assets after depreciation.

**Net income**

The company's total earnings, reflecting revenues adjusted for costs of doing business, depreciation, interest, taxes, and other expenses.

**Net lease**

A lease arrangement under which the lessee is responsible for all property taxes, maintenance expenses, insurance, and other costs associated with keeping the asset in good working condition.

**Net margin**

See *net profit margin*.

**Net national product**

Gross national product minus depreciation. This is the most complete measure of productive activity by a country's nationals, though its accuracy suffers from the difficulty of measuring depreciation.

**Net operating income**

The income of an organization before interest and income taxes have been deducted.

**Net operating margin**

The ratio of net operating income to net sales.

**Net output**

The output of a product that is available for final users, after deducting amounts of it used up as an intermediate input in producing itself and other products. Contrasts with gross output.

**Net present value (NPV)**

The net value or net benefit of a project when all costs have been discounted to the present value at the accounting rate of interest. It may be positive or negative, but for a project to be acceptable, the NPV must be either zero or positive.

**Net proceeds**

The amount realized from a transaction minus the cost of making it.

**Net profit**

Gross profit minus costs.

**Net profit before taxes**

Profit earned after all costs had been deducted.

**Net profit margin**

The profitability of a company after taxes are paid. The net profit margin is calculated by dividing net earnings by total revenues.

**Net weight**

The weight of goods being shipped that does not include the weight of wrapping material, container, or other packaging.

**Network card**

A circuit card required for computers on a LAN.

**Networking**

The process of developing and engaging in mutually beneficial relationships.

**Net worth**

The total value of a business in financial terms. Net worth is calculated by subtracting total liabilities from total assets.

**New entrants**

Refers to businesses or individuals that are entering the business landscape for the first time.

**NGO**

Non-governmental organization. A not-for-profit organization that pursues an issue or issues of interest to its members by lobbying, persuasion, and/or direct action. In the arena of international economics, NGOs play an increasing role defending human rights and the environment, and fighting poverty.

**Noise**

The amount of other messages competing for a potential consumer's attention.

**Nominal GNP**

The gross national product measured in current prices. See *GNP*.

**Nominal protection**

Protection through import duties, etc., expressed as a percentage of the total price of the import product, as opposed to effective protection, which is protection as a percentage of the value added.

**Nominal wage**

The amount of wage a person actually receives, measured in current pesos. Also called money wage.

**Nonbinding**

Refers to a restriction that currently has no effect because the behavior that it would prevent would not happen even without the restriction. For example, if a quota limits imports to no more than 1,000, but actual imports are only 900, then the quota is nonbinding.

**Noncurrent asset**

Any asset that is expected to be held for the whole year, not sold or exchanged, such as real estate, machinery, or a patent.

**Noncurrent liability**

A liability due in one year.

**Nondisclosure agreement**

A legally enforceable agreement preventing present or past employees from disclosing commercially sensitive information belonging to the employer to any other party.

**Nonfinancial assets**

Physical assets such as real estate and machinery.

**Non-patentable inventions**

Patents that are excluded from patent protection, which includes: discoveries, scientific theories, and mathematical methods; schemes, rules and methods of performing mental acts, playing games or doing business, and programs for computers; methods of treatment of the human or animal body by surgery or therapy and diagnostic methods practiced on the human or animal body; plant varieties or animal breeds or essentially biological process for production of plants or animals; aesthetic creations; and anything which is contrary to public order or morality.

**Nonperforming asset**

An asset that is not effectively producing income, such as an overdue loan.

**Nonproduction worker**

A worker not directly engaged in production. In empirical studies of skilled and unskilled labor, data on nonproduction workers are often taken to represent skilled labor.

**Nonprohibitive tariff**

A tariff that is not prohibitive.

**Nonrecurring**

One time, not repeating. "Nonrecurring" expenses are those involved in starting a business, and which only have to be paid once and will not occur again.

**Nonreproducible asset**

A tangible asset with unique physical properties, like a parcel of land, a mine, or a work of art.

**Non-tradable**

A good that cannot be exported because its domestic cost of production is higher than the export (f.o.b.) price but lower than the import (c.i.f.) price (e.g., building foundations).

**Nontraded good**

A good that is not traded, either because it cannot be or because trade barriers are too high. Except when services are being distinguished from goods, they are often mentioned as examples of nontraded goods, or at least they were until it became common to speak of trade in services.

**Non-traditional exports**

Export goods whose value did not exceed US\$5 million in 1968 and which have undergone a significant degree of processing.

**Non-value-added activity**

Any activity that adds to the cost of a product or service but does not add to its market value.

**Normal value**

Price charged for a product on the domestic market of the producer. Used to compare with export price in determining dumping.

**Note**

A document that is recognized as legal evidence of a debt.

**Novelty**

One of the conditions for patentability, which means that the invention is new and that the same has not been disclosed or used in public, or sold in the market.

**NPIs**

Non-profit institutions (NPIs) are legal or social entities created for the purpose of producing goods and services whose status does not permit them to be a source of income, profit or other financial gain for the units that establish, control or finance them.

**NTBs**

Non-tariff barriers, such as quotas, import licensing systems, sanitary regulations, prohibitions, etc. Same as "non-tariff measures".

**NTM**

Nontariff measure. Any policy or official practice that alters the conditions of international trade, including ones that act to increase trade as well as those that restrict it. The term is therefore broader than nontariff barrier, although the two are usually used interchangeably.

**Nuisance tariff**

Tariff so low that it costs the government more to collect it than the revenue it generates. Sometimes, a tariff that does not have any protective effect — some countries defend this as necessary in order to raise revenues.

**O****Objective**

An end toward which effort is directed and on which resources are focused, usually to achieve an organization's strategy.

**Obligor**

A person who has an obligation to pay off a debt.

**Obsolescence**

The decline of products in a market due to the introduction of better competitor products or rapid technology developments.

**Occupation**

The specific kind of work a person does. If a person has a job but at work, it is the kind of work he will be doing when he reports for work, or will be doing if he is waiting for a new a job to begin within two weeks from the date of interview.

**OECD**

Organization for Economic Cooperation and Development. An organization of industrialized countries formed to promote the economic health of its members and to contribute to worldwide development. The OECD groups 30 member countries sharing a commitment to democratic government and the market economy. With active relationships with some 70 other countries, non-government organizations (NGOs) and civil society, it has a global reach. Best known for its publications and its statistics, its work covers economic and social issues from macroeconomics to trade, education, development, science, and innovation.

**Official exchange rate**

The exchange rate established by the government.

**Offset requirement**

As a condition for importing into a country, a requirement that foreign exporters purchase domestic products and/or invest in the importing country.

**Offshoring**

Movement to a location in another country of some part of a firm's activity, usually a part of its production process or, frequently, various back office functions.

**Oligopoly**

A market characterized by a small number of producers who often act together to control the supply of a particular good and its market price.

**Oligopsony**

A market characterized by a small number of large buyers who control all purchases and therefore the market price of a good or service.

**Online**

A user is said to be online when they are connected to a computer network, such as the Internet.

**OPEC**

Organization of Petroleum Exporting Countries. A group of countries that includes many, but not all, of the largest exporters of oil. Its major purpose is to regulate the supply of petroleum and thereby to stabilize (often raise) its price. The international oil cartel. As of June 2007, it had 12 member countries.

**Open account**

Arrangement whereby sales are made with no formal debt contract. The buyer signs a receipt, and the seller records the sale in the sales ledger.

**Open charge account**

A line of credit that allows the customer to obtain a product at the time of purchase, with payment due when billed.

**Open-end credit**

A form of credit that does not have an upper limit on the amount that can be borrowed or a time limit before repayment is due.

**Open-end lease**

A lease agreement that provides for an additional payment at the expiration of the lease to adjust for any change in the value of the property.

**Open market**

A market that is free of restrictions on who can buy and sell.

**Open position**

An obligation to take or make delivery of an asset or currency in the future without cover, that is, without a matching obligation in the other direction that protects from effects of change in the price of the asset or currency. Aside from simple ownership and debt, an open position can be acquired or avoided using the forward market.

**Operating activities**

A section on the statement of cash flows that includes transactions that enter into the determination of net income.

**Operating assets**

Cash, accounts receivable, inventory, plant and equipment, and all other assets held for productive use in an organization.

**Operating cash flow**

The amount used to represent the money moving through a company as a result of its operations, as distinct from its purely financial transactions. It is computed as earnings before depreciation minus taxes.

**Operating cycle**

The average time between the acquisition of materials or services and the final cash realization from that acquisition.

**Operating expenses**

Administrative and operational expenses such as salaries and wages, supplies and materials, depreciation, and the maintenance of offices of the Social Security System (SSS).

**Operating lease**

Short-term, cancelable lease. A type of lease in which the contract period is shorter than the life of the equipment, and the lessor pays all maintenance and servicing costs.

**Operating plan**

A section of the business plan describing the new firm's facilities, labor, raw materials, and processing requirements.

**Operating profit (or loss)**

Revenue from a firm's regular activities less costs and expenses and before income deductions.

**Operating profit margin**

The ratio of operating profit to net sales.

**Operating ratio**

A ratio that measures a firm's operating efficiency.

**Operating in the red**

Doing business while losing money.

**Operating system**

The software that controls the flow of information in and out of a computer and links hardware to application programs.

**Operational and maintenance (O&M) costs**

The recurring costs for operating and maintaining the value of physical assets. Sometimes it is difficult to say whether maintenance costs are current expenditures or capital expenditures.

**Operations management**

The management of the complex activities relating to planning production, organizing resources, directing operations and human resources, and monitoring system performance.

**Opportunity cost**

The potential benefit that is lost or sacrificed when the selection of one course of action makes it necessary to give up a competing course of action.

**Opportunity cost of capital**

The return on assets forgone elsewhere by investing such assets to the present project, expressed as a percent of the value of capital, i.e., as an interest rate. It usually refers to the marginal productivity of capital, the return that would otherwise have been produced by the last acceptable project, and is often used as a cut-off rate for budgeting capital.

**Optimal**

Best, by whatever criterion decisions are being made; thus yielding the highest level of utility, profit, economic welfare, or whatever objective is being pursued.

**Optimal output**

For a firm this usually means the output of the good that it produces that, when sold, maximizes profit. For a country, this usually means the combination of different goods (and services) that it can produce that is worth the most at world prices, perhaps adjusted for any externalities.

**Optimum capacity**

The amount of manufacturing output that creates the lowest cost per unit.

**Option**

A contract that permits one party to buy from (or sell to) the other party something at a prespecified price during a prespecified period of time, leaving the choice of whether to do this or not (whether to "exercise" the option) up to the first party, which buys the option. Options exist for many assets, including foreign exchange.

**Order**

A contract made between a customer and a supplier for the supply of a range of goods and services in a determined quantity and quality, at an agreed price, and for delivery at a specified time.

**Ordering costs**

Administrative, clerical, and other expenses incurred in obtaining inventory items and placing them in storage.

**Organic farming**

Organic farming involves holistic production management systems (for crops and livestock) emphasizing the use of management practices in preference to the use of off-farm inputs. This is accomplished by using, where possible, cultural, biological, and mechanical methods in preference to synthetic materials. Environment-friendly approaches/strategies such as integrated pest management (IPM) and integrated production systems could be used to pursue organic farming. Organic farming is meant to produce organic food/agricultural products for better human health with minimum impact on the environment.

**Organizational chart**

A visual diagram of a firm's organizational structure that depicts formal lines of reporting, communication, and responsibility between managers.

**Organization culture**

The collection of relatively uniform and enduring values, beliefs, customs and practices that are uniquely shared by an organization's members and which are transmitted from one generation of employees to the next.

**Organizational plan**

Describes the form of ownership and the lines of authority and responsibility of members of a new venture.

**Organizing**

The process of putting together an organization's human and other resources in such a way as to most effectively carry out established plans.

**Output**

(a) That which is produced; opposite of input. It usually refers to the physical product of the project for which it may receive payment. Other "products" of the project such as housing for workers, employment, training of labor, foreign exchange savings, etc. are usually regarded as externalities. (b) Short-term or immediate-products (whether or not tangible) and services associated with or delivered by program or project activities that are necessary to achieve the intermediate or higher-order objectives (e.g., the number of trained entrepreneurs, or the exchange of experience between public and private sector participants).

**Outsourcing**

The process of subcontracting work to outside vendors. The transfer of the provision of services previously carried out by in-house personnel to an external organization, usually under a contract with agreed standards, costs, and conditions.

**Overdraft**

Provision of instant credit by a lending institution.

**Overhead**

The expenses of a business that are not attributable directly to the production or sale of goods.

**Over-invoicing**

The provision of an invoice that reports the price as higher than is actually being paid.

**Overprice**

To set the price of a product or service too high, usually unacceptable to the market.

**Owner equity**

Represents the amount owners have invested and/or retained from the venture operations.

**P****Page impression**

The exact number of times a specific web site has been accessed or viewed by a user. A page impression acts as a counter for web pages, informing site owners how many times their sites were visited.

**Paid employee**

Person working for and receiving pay from an establishment; includes the full-time or part-time employee on paid leaves, e.g. paid vacation, maternity holiday or sick leave. Excludes consultants, home workers, workers receiving commissions and workers on indefinite leave.

**Parallel imports**

When a product made legally (i.e. not pirated) abroad is imported without the permission of the intellectual property right-holder (e.g. the trademark or patent owner). Some countries allow this, others do not.

**Parent**

In a firm that has one or more subsidiaries, especially a multinational corporation, the portion of the firm that owns and ultimately controls the others.



**Pareto analysis**

A method of classifying items, events, or activities according to their relative importance. It is frequently used in inventory management where it is used to classify stock items into groups based on the total annual expenditure for, or total stockholding cost of each item. Organizations can concentrate more detailed attention on the high value/important items. Pareto analysis is used to arrive at this prioritization. It is also referred to as the 80/20 rule and as ABC analysis.

**Partner**

Business associate who shares equity in a firm. *See also partnership.*

**Partnership**

Shared ownership among two or more individuals, some of whom may, but do not necessarily, have limited liability with respect to obligations of the group.

**Patent**

Statutory grant, by government, which confers to an inventor or his legal successor, in return for the disclosure of the invention to the public, the right for a limited period of time to exclude others from making, using, selling or importing the invention within the territory of the country that grants the patent.

**Patentable invention**

Any technical solution of a problem in any field of human activity which is new, involves an inventive step, and is industrially applicable. It may be, or may relate, to a product, or process, or an improvement of any of the foregoing.

**Patent notice**

A formal sign or notification attached to physical objects that embody or reproduce an intellectual property right – for example, the use of the word “patent” or its abbreviation “pat.” together with the patent number, on a patented article made by a patent holder or his/her licensees.

**Pattern of specialization**

Which goods a country produces and which it does not produce.

**Payable**

Ready to be paid. One of the standard accounts kept by a bookkeeper is “accounts payable”. This is a list of those bills that are current and due to be paid.

**Payback period**

The period of time required to recover the investment costs of a project out of its cash flow. Once widely used as an investment criterion, it is now regarded as ineffective because it does not take into account the productive life of the project after it has paid back the original investment cost, or the timing of the costs and benefits. It is useful primarily under conditions of high risk where a rapid recovery of capital is a prime consideration.

**Payment-in-kind**

An alternative form of pay given to employees in place of monetary reward but considered to be of equivalent value. A payment-in-kind takes the form of a car, purchase of goods at cost price, or other non financial exchange that benefits an employee.

**PCCI**

The Philippine Chamber of Commerce and Industry acts as a consultative mechanism for the business community to put forward proposals and policy recommendations geared towards the promotion of a sound and dynamic business environment. PCCI promotes the interests of the business community by making representations in government and quasi-government bodies.

These forums are used to constructively engage government on issues affecting the business community. Aside from this, PCCI also takes on the role of a ‘salesman,’ as it promotes trade and business among and in behalf of its members.

**PCE**

The Philippine Center for Entrepreneurship is a non-stock and non-profit organization that aims to make the Philippines a thriving entrepreneurial nation. It aims to instill among Filipinos a mindset of optimism and a culture of entrepreneurship, turning them into competitive entre- and intra-preneurs. To unify its members and establish a common goal, PCE rallied its cause under one banner: Go Negosyo.

**Penalty clause**

A clause found in contract agreements that provides for a penalty in the event of default.

**Per capita income**

Income per person, usually measured as GDP divided by population.

**Percentage tax**

A business tax imposed on persons or entities who sell or lease goods, properties or services in the course of trade or business whose gross annual sales or receipts do not exceed P550,000 and are not VAT-registered. *See also VAT.*

**Performance appraisal**

The formal and systematic measurement and evaluation of job performance.

**Performance-related pay**

A payment system in which a percentage of pay depends on the assessed performance of individuals, groups or the organization as a whole.

**Performance requirement**

A requirement that an importer or exporter achieve some level of performance, in terms of exporting, domestic content, etc., in order to obtain an import or export license.

**Period costs**

All costs that are matched against revenues on a time period basis; such costs consist of selling (marketing) and administrative expenses.

**Permit**

A license issued by government granting permission to engage in some activity, such as to export, import, or invest.

**Personal computer (microcomputer)**

A small computer used by only one person at a time.

**Personal selling**

A sales presentation delivered in a personal, one-on-one manner.

**Petty cash**

A small store of cash used for minor business expenses.

**Piggyback franchising**

The operation of a retail franchise within the physical facilities of a host store.

**Piracy**

Unauthorized copying of materials protected by intellectual property rights (such as copyright, trademarks, patents, geographical indications, etc.) for commercial purposes and unauthorized commercial dealing in copied materials.

**Planning and control process**

A general term for setting the organizational goal, strategic business plans, capital and operational budgets; for comparing the planned with actual results, and making results-based performance evaluation; and for the ensuing revisions of goals, plans, and budgets.

**Plant Quarantine Law**

The Plant Quarantine Law requires a phytosanitary certificate to assure that the product and carton are pest-free; if pests are found, the product will be subject to fumigation. See also Food Sanitation Law.

**Plurilateral**

Among several countries -- more than two, which would be bilateral, but not a great many, which would be multilateral.

**Point of purchase**

The place at which a product is purchased by the customer. The point of sale can be a retail outlet, a display case, or even a legal business relationship of two or more people who share responsibilities, resources, profits, and liabilities.

**Policy**

A predetermined guide established to provide direction in decision making.

**Pooling purchases**

Combining with other firms to buy materials or merchandise from a supplier.

**Portal**

A site featuring a suite of commonly used services, serving as a starting point and frequent gateway to the web. Web portal services often include a search engine or directory, news, e-mail, stock quotes, maps, forums, chat, shopping, and options for customization.

**Portfolio**

The entirety of the financial assets (and usually also liabilities) that an economic agent or group of agents owns.

**Portfolio capital**

Financial assets, including stocks, bonds, deposits, and currencies.

**Postdated**

In banking, postdated refers to cheques which have been written by the maker for a date in the future. Many banks will honor postdated checks, even if they are deposited before the postdate. The only exception is when a business check (usually a loan check or a paycheck) has "Do Not Deposit Before xx/xx/xxxx" printed on the check.

**Power of attorney**

A written authorization allowing a person to perform certain acts on behalf of another, such as moving of assets between accounts or trading for a person's benefit.

**Prebilling**

The practice of submitting a bill for a product or service before it has actually been delivered.

**Precautionary principle**

The view that when science has not yet determined whether a new product or process is safe or unsafe, policy should prohibit or restrict its use until it is known to be safe. Applied to trade, this has been used as the basis for prohibiting imports of GMOs, for example. *See also GMO.*

**Predatory pricing**

The use of aggressive (i.e., low) pricing to put a competitor out of business, with the intent, once they are gone, of raising prices to gain monopoly profits.

**Pre-feasibility identification**

Initial elaboration of a program or project idea -- in terms of objectives, results, activities, and inputs -- in order to determine whether to go ahead with a feasibility study, for which the terms of reference will then have to be drawn up.

**Preferential duty**

A tariff lower than the MFN tariff, levied against imports from a country that is being given favored treatment, as in a preferential trading arrangement or under the GSP. *See also MFN and GSP.*

**Prepaid expenses**

Expenditures that are paid in advance for items not yet received.

**Prepaid interest**

An asset account showing interest that has been paid in advance.

**Present value**

The amount of cash today that is equivalent in value to a payment, or to a stream of payments, to be received in the future. To determine the present value, each future cash flow is multiplied by a present value factor. For example, if the opportunity cost of funds is 10%, the present value of Php10,000 to be received in one year is  $\text{Php}10,000 \times [1/(1+0.10)] = \text{Php}9091$ .

**Present value factor**

Factor used to calculate an estimate of the present value of an amount to be received in a future period. If the opportunity cost of funds is 10% over next year, the factor is  $[1/(1+0.10)]$ .

**Present value of future cash flow**

Valuing a company based on its future sales and profits.

**Preshipment inspection**

Certification of the value, quality, and/or identity of traded goods done in the exporting country by specialized agencies or firms on behalf of the importing country. Traditionally used as a means to prevent over- or under-invoicing, it is now being used also as a security measure.

**Prevention costs**

Costs that are incurred to prevent quality problems from arising in the first place.

**Preventive and productive maintenance (PPM)**

Preventive maintenance means taking measures in advance to avoid the need for corrective action with regard to the functioning of equipment. Productive maintenance is when the result of maintenance of equipment is measured, normally in economic terms (e.g., cost-benefit analysis, and the result is positive). That is, tuning a car regularly will not only prevent damage, it will also save fuel costs. If the fuel saving is superior to the tuning costs, that is productive maintenance. Together, they are referred to as PPM. Total productive maintenance is a systematic approach to productive maintenance. PPM is useful as a means for enhancing

productivity, minimizing downtime, and maximizing efficiency. It involves keeping equipment operating at peak performance levels to help reduce waste.

**Price**

The exchange value of a product or service from the perspective of both the buyer and the seller.

**Price ceiling**

The highest amount a customer will pay for a product or a service based upon perceived value.

**Price competition**

Competition among firms by reducing price, as opposed to by changing characteristics of the product.

**Price control**

Government regulations that set maximum prices for commodities or control price levels by credit controls.

**Price discrimination**

The practice of selling of the same product to different buyers at different prices. When this occurs internationally and the lower price is charged for export, it is regarded as dumping.

**Price floor**

The lowest amount a business owner can charge for a product or service and still meet all expenses.

**Price stabilization**

Intervention in a market in order to reduce fluctuations in price. This has sometimes been attempted by means of a buffer stock in markets for primary products.

**Price undertaking**

Undertaking by an exporter to raise the export price of the product to avoid the possibility of an anti-dumping duty.

**Primary income**

Includes salaries and wages, commissions, tips, bonuses, family and clothing allowance, transportation and representation allowances, honoraria, and other forms of compensation and net receipts derived from the operation of family-operated enterprises/activities and the practice of a profession or trade.

**Primary product**

A good that has not been processed and is therefore in its natural state, specifically products of agriculture, forestry, fishing, and mining.

**Prime rate**

The interest rate a bank charges on loans to its business customers with the best credit rating.

**Principal**

The initial amount of a loan, thus not including interest.

**Private development banks**

Banks which cater to the capital needs and demand for investment credit or medium to long-term loans for the promotion of growth of industry and agriculture at reasonable costs. Government financial institutions such as the Development Bank of the Philippines (DBP) and the Philippine National Bank (PNB), as well as such other non-bank financial intermediaries

like GSIS and SSS and other government agencies and instrumentalities such as the National Economic and Development Authority (NEDA) and the Department of Agriculture (DA), provide private development banks with support and assistance whether in the form of savings deposits or with technical know-how. (Private Development Bank Act or RA No. 4093, as amended).

**Private goods**

Goods characterized by very high levels of subtractability and excludability. Subtractability means that one person's consumption of the good reduces the quantity available to others. Excludability means that the producer can restrict use of the product to those consumers who are willing to pay for it, while excluding those who do not meet this or other criteria. Private goods can be produced under private ownership or under public ownership. Except under special circumstances, for example, production in conditions of natural monopoly and where the government lacks the capacity to regulate, production of private goods increasingly is undertaken under private ownership.

**Privatization**

The conversion of a government-owned enterprise to private ownership.

**Probation**

A trial period in the first months of employment when the employer checks the suitability and capability of a person in a certain role, and takes any corrective action.

**Process costing system**

A costing system used in those manufacturing situations where a single, homogeneous product (such as cement or flour) is produced for long periods of time.

**Processed good**

A good that has been transformed in some way by a production activity, in contrast to a raw material.

**Producers**

The components of the organizational market that acquire products, services that enter into the production of products, and services that are sold or supplied to others.

**Producer surplus**

The excess of the revenue received by a producer of a commodity over the minimum amount they would be willing to accept to maintain the same level of supply.

**Product**

Anything capable of satisfying needs, including tangible items, services, and ideas.

**Product costs**

*See inventoriable costs.*

**Product differentiation**

A source of competitive advantage that depends on producing some item that is regarded to have unique and valuable characteristics.

**Production plan**

A section of the business plan that details how the product (s) will be manufactured.

**Production worker**

A worker directly engaged in production. In empirical studies of skilled and unskilled labor, data on production workers are often taken to represent unskilled labor.

**Productive efficiency**

Achievement of a specific level of output or objective using the most cost-effective means. Productive efficiency is a precondition for achieving the best allocation of resources among different uses.

**Productivity**

The efficiency with which inputs (labor, capital, natural resources, energy, and so forth) are transformed into outputs (goods and services).

**Product life cycle**

A concept that suggests that products pass through the stages of introduction, growth, maturity and decline.

**Product line**

A group of products related to each other by marketing, technical, or end-use considerations.

**Product mix**

All of the products in a seller's total product line.

**Product planning and development process**

The stages in developing a new product.

**Product safety laws**

Set certain safety standards to which a product must adhere.

**Profit and loss statement**

*See income statement.*

**Profit margin**

The difference between the selling price of a product and the costs associated with its production and sale. Expressed in percentage

**Profit maximizing**

The level of a variable or behavior that maximizes the profit of a firm.

**Pro forma balance sheet**

Summarizes the projected assets, liabilities, and net worth of the new venture.

**Pro forma cash flow**

Projected cash available calculated from projected cash accumulations minus projected cash disbursements.

**Pro forma financial statements**

A firm's financial statements as adjusted to reflect a projected or planned transaction. A "what-if" analysis.

**Pro forma income**

Projected net profit calculated from projected revenues minus projected costs and expenses.

**Pro forma sources and application of funds**

Summarizes all the projected sources of funds available to the venture and how these funds will be disbursed.

**Profit**

Financial gain, returns over expenditures. In financial analysis, all net returns to equity are considered profits. In economic analysis, the opportunity cost of capital is considered a basic cost of production and therefore is not included in profits, which consist only of "pure" profits above and over the opportunity cost of capital.

**Profit and loss statement**

A list of the total amount of sales (revenues) and total costs (expenses). The difference between revenues and expenses is the profit or loss.

**Profit margin**

The difference between the selling price of a product and the costs associated with its production and sale.

**Programming**

Establishing the sequence and promoting the steps to be followed in reaching objectives.

**Prohibited subsidy**

A subsidy that is forbidden under the rules of the WTO. These include subsidies that are specifically designed to distort international trade, such as export subsidies or subsidies that require use of domestic rather than imported inputs.

**Prohibitive tariff**

A tariff that reduces imports to zero.

**Promissory note**

A written promise to pay a specified sum of money at a specified time or on demand.

**Promotion**

The communication of information by a seller to influence the attitudes and behavior of potential buyers.

**Promotional pricing**

Temporarily pricing a product or service below list price or below cost in order to attract customers.

**Property rights**

Bundle of legal rights over the use to which a resource is put and over the use made of any income that may be derived from that resource.

**Proprietorship**

Form of business with single owner who has unlimited liability, controls all decisions, and receives all profits.

**Protection**

Protection for domestic producers from international competition. It may take the form of import duties (tariffs), import bans and quotas, or a variety of non-tariff barriers such as labeling requirements. More specifically, it is the actual difference between the domestic and border prices of a tradable good. Protection may be greater than tariff if, for example, supplementary import quotas are imposed. It may be less if nominal tariffs exceed those actually required (i.e., there is a "waiver" in the tariffs).

**PSI**

Preshipment inspection — the practice of employing specialized private companies to check shipment details of goods ordered overseas, i.e., price, quantity, quality, etc.

**Public domain**

The status of an invention, creative work, and commercial symbol that is not protected by any form of intellectual property law. Items in the public domain are available for free copying and use by anyone. The copying of items that are in the public domain is not only tolerated but also encouraged as a vital part of the competitive process.

**Public goods**

Goods characterized by very low levels of subtractibility and excludability, as opposed to private goods. Low subtractibility implies that a good is available to all consumers at the same time, and consumption by one consumer does not use up or reduce the supply available for another consumer. Low excludability implies that if a good is provided to a consumer in a defined region then other consumers in that region cannot be easily excluded from consuming the same good. An example of a pure public good is national security, which is available to all citizens of a country simultaneously. Several other goods are quasi-public, having low levels of subtractibility and excludability. Public goods are generally provided under public ownership, although several can be provided, through contract and regulation, under private ownership.

**Pull strategy**

A marketing strategy emphasizing mass media advertising as opposed to personal selling.

**Punitive tariff**

A high tariff, the purpose of which is to inflict harm on a foreign exporter as punishment for some previous behavior.

**Purchase order**

A written form issued to a supplier to buy a specified quantity of some item or items.

**Purchase requisition**

A formal internal request that something be bought for a business.

**Purchasing**

The process of obtaining materials, equipment, and services from outside suppliers.

**Push strategy**

A marketing strategy emphasizing personal selling rather than mass media advertising.

**Q****QMS**

Quality Management System. Part of the overall management system that ensures that one can meet or exceed customer expectations for quality in products and services. A QMS includes the development of a formalized quality policy, as well as a planning phase outlining the structures, responsibilities, and procedures for quality within an organization. It also includes the verification of those procedures and a focus on continual improvement of the system. A QMS allows the organization to take control of the quality of its products and services. It allows putting a plan in place for consistency, allowing an organization to determine when corrective actions are needed.

**Qualitative analysis**

An analysis of the qualities of a company that cannot be measured concretely, such as management quality or employee morale.

**Quality**

The totality of features and characteristics of a product or service that bear on its ability to satisfy stated or implied needs.

**Quality assurance (QA)**

A planned and systematic pattern of all the actions necessary to provide adequate confidence that a product will conform to established requirements.

**Quality circle**

A technique which has played an important role in the success of Japanese manufacturing companies. It is normally composed of a few volunteers (typically between 6 and 10) from a particular work area or department who focus on improving quality, productivity and cost reduction. The circle meets under the guidance of a facilitator to identify problems and suggest possible solutions. When possible solutions are generated, the circle meets to identify which of these are likely to be most appropriate given the company's culture, structure, and the costs and timeframes of implementation.

**Quality control**

A method of controlling the quality of a manufactured product which is produced in large numbers. It aims at tracing and eliminating systematic variations in quality, or reducing them to an acceptable level, leaving the remaining variation to chance. The process is then said to be statistically under control.

**Quantitative analysis**

An analysis of the mathematically measurable figures of a company, such as the value of assets or projected sales.

**Quantitative restrictions (QRs)**

Specific limits on the quantity or value of goods that can be imported (or exported) during a specific time period. An example is an import quota, where a quantitative restriction on the level of imports is imposed by a country.

**Quick assets**

Current assets minus inventories.

**Quota**

A limit on the amount, by quantity or value, of a product that may be imported (occasionally quotas may be set on exports, e.g., under commodity agreements or during periods of domestic shortage).

**Quota rent**

Extra profit producers make when supply is artificially limited by an import quota.

**Quota sampling**

The selection of a sample, which is as close or as similar in certain characteristics as possible to those of the target population.

**Quotation**

Highest bid and lowest offer (asked) price currently available on a security or a commodity.

**R****Rainmaker**

A valuable employee, manager or subcontracted person who brings new business to a company.

**Random sampling, simple**

Under this approach, each participant has an equal chance of being selected into the sample. One way to do this is to assign a number to each participant in the target sample group or population and draw a number at random.

**Rate of return**

An accounting ratio of the income from investment to the amount of investment, used to measure financial performance. It is computed by dividing a project's annual net income by the initial investment required.

**Ratio analysis**

A way of expressing relationships between a firm's accounting numbers and their trends over time that analysts use to establish values and evaluate risks.

**Ration**

In the presence of excess demand (for a good, etc.), to allocate among demanders by some means other than the price they are willing to pay.

**Raw material**

Any material going into a manufactured product.

**Recycling**

Separation and collection of waste for transformation or remanufacturing into usable or marketable products or materials, and the purchase of products made from recyclable materials.

**Real assets**

Identifiable assets, such as land and buildings, equipment, patents, and trademarks, as distinguished from a financial investment.

**Real estate**

A piece of land and whatever physical property is on it.

**Real exchange rate**

Exchange rate that has been adjusted for the inflation differential between countries.

**Real GDP**

Inflation-adjusted measure of Gross Domestic Product.

**Real income**

The income of an individual, group, or country adjusted for inflation.

**Real property**

Land plus all other properties that are in some way attached to the land.

**Real wage**

Wages deflated by the current Consumer Price Index. It gives information on how much the current wages are given compared to wages of a given base year period.

**Rebate**

Money given by a company to people who have bought a particular product.

**Rebating**

A sales promotion technique in which the customer is offered a rebate for reaching volume targets. *See rebate.*

**Receivable**

*See accounts receivable.*

**Receiver**

A bankruptcy practitioner appointed by secured creditors to oversee the repayment of debts.

**Recession**

A stage of the business cycle in which economic activity is in slow decline. Recession usually follows a boom, and precedes a depression. It is characterized by rising unemployment and falling levels of output and investment.

**Reciprocal marketing agreement**

A strategic alliance in which two companies agree to co-market each other's products. Production rights may or may not be transferred. *See also strategic alliance.*

**Recourse**

Term describing a type of loan. If a loan is with recourse, the lender has a general claim against the parent company if the collateral is insufficient to repay the debt. *See also without recourse.*

**Recruitment**

The process of attracting individuals — in sufficient numbers and with appropriate qualifications — and encouraging them to apply for jobs with the organization.

**Redundant tariff**

A tariff that, if changed, will not change the quantity of imports, either because the tariff is prohibitive, or because some other policy such as a quota or an embargo is limiting quantity.

**Reengineering**

A fundamental restructuring to improve the operations process.

**Re-exports**

Exports of imported goods, which do not undergo physical and/or chemical transformation in the Philippines.

**Reference price**

The price that buyers use to compare the offered price of a product or service. The reference price may be a price in a buyer's memory, or it may be the price of an alternative product.

**Refinancing**

An extension and/or increase in amount of existing debt.

**Refund**

The reimbursement of the purchase price of a good or service, for reasons such as faults in manufacturing or dissatisfaction with the service provided.

**Regional bank**

A bank operating in a specific region of the country, taking deposits and offering loans.

**Regional economic integration**

Agreements among countries in a geographic region to reduce and ultimately remove tariff and nontariff barriers to the free flow of goods, services, and factors of production between each other.

**Regional trade**

Trade among countries that are geographically close together, especially on the same continent.

**Registered check**

A check issued and guaranteed by a bank for a customer who provides funds for payment of the check.

**Registered company**

A company that is listed with the Securities and Exchange Commission (SEC) after submission of a required statement and compliance with disclosure requirements.

**Registered exports and imports**

If a country regulates what can be traded, then "registered" means legal. In contrast, unregistered exports and imports are smuggled in some fashion.

**Regulation**

Any government effort to influence the performance of the economy or the behavior of economic agents, especially firms, within it. Conflicts sometimes arise between domestic regulations and international commerce or commitments.

**Reimbursement**

Payment made to someone for out-of-pocket expenses incurred.

**Relationship marketing**

An approach that focuses on developing a series of transactions with consumers.

**Relative price**

The future price value of an output or input relative to the price of another input or output, or to the prices of all goods and services in general. If all prices increase at the same rate, all prices will rise but relative prices will remain unchanged. If the price of an output or input increases either more slowly or faster than the prices of other goods in general, then there will be a relative price change.

**Remit**

To pay for purchase by cash, check, or electronic transfer.

**Remittances**

Payments from one country to another that are not payment for anything (goods, services, assets, the use of capital, etc.), such as charitable contributions, gifts to family members, and government aid.

**Remuneration**

Payment in return for services rendered.

**Rent**

The price paid for any factor of production in fixed supply.

**Rental**

As in rental value of capital; the interest rate that must be paid as rent to use the capital for a given period.

**Reorder point**

The point in time when an order must be placed to replenish depleted stocks; it is determined by multiplying the lead time by the average daily or weekly usage.

**Reorganization**

The creation of a plan to restructure a debtor's business and restore its financial health.

**Replacement value**

The current cost of replacing a capital asset.

**Repurchase agreement**

An agreement to sell a security for a specified price and to buy it back later at another specified price. A repurchase agreement is essentially a secured loan.

**Rescheduled loans**

Bank loans that are usually altered to have longer maturities in order to assist the borrower in making the necessary repayments.

**Rescind**

To cancel a contract because of misrepresentation, fraud, or illegal procedure.

**Research and development (R&D)**

Development of new products and services by a company in order to obtain a competitive advantage.

**Reserves**

Amounts held by commercial banks in their vaults or on deposit with the central bank as backing for deposits.

**Residential property**

Property that consists of homes, apartments, townhouses, and condominiums.

**Restricted trade**

Trade that is restrained in some fashion by tariffs, transport costs, or NTBs.

**Restrictive endorsement**

An endorsement signature on the back of a check that specifies the conditions under which the check can be transferred or paid out.

**Restructure**

To alter the terms of repayment of a debt, usually by extending repayment over a longer period of time, perhaps at a lower interest rate.

**Retail price**

The total price, charged for a product sold to a customer, which includes the manufacturer's cost plus a retail markup.

**Retail trade**

Any act, occupation, or calling of habitually selling direct to the general public merchandise, commodities, or goods for consumption.

**Retrenchment**

The reduction of the size or scope of a firm's activities.

**Return on sales**

This ratio is computed by dividing net income by net sales. It measures the extent to which the firm has been able to generate profits.

**Revenue**

Total sales during a stated period.

**Reverse engineering**

The process of learning how a product is made by taking it apart and examining it.

**Revolving line of credit**

A bank line of credit on which the customer pays a commitment fee and can take and repay funds at will. Normally, a revolving line of credit involves a firm commitment from the bank for a period of several years.

**Risk**

Uncertainty associated with a transaction or an asset.

**Risk analysis**

The analysis of project risks associated with the value of key project variables, and therefore the risk associated with the overall project result. Quantitative risk analysis considers the range of possible values for key variables, and the probability with which they may occur. Simultaneous and random variation within these ranges leads to a combined probability that the project will be unacceptable. When deciding on a particular project or a portfolio of projects, decision makers may take into account not only the expected scale of project net benefits but also the risk that they will not be achieved.

**Risk management**

Ways of coping with risk; designed to preserve assets and the earning power of a firm.

**Risk-taking**

Taking calculated chances in creating and running a venture.

**ROA**

Return on assets. Indicator of profitability. Determined by dividing net income for the past 12 months by total assets. Result is shown as a percentage. ROA can be decomposed into return on sales (net income/sales) multiplied by asset utilization (sales/assets).

**ROCE**

Return on capital employed. Indicator of profitability of the firm's capital investments. Determined by dividing Earnings Before Interest and Taxes by (capital employed plus short-term loans minus intangible assets). The idea is that this ratio should at least be greater than the cost of borrowing.

**ROE**

Return on equity. This ratio is calculated by dividing net income by stockholders equity. It measures the ability of the firm in generating profit in relation to its equity base. ROE may be decomposed into return on assets (ROA) multiplied by financial leverage (total assets/total equity).

**ROI**

Return on investment. A measure of profitability in an organization that is computed by multiplying the margin by the turnover.

**Ro-Ro (Roll-on Roll-off)**

Loading/unloading by the vessel's doors/ramps by a wheeled means of conveyance.

**Royalty**

Payment for the right to use intellectual property or natural resources.

**Rubber check**

A check that bounces for lack of funds.

**Rules of origin**

Laws, regulations, and administrative procedures, which determine a product's country of origin. A decision by a customs authority on origin can determine whether a shipment falls within a quota limitation, qualifies for a tariff preference or is affected by an anti-dumping duty. These rules can vary from country to country.

**Rural banks**

Mostly government-sponsored/assisted banks which are largely privately-owned that provide credit facilities to farmers and merchants, or to cooperatives of such farmers and merchants under reasonable terms, and in general, to the people of rural communities. They are classified into those with and without authority to accept demand deposits.

**S****Safeguard measures**

Action taken to protect a specific industry from an unexpected build-up of imports — generally governed by Article 19 of GATT.

**Safety net**

A collection of programs or activity designed to support vulnerable groups in the face of anticipated negative impacts arising from specific policies.

**Safety stock**

Inventory maintained to protect against stockouts.

**Salaries and wages**

Payments in cash or in kind prior to deductions for employees' contribution to SSS/GSIS, withholding tax, etc. Included are total basic pay, overtime pay, and other benefits.

**Sale and lease-back**

Sale of an existing asset to a financial institution that then leases it back to the user.

**Sales**

The activity of selling a company's products or services, or the income generated by this.

**Sales channel**

A means of distributing products to the marketplace, either directly to the end customer, or indirectly through intermediaries such as retailers or dealers.

**Sales forecast**

A prediction of future sales, based on past sales performance. Sales forecasting takes into account the economic climate, current sales trends, company capacity for production, company policy, and market research.

**Sales mix**

The relative combination in which a company's products are sold. Sales mix is computed by expressing the sales of each product as a percentage of total sales.

**Sales network**

The distribution network by which goods and services are sold.



**Sales outlet**

A company's office that deals with customers in a particular region or country.

**Sales promotion**

Activities, usually short-term, designed to attract attention to a particular product and to increase its sales using advertising and publicity.

**Sales tax**

A percentage tax on the selling price of goods and services.

**Salvage value**

The residual value of the investment at the end of the project life.

**Sampling**

A method of obtaining information and data when the target population is large (e.g., as a rule of thumb, more than 100 persons, units, or entities, etc.).

**Sanitary and phytosanitary (SPS)**

Sanitary and phytosanitary (SPS) measures deal with food safety and animal and plant health standards. The SPS measures (standards) are set by international organizations (the FAO-WHO Codex Alimentarius Commission for food safety; the International Office for Epizootics for animal health; the FAO's Secretariat of the International Plant Protection Convention for plant health). The World Trade Organization's SPS Agreement encourages member countries to use SPS standards, but it also allows countries to set their own standards. The national standards can be more stringent than the internationally agreed ones, but the agreement stipulates they should be based on scientific evidence, should not discriminate between countries, and should not be a disguised restriction on trade.

**Savings deposit**

An account that pays interest, typically at a below-market interest rate that does not have a specific maturity, and that usually can be withdrawn upon demand.

**Scenario planning**

An attempt to build plausible views of a small number of different possible futures for an organization operating in conditions of high uncertainty.

**Search engine**

Computer software program designed to help users of the Internet locate information on the World Wide Web. It collects and indexes Internet resources (Web pages, Usenet Newsgroups, programs, images, etc.) and provides a keyword search system allowing the user to identify and retrieve resources. There are many search engines available and each is different in its scope, search protocols, and appearance. Some common search engines are: Alta Vista, Google, Yahoo, Excite, Lycos, AskJeeves, and HotBot.

**Seasonal quota**

A restriction on the quantity of imports of a good for a specified period of the year.

**Seasonal tariff**

A tariff that is levied at different rates at different times of the year, usually on agricultural products, being highest at the time of the domestic harvest.

**Secondary tariffs**

Any charges imposed on imports in addition to the statutory tariff, such as an import surcharge.

**Securities**

Stocks, bonds, and other tradable financial assets.

**Seed money**

A usually modest amount of money used to convert an idea into a viable business. Seed money is a form of venture capital.

**Self-employment**

Being in business on one's own account, either on a freelance basis, or by reason of owning a business and not being engaged as an employee under a contract of employment.

**Self-liquidating**

Providing enough income to pay off the amount borrowed for financing.

**Self-liquidating loan**

Loan to finance current assets. The sale of the current assets provides the cash to repay the loan.

**Selling costs**

*See marketing costs.*

**Sensitivity analysis**

A study of the impact that changes in the costs and benefits would have on the profitability or present value of a project. For example, a 10 percent increase in construction costs might reduce the internal rate of return from 15 percent to 9 percent for project A, but only from 15 percent to 12 percent for project B. It says nothing about the probability of deviations from the "best guess".

**Server**

A computer that handles requests from the user's computer for data, e-mail, file transfer, and other network services.

**Service**

A product that is not embodied in a physical good and that typically effects some change in another product, person, or institution. Contrasts with good.

**Service business**

A retail business that deals in activities for the benefit of others.

**Service charge**

A fee for any service provided, or additional fee for any enhancements to an existing service.

**SET**

Secure Electronic Transaction. A standard that will enable secure credit card transactions on the Internet.

**Settlement**

The payment of a debt or charge.

**Setup costs**

The costs associated with making a workstation or equipment available for use.

**Shadow exchange rate**

The exchange rate that reflects the value of an additional unit of foreign exchange in terms of domestic consumption, given the trade policies that are expected to prevail during the project life. The essential point is that foreign exchange is often more economically valuable than is

reflected by the official exchange rate because of restrictive trade practices and barriers such as quotas and duties.

**Shadow wage rate (SWR)**

The economic price of labor measured in the appropriate numeraire as the weighted average of its demand and supply price. For labor that is scarce, the SWR is likely to be equal to or greater than the project wage. For labor that is not scarce, the SWR is likely to be less than the project wage. Where labor markets for labor that is not scarce are competitive, the SWR can be approximated by a market wage rate for casual unskilled labor in the relevant location, and adjusted to the appropriate numeraire.

**Shadow price**

A term implying a price that has been derived from a complex mathematical model, i.e., from linear programming.

**Shelf life**

The length of time that a good can be stored while still remaining useful enough to sell. Important for both perishable goods and goods that may become obsolete for reasons of technology or fashion. Relevant for international trade when, for example, customs procedures cause delays.

**Shelf talker**

A cardboard paper, or plastic advertisement of a product designed to be attached to a shelf on which the product is exhibited for sale

**Shipment**

The sale of or inter-plant transfer of finished products from an establishment.

**Shopping cart**

A piece of software that acts as an online store's catalog and ordering process. Typically, a shopping cart is the interface between a company's web site and its deeper infrastructure, allowing consumers to select merchandise, review what they have selected, make necessary modifications or additions, and purchase the merchandise.

**Short**

Used with "sell" or "sale," this means that the seller does not currently have the thing being sold, but intends to acquire it on the market prior to making delivery.

**Short selling**

Occurs when an investor places a speculative bet that the value of a financial asset will decline, and profits from that decline.

**Short-term**

Happening within the short run, or within a matter of months. In the case of bonds or capital flows, this refers to financial assets with a maturity of less than one year.

**Short-term solvency ratios**

Ratios used to judge the adequacy of liquid assets for meeting short-term obligations as they come due, including: (1) the current ratio, (2) the acid-test ratio, (3) the inventory turnover ratio, and (4) the accounts receivable turnover ratio.

**Shuttle trade**

The trade accomplished by individuals and groups traveling to other countries, buying goods, and bringing them home, often in their luggage, to resell.

**Six Sigma**

A process improvement methodology using data and statistical analysis to identify and fix problem/opportunity areas. Pioneered and patented by Motorola in 1987, Six Sigma was essentially a statistical quality control tool aimed at eliminating defects. The concept has evolved since then. It now encompasses three main components: statistical measurement, management strategy, and quality culture. Deployed correctly, Six Sigma has the ability to generate a host of benefits to business companies, e.g., improving process speed, raising quality levels, reducing costs, increasing revenues, and deepening customer relationships, among others.

**Skilled labor**

Labor with a high level of skill or human capital. Identified empirically as labor earning a high wage, with a high level of education, or in an occupational category associated with these; sometimes crudely proxied as nonproduction workers.

**Skill intensive**

Describing an industry or sector of the economy that relies relatively heavily on inputs of skilled labor, usually relative to unskilled labor, compared to other industries or sectors.

**Slump**

A decline in performance, either of a firm as a slump in sales or profits, or of a country as a slump in output or employment.

**SME\***

Small and Medium Enterprise. Any business activity or enterprise engaged in industry, agribusiness and/or services, whether single proprietorship, cooperative, partnership or corporation whose total assets, inclusive of those arising from loans but exclusive of the land on which the particular business entity's office, plant and equipment are situated; must have value falling under the following categories:

Micro: Up to Php 3,000,000;

Small: Php 3,000,001 – Php 15,000,000;

Medium: Php 15,000,001 – Php 100,000,000; and

Large: above Php 100,000,000.

**SMED (Single Minute Exchange of Die)**

One of the many lean production methods for reducing waste in a manufacturing process. It provides a rapid and efficient way of converting a manufacturing process from running the current product to running the next product. This rapid changeover is key to reducing production lot sizes and thereby improving flow (Mura) which is a 'Lean' aim. It is also often referred to as *Quick Changeover (QCO)*. Performing faster change-overs is important in manufacturing, or any process, because they make low cost flexible operations possible. The phrase "single minute" does not mean that all changeovers and startups should take only *one* minute, but that they should take less than 10 minutes (in other words, "single digit minute").

**SMS**

Short Messaging Service. A wireless messaging service that involves the transmission of a short text message and its receipt by a wireless terminal.

**Smuggle**

To take a good across a national border illegally. If the good itself is legal, the purpose is usually to avoid paying a tariff or to circumvent some other trade barrier.

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\* As defined in the Philippines in accordance with Small and Medium Enterprise Development (SMED) Council Resolution No. 01 Series of 2003 dated 16 January 2003.

**Social entrepreneur**

Social entrepreneurs are individuals with innovative solutions to society's most pressing social problems. They are ambitious and persistent, tackling major social issues and offering new ideas for wide-scale change. Rather than leaving societal needs to the government or business sectors, social entrepreneurs find what is not working and solve the problem by changing the system, spreading the solution, and persuading entire societies to take new leaps. While a business entrepreneur might create entirely new industries, a social entrepreneur comes up with new solutions to social problems and then implements them on a large scale.

**Social net present value**

The net present value of a project after incremental income flows generated by the project have been weighted to reflect priorities and goals in social income distribution.

**Social premium on investment**

The additional value that savings and investment have over consumption because of the scarcity of investible capital. This premium on investment will exist whenever savings are in short supply.

**Social price**

Price of inputs and outputs that reflects their value to the country and takes into consideration "non-efficiency" but socially important goals such as, for example, a reduction of consumption of alcohol, tobacco and fancy cars or expanded production of goods to meet basic needs, etc.

**Software**

Programs that provide operating instructions to a computer.

**Sole proprietorship**

Business legal structure in which one individual owns the business. Also referred to as single proprietorship.

**SOP**

Standard Operating Procedure. The stable body of procedure, written and unwritten, that governs an organization.

**Sovereign loans**

Those, which are borrowed by individuals or private organizations that are guaranteed by the Philippine government. If the borrower does not pay the loan, the government is duty-bound to pay it; also called behest loans.

**Spam**

An unsolicited e-mail on the Internet. From the sender's point-of-view, it is a form of bulk mail, often to a list culled from subscribers to a discussion group or obtained by companies that specialize in creating e-mail distribution lists. To the receiver, it usually seems like junk e-mail. In general, it is not considered good netiquette to send spam.

**Span of control**

The number of subordinates reporting directly to the person above them in the hierarchy.

**Special and differential treatment**

The GATT principle that developing countries be accorded special privileges, exempting them from some requirements of developed countries. It also permits tariff preferences among developing countries and by developed countries in favor of developing countries, as under the GSP.

**Special economic zone**

These exist in several countries and their characteristics vary. Typically they are regions designated for economic development oriented toward inward FDI and exports, both fostered by special policy incentives that may include being an export processing zone.

**Special entry procedure**

An administrative procedure that is required as a condition of entry for an imported good, such as transport by the importing country's national fleet, or entry through a specific port or customs station.

**Specialization**

A stage in the business process where activities are broken up into certain areas so that advantages would accrue from specific expertise and talent from within the workforce of a company. This will result in higher efficiency and productivity. The more specialized the work assigned to individuals within the limits of human tolerance, the greater the potential for efficient performance.

**Specific tariff**

A tariff specified as an amount of currency per unit of the good.

**Speculation**

The purchase or sale of an asset in hopes that its price will rise or fall respectively, in order to make a profit.

**Speculative attack**

In any asset market, the surge in sales of the asset that occurs when investors expect its price to fall.

**Speculator**

Anyone who engages in speculation. May include those who transfer their assets into different forms (or currencies) in order to avoid a prospective capital loss.

**Spreadsheet program**

Application software that allows users to perform accounting and other numerical tasks on an electronic worksheet.

**Staff**

A position in an organization that is only indirectly related to the achievement of the organization's basic objectives. Such positions are supportive in nature in that they provide service or assistance to line positions or to other staff positions.

**Staffing policy**

Strategy concerned with selecting employees for particular jobs.

**Stakeholders**

Various persons or groups of persons that have a role and interest in the objectives and results of a program or project. They include (a) target groups and direct beneficiaries, (b) those responsible for ensuring that the activities are implemented and the results produced as planned; and (c) those accountable for the resources that they provide to that program or project (normally donors but also counterpart personnel from the recipient government).

**Standard**

Rule and/or procedure specifying characteristics that must be met for a product to be sold in a country's domestic market, typically to protect health and safety. When a standard puts foreign producers at a disadvantage, it may constitute an NTB.

**Standard conversion factor**

The ratio of the world market (border) price of an average basket of goods to its domestic market price, where the domestic price is expressed in dollars converted at the official exchange rate. It may also be considered the ratio of the official exchange rate to the shadow exchange rate. Further refinements are possible depending on what is contained in the basket of goods (e.g., there may be a conversion factor just for construction or just for transportation projects).

**Standard dial-up**

Residential customers dialing up on a standard telephone line each time they access the internet. Has a download speed of up to 56 kilobytes per second.

**Standard of living**

Usually refers to a country's per capita income, but sometimes takes account also of additional conditions that matter for a person's or household's wellbeing, such as leisure or the quality of the environment.

**Standard operation procedures (SOP)**

A step-by-step 'best current method' guideline aimed at reducing the variability of a process.

**Startup**

The earliest stage of a new business venture.

**Stock**

A share in the ownership of a corporation.

**Stockpiling**

The storage of something in order to have it available in the future if the need for it increases. In international economics, stockpiling occurs for speculative purposes; by governments to provide for national security; and by central banks managing international reserves.

**Strategic alliance**

Collaboration between two or more companies designed to achieve some corporate objective.

**Strategic business unit**

It consists of a number of closely related products for which costs are not shared with other businesses and for which it is meaningful to formulate a separate strategy.

**Strategic commitment**

A decision that has a long-term impact and is difficult to reverse, such as entering a foreign market on a large scale.

**Strategic management**

It is the process of specifying the organization's objectives, developing policies and plans to achieve these objectives, and allocating resources to implement the policies and plans to achieve the organization's objectives. Strategic management, therefore, combines the activities of the various functional areas of a business to achieve organizational objectives.

**Strategic pricing**

Pricing aimed at giving a company a competitive advantage over its rivals.

**Strategy**

It is concerned with deciding what business an organization should be in, where it wants to be, and how it is going to get there.

**Strategy analysis**

Critical assessment of the alternative ways of achieving program and project objectives, and selecting a set of the likely feasible options for the activities under consideration.

**Stratified sampling**

The separation of the target population into different groups or strata of similar characteristics and then drawing up a random sample from each group to obtain the required information and data. Stratified sampling is necessary when the features of the target population are diverse and such diversity may have an undue influence on the (sample) results.

**Subcontracting**

A business activity and strategy where a producer who receives a direct order on his products, contracts other producers to manufacture his product at an agreed quality, time, and price.

**Subsidiary**

A firm that is owned and ultimately controlled by another firm. Thus a multinational corporation has a parent in one country and one or more subsidiaries in others.

**Subsidy**

There are two general types of subsidies: export and domestic. An export subsidy is a benefit conferred on a firm by the government that is contingent on exports. A domestic subsidy is a benefit not directly linked to exports.

**Substitute**

One good is a substitute for another if an increase in demand for one (or a fall in its price) causes a decrease in demand for the other.

**Succession planning**

The use of a deliberate process to ensure that staff are developed who are able to replace senior management as required.

**Suggested retail price (SRP)**

The price the manufacturer recommends that the retailer sell it for. The intention was to help to standardize prices among locations. While some stores always sell at, or below, the suggested retail price, others do so only when items are on sale or closeout.

**Sunk costs**

Costs incurred in the past for production start-ups that are largely unaffected by current and future operations. They often refer to the costs of machinery and equipment, lands and buildings, infrastructure and utilities, etc. They are the opposite of variable costs.

**Sunrise industries**

Growth industries in an economy that may become leaders in the market in the future.

**Superstore**

A very large store, especially one stocking a wide variety of merchandise.

**Suppliers**

Individuals or businesses that provide resources needed by a company in order to produce goods and services.

**Supply**

Willingness to provide a good or service. Since such willingness will vary depending on the supplier, the price and the circumstances, supply is usually expressed in terms of the quantities that would be supplied at various prices. The resulting "supply curve" usually slopes upwards,

indicating that suppliers will supply more at higher prices than at lower prices. Where economies of scale exist, however, the supply price may drop as scale increases over the range where such economies prevail.

#### **Supply chain**

A group of small and medium enterprises that cooperate with one another, and often with large buyers, on production and marketing activities across various stages of the value added process.

#### **Surcharge**

An additional levy added to some charge.

#### **Sustainable development**

Development that ensures that the use of resources and the environment today does not compromise their use in the future

#### **Sweatshop**

A manufacturing workplace that treats its workers inhumanely, paying low wages, imposing harsh and unsafe working conditions, and demanding levels of performance that are harmful to the workers.

#### **SWOT analysis**

A scan of the internal and external environment is an important part of the strategic planning process. Environmental factors internal to the firm usually can be classified as strengths (S) or weaknesses (W), and those external to the firm can be classified as opportunities (O) or threats (T). Such analysis of the strategic environment is referred to as SWOT analysis. SWOT analysis provides information that is helpful in matching an enterprise's resources and capabilities to the competitive environment in which it operates. It is therefore instrumental in strategy formulation and selection, and forms the first stage of planning to focus on key issues.

#### **Synergism**

The cooperative action of two or more persons working together to accomplish more than they could working separately.

#### **Systematic sampling**

A method for information and data collection whereby each person or unit or entity in the target population has an equal chance of being included in the sample. One way to do this is to assign a number to an alphabetical list of the target participants and choose every 10<sup>th</sup> or 20<sup>th</sup> name on the list.

#### **System software**

Programs that control the internal functioning of a computer.

## **T**

#### **T-account**

A simple accounting statement that records only changes in balance sheet items from a starting point.

#### **Take-home pay**

The amount of pay an employee receives after all the deductions, such as income tax, social security, or pension contributions.

#### **Takeover**

The acquisition by one firm of another.

#### **Target market**

The specific individuals distinguished by socio-economic, demographic and interest characteristics who are the most likely potential customers for the goods and services of a business.

#### **Tariff**

A government duty imposed on imports or exports to stimulate or dampen economic activity.

#### **Tariff binding**

Commitment not to increase a rate of duty beyond an agreed level. Once a rate of duty is bound, it may not be raised without compensating the affected parties.

#### **Tariff escalation**

Higher import duties on semi-processed products than on raw materials, and higher still on finished products. This practice protects domestic processing industries and discourages the development of processing activity in the countries where raw materials originate.

#### **Tariffication**

Procedures relating to the agricultural market-access provision in which all non-tariff measures are converted into tariffs.

#### **Tariff peaks**

Relatively high tariffs, usually on "sensitive" products, amidst generally low tariff levels. For industrialized countries, tariffs of 15% and above are generally recognized as "tariff peaks".

#### **Tariff rate quota**

A combination of an import tariff and an import quota in which imports below a specified quantity enter at a low (or zero) tariff and imports above that quantity enter at a higher tariff. Also called a tariff quota.

#### **Tax**

A governmental charge that is not a price for a good or service.

#### **Taxable**

Subject to tax.

#### **Tax base**

The amount on which a taxpayer pays taxes, as for example their taxable income in the case of an income tax, or the taxable value of their property in the case of a property tax.

#### **Tax break**

Any provision of the tax code, such as a tax credit or tax deduction, that reduces the amount of tax that a firm or individual will pay, perhaps in return for behavior that the government wishes to encourage.

#### **Tax credit**

Allows a firm to reduce the taxes paid to the home government by the amount of taxes paid to the foreign government.

#### **Tax evasion**

Illegal act of reducing tax burden by underreporting income, overstating deductions, or using illegal tax shelters.

#### **Tax incentive**

A tax reduction afforded to people for particular purposes.

**Tax rebate**

The refund of a tax that has been overpaid. Some countries rebate certain taxes that have been paid on goods that are then exported.

**Tax refund**

An amount that a government gives back to a taxpayer who has paid more taxes than were due.

**Tax return**

An official form on which a company or individual enters details of income and expenses, used to assess tax liability.

**Tax shelter**

Legal methods taxpayers can use to reduce tax liabilities. An example is the use of depreciation of assets.

**Team-based rewards**

Payments or non-financial incentives provided to members of a formally established team and linked to the performance of the group.

**Technical analysis**

Uses price and volume data to determine past trends, which are expected to continue into the future.

**Technical insolvency**

Default on a legal obligation of the firm. Technical insolvency occurs when a firm doesn't pay a bill on time.

**Technology**

The complete set of knowledge about how to produce in an economy at a point in time, including techniques of production that are available but not economically viable.

**Technology transfer**

The process by which existing knowledge, facilities, or capabilities developed under governmental research and development funding are utilized to fulfill public and private needs. Results of successful technology transfer efforts include product improvement, service efficiencies, improved manufacturing processes, joint development to address government and private sector needs, and the development of major new products for the international marketplace.

**Technopreneur**

An individual who uses technology to do something new or invents new devices and then makes a business from selling these new things.

**TED**

Turtle Extruder Device. A simple grid-like instrument made of steel, aluminum or iron with inter-spaced bars and a flap made of net attached to it, which allows the turtle to escape, while allowing the fish, especially the shrimp, to pass through between the bars into the bag of the trawl net. When properly installed and used, TEDs can reduce turtle death by 97 per cent. TEDs would also result in better quality shrimp because the shrimp wouldn't be battered and crushed by unintentional catch. They also protect local fisheries stocks by permitting by catch, or by "non-target fish" to escape as well.

**Telecommuting**

The practice of workers performing their work away from the office/business location over data lines linked to a computer, as if they were at the office.

**Teleconferencing**

A two-way telecommunications service that allows live video images and speech of participants in a conference to be transmitted between two or more locations. Videoconferencing services generally require digital transmission.

**Telemarketing**

Marketing goods or services directly to the consumer via the telephone.

**Template**

A pre-programmed form on which a user fills in blanks with specific data.

**Temporary admission**

Permission to import a good duty free for use as an input in producing for export.

**Tender**

To make or submit a bid to undertake work or supply goods at a stated price. A tender is usually submitted in response to an invitation to bid for a work contract in competition with other suppliers.

**Term loan**

A bank loan, typically with a floating interest rate, for a specified amount that matures in between one and ten years, and requires a specified repayment schedule.

**Terms of delivery**

The part of a sales contract that indicates the point at which title and risk of loss of merchandise pass from the seller to the buyer.

**Terms of sale**

The conditions concerning payment for a purchase.

**Test marketing**

The use of a small-scale version of a marketing plan, usually in a restricted area or with a small group, to test marketing strategy for a new product.

**Textiles**

Cloth. The textile sector is important for trade, along with apparel, because with some exceptions (synthetics) it is a very labor intensive sector, and it is therefore a likely source of comparative advantage for developing countries.

**Third shift**

An unauthorized product made by an authorized contractor.

**Thrift banks**

Banks that primarily mobilize small savings and provide loans at generally longer and easier terms than commercial banks as the former caters to the lower income groups. Loans are usually for basic economic needs, such as housing. Small producers such as farmers, cottage industry entrepreneurs, and consumers rely on these banks for the financing of their production and consumption requirements.

**Time-based competition**

Competing on the basis of speed in responding to customer demands and developing new products.

**Time interest earned**

Measures the ability of the firm to meet its interest payment obligation. Determined by dividing earnings before interest and taxes by interest.

**Total assets**

These represent the total resources used in the company's operations in order to generate profit. This is the sum, mainly, of the company's total current assets and its fixed assets.

**Total asset turnover**

The ratio of net sales to total assets.

**Total liabilities**

These are the aggregate obligations of a corporation to third parties, payable in money, goods or services. Total current liabilities and long-term debt comprise bulk of companies' total liabilities.

**Total productive maintenance**

Activity that targets zero downtime of machinery/equipment, zero defects and zero accidents by the pro-active identification of potential problems.

**Total receipts (revenues/sales)**

Include the value/cash received and receivables for products shipped, goods sold and transferred, and industrial and non-industrial services rendered to others.

**TQC**

Total Quality Control. A monitoring and early warning system used under JIT that is designed to detect defective parts and materials and to correct the problems that caused the defects.

**TQM**

Total Quality Management is more than a concept; it is a philosophy unto itself. Its adoption by an organization means that the organization is committed to doing things in accordance with the specifications it has set (or accepted) the first time. TQM is most often associated with Dr. W. Edwards Deming, a statistician who is considered the "godfather of quality." TQM relies on all necessary quality management tools to achieve and maintain the desired level of quality in everyday operations. This does not mean that the quality specifications are unchangeable. Quality specifications can and must change to allow for continual improvement of operations and meet changing customer expectations.

**Tradable**

A good that can be traded internationally under conditions of free trade or in the absence of restrictive trade policies. Depending on national and world costs of production and transport, tradables may be importables, exportables, or in some cases both.

**Trade barriers**

Hindrances to doing international business.

**Trade cost**

Any cost incurred in order to engage in international trade, including transport cost, insurance, etc.

**Trade credit**

An amount that is loaned to an exporter to be repaid when the exports are paid for by the foreign importer.

**Trade deficit**

Imports minus exports of goods and services.

**Trade facilitation**

Removing obstacles to the movement of goods across borders (e.g. simplification of customs procedures).

**Trade fair**

A commercial exhibition designed to bring together buyers and sellers from a particular market sector.

**Trade in services**

The provision of a service to buyers within or from one country by a firm in or from another country. Because such transactions do not involve a physical product crossing borders, they were not regarded as "trade" and were not covered by GATT. In the mid-1980s they were recognized as a form of trade and were incorporated into the WTO's GATS.

**Trade liberalization**

Reduction of tariffs and removal or relaxation of NTBs.

**Trademark**

A distinguishing word, name, or symbol used to identify a product.

**Trade mission**

A group of persons from business and government of a country that travels to another country to promote its exports.

**Trade negotiation**

A negotiation between pairs of governments, or among groups of governments, exchanging commitments to alter their trade policies, usually involving reductions in tariffs and sometimes nontariff barriers.

**Trade restriction**

Any policy that reduces the amount of exports or imports, such as a tariff, quota, or other nontariff barrier.

**Trade secret**

Any confidential business information that provides an enterprise with a competitive edge. The unauthorized use of such information by persons other than the holder is regarded as unfair practice and a violation of the trade secret.

**Trade surplus**

A nation's excess of exports over imports during a given time frame.

**Trading arrangement**

An agreement between two or more countries concerning the rules under which trade among them will be conducted, either in a particular industry or more broadly.

**Traditional exports**

Export goods whose value exceed US\$5 million in 1968 and which have undergone a significant degree of processing.

**Transaction value**

The actual price of a product, paid or payable, used for customs valuation purposes.

**Transaction costs**

The costs, other than price, incurred in the process of exchanging goods and services. These costs include the costs of negotiating and enforcing contracts, and the costs of collecting charges for goods and services provided. The scale of economic and financial transaction costs can affect the market structure for a good.

**Transfer payment**

A payment made without receiving any good or service in return. These payments transfer command over resources from one party to another without reducing or increasing the amount of resources available as a whole. Taxes, duties, and subsidies are examples of items that, in some circumstances, may be considered to be transfer payments.

**Transfer price**

Literally this only refers to the price charged on goods and services that are traded between subsidiaries of a multinational corporation. However, the term usually connotes the setting of such prices high or low so as to minimize the total taxes paid to different governments, in response to differences in corporate tax rates.

**Transparency**

Provision, in a comprehensive and timely manner, of the objectives and rationale of an action or policy, plus related data and information as regards its expected outcomes and the trade-offs involved.

**Trend**

The long-term movement of an economic variable, such as its average rate of increase or decrease over enough years to encompass several business cycles.

**Trigger price**

The price at which buy/sell mechanisms in commodity agreements take effect.

**TRIPS**

Trade-Related Aspects of Intellectual Property Rights

**Turnkey project**

A project in which a firm agrees to set up an operating plant for a foreign client and hand over the "key" when the plant is fully operational.

**U****Unbundling**

Relying on more than one financial technique to transfer funds across borders.

**UNCITRAL**

United Nations Center for International Trade Law, drafts model laws such as the one on government procurement.

**Uncollected funds**

The amount of bank deposits in the form of checks that have not yet been paid by the banks on which the checks are drawn.

**Uncollectible account**

An account which cannot be collected by a company because the customer is not able to pay or is unwilling to pay.

**Underemployed**

The National Statistics Office (NSO) defines underemployed as "employed persons who express the desire to have additional hours of work in their present job or in an additional job, or to have a new job with longer working hours."

**Under-invoicing**

The provision of an invoice that states price as less than is actually being paid. This might be done on an import in order to reduce the amount that will be collected by an ad valorem tariff. Or it might be done on an export to reduce apparent profit and thus taxes.

**Undervalued**

Used to describe an asset that is available for purchase at a price lower than it is worth.

**Unemployed**

Persons in the labor force who do not work or have no job/business during the reference week but are reported available and actively looking for work. Also considered as unemployed are persons without a job or business who are reported as available for work but are not looking for work because of their belief that no work is available or because of temporary illness/disability, bad weather, or pending job application.

**Unemployment rate, (open)**

Proportion of the total number of unemployed persons to the total number of persons in the labor force.

**Unemployment rate, total**

Proportion of the total number of unemployed persons and the number of persons who are visibly underemployed in full time employment standard to the total number of persons in the labor force.

**Unlimited liability**

Full responsibility for the obligations of a general partnership.

**Unsecured debt**

Money borrowed without supplying collateral.

**Unskilled labor**

Labor with a low level of skill or human capital. Identified empirically as labor earning a low wage, with a low level of education, or in an occupational category associated with these; sometimes crudely proxied as production workers.

**Upsize**

To increase in size, as by hiring additional employees; expand.

**URL**

Uniform Resource Locator. An Internet address representing a site or file on the World Wide Web. If you know the URL of a web site, you can go to that web page. An example of a URL is <http://www.business.gov.ph>.

**Useful life**

The expected period of time during which a depreciating asset will be productive.



**User charge**

A charge levied upon users for the services rendered or goods supplied by a project.

**Username**

The information that, combined with a password, gives the user access to their computer account.

**Utilitarianism**

The practice of evaluating a decision against the criterion of its consequences for the majority of people. It includes the conduct of a cost-benefit analysis.

**Utility model**

An invention that is new and industrially applicable.

**V****Value**

As opposed to cost. A demand-side concept related to the marginal consumer willingness to pay.

**Value added**

Originally, the difference between the cost of bought-in materials and the eventual selling price of the finished product.

**Value chain**

The major business functions that add value to a company's products and services. These functions consist of research and development, product design, manufacturing, marketing, distribution, and customer service.

**Value of output**

Represents the total value of products sold, receipts from contract work and industrial services done for others, receipts from goods bought and sold in same conditions, fixed assets produced on own-account, and change in inventories (ending less beginning of finished products, work in process, and goods for release).

**Value quota**

A quota specifying value -- price times quantity -- of a good.

**Variable cost**

A cost of production that is directly proportional to the number of units produced. When production is zero, the variable cost is equal to zero.

**Variable interest rate**

An interest rate that changes, usually in relation to a standard index, during the loan period. A fluctuation in the rate causes changes in either the payments or the length of the loan term.

**Variable levy**

Customs duty rate which varies in response to domestic price criterion.

**Variety**

Refers to the multiplicity of differentiated products that are available in some industries, a multiplicity that tends to become larger with trade.

**VAT**

Value-Added Tax is a form of sales tax. It is a tax on consumption levied on the sale of goods and services and on the imports of goods into the Philippines. It is an indirect tax, which can be passed on to the buyer.

**Vendor**

Seller or supplier.

**Venture capital**

An investment in a startup business that is perceived to have excellent growth prospects but does not have access to capital markets. Type of financing sought by early-stage companies seeking to grow rapidly.

**Verbal contract**

An agreement that is oral and not written down. It remains legally enforceable by the parties who have agreed to it.

**Vertical analysis**

Dividing each expense item in the income statement of a given year by net sales to identify expense items that rise more quickly or more slowly than a change in sales.

**Vertical integration**

The extension of activities of an enterprise into products and services which can serve as direct inputs to the enterprise's current activities (backward integration), or as an extension of these activities (forward integration). For a producer of paper products, backward integration may involve forestry plantations or woodchip production. Forward integration may require the acquisition of transport networks or the printing and publication of books and newspapers.

**Virtual organization**

A temporary network of companies, suppliers, customers, or employees, linked by information and communications technologies, with the purpose of delivering a service or product.

**Vision statement**

A statement giving a broad, aspirational image of the future that an organization is aiming to achieve.

**Voice mail**

Spoken messages transmitted electronically and stored for delivery to the recipient at a later time.

**VoIP**

Voice Over IP. A method of making standard telephone calls over the Internet. VoIP allows you to use the same telephone line for broadband Internet and for making phone calls (while still connected to the Internet).

**Volatility**

The extent to which an economic variable, such as a price or an exchange rate, moves up and down over time.

**Volume discount**

A reduction in price based on the purchase of a large quantity.

**Voluntary bankruptcy**

Entrepreneur's decision to file for bankruptcy.

**VRA, VER, OMA**

Voluntary restraint arrangement, voluntary export restraint, orderly marketing arrangement. Bilateral arrangements whereby an exporting country (government or industry) agrees to reduce or restrict exports without the importing country having to make use of quotas, tariffs or other import controls.

**W****Wage rate**

The basic pay including cost of living allowances and other guaranteed or regularly paid allowances but exclude overtime payments, bonuses and gratuities, family allowances, and other social security payments made by employers, as well as ex-gratia payments in kinds, supplementary to normal wage rate.

**Warranty**

A guarantee by a seller to a buyer that if a product requires repair within a certain period after its purchase, the seller will repair the item at no cost to the buyer.

**Waste management**

A sustainable process for reducing the environmental impact of the disposal of all types of materials used by businesses.

**White-collar**

Of or relating to workers whose work usually does not involve manual labor and who are often expected to dress with a degree of formality. Managerial, clerical, and sales jobs are common white-collar occupations.

**Wholesale price**

The average price of a commodity transacted in bulk for further resale or processing.

**Wholesaling**

Businesses and individuals engaged in the activity of selling products to retailers, organizational users, or other wholesalers. Selling for resale.

**Willingness-to-pay**

The amount an individual is willing to pay to acquire some good or service. This amount can be elicited from the individual's stated or revealed preferences.

**WIPO**

World Intellectual Property Organization. One of the 16 "specialized agencies" of the United Nations system. Located in Geneva, Switzerland, WIPO was created in 1967 and is responsible for the promotion of the protection of intellectual property throughout the world. WIPO fulfills this responsibility by promoting cooperation among nations in intellectual property matters; administering various "unions" and other treaty organizations founded on multilateral treaties; and creating model laws for adoption by developing nations.

**Withholding tax**

The money that an employer pays directly to the Philippine government as a payment of the income tax on the employee.

**Without recourse**

Giving the lender no right to seek payment or seize assets in the event of nonpayment from anyone other than the party specified in the debt contract.

**Word processing**

A computer application that permits the production and editing of written material.

**Working capital**

The excess of current assets over current liabilities. The cash needed to keep the business running from day to day.

**Working group**

A collection of individuals who work mainly on their own but interact socially and share information and best practices.

**Work in process**

Goods that are only partially completed as to manufacturing at the beginning or end of a period and that will need further work before being ready for sale to a customer.

**World Bank**

An organization funded by developed countries to lend money to developing countries.

**World market price**

The price at which the country could purchase from or sell to the rest of the world. It is not to be confused with the price, for example, of tin on the London world tin market, for that price excludes transport costs to the country. For this reason, the term "border price" is often preferred over "world market price".

**World value added**

The border price of the output minus the border price of the material inputs (which may or may not include utilities and similar non-traded material or service inputs).

**World Wide Web (www)**

A network of the places one can visit on the Internet to view, listen to, and save text, graphics, sound, or video.

**WTO**

World Trade Organization, the only global international organization dealing with the rules of trade between nations. At its heart are the WTO agreements, negotiated and signed by and among the world's trading nations and ratified in their parliaments. The goal is to help producers of goods and services, exporters, and importers conduct their business.

**Y****Year-end**

Relating to the end of a financial or fiscal (tax) year.

**Yield**

A percentage of the amount invested that is the annual income from an investment.

**YTD**

Year-to-date. The period beginning at the start of the calendar year up to the current date.

**3Rs: Reduce, recycle, and reuse**

These activities are the basis for reducing waste and process optimization. Reduce means using fewer inputs including raw materials and energy so that the pressure on environment will be

less. This also leads to the production of less waste. Recycle means returning part of the waste stream to the system, either to be used for the same type of product for which it was originally manufactured, or to be remanufactured into something new. Reuse means returning a part of the waste stream of a product to be used repeatedly for the same purpose. The 3Rs can be more than just an activity or a program; they can become a corporate philosophy shared by every member of the organization. This will not only lead to improved productivity and environmental indices, but also help create a better working environment.

#### 5Cs of credit

Five characteristics that are used to form a judgment about a customer's creditworthiness: character, capacity, capital, collateral, and conditions.

#### 5S or Good Housekeeping

5S or good housekeeping involves the principle of waste elimination through workplace organization. 5S was derived from the Japanese words *seiri*, *seiton*, *seiso*, *seiketsu*, and *shitsuke*. In English, they can be roughly translated as sort, set in order, shine, standardize, and sustain. The cornerstone of 5S is that untidy, cluttered work areas are not productive; junk gets in everybody's way and dirt compromises quality. All are happier in a clean and tidy environment and hence are more inclined to work hard with due care and attention. Thus, 5S and good housekeeping are core elements of "lean thinking" and a "visual workplace" and are a fundamental platform for world-class manufacturing. 5S provides the foundation for all quality improvement programs. Thus, it is often said that the road to productivity starts with 5S and through 5S you can create a highly productive company with highly productive people.

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