Business-Related Terminology

Directions: The selected words on this page affect you and your pocketbook. Read each paragraph and note the use of the bold-faced words. Then study the definitions of the bold-faced words provided below each paragraph. On a separate sheet of paper, write a business-related sentence in which each word is correctly used.

Your net worth is equal to the amount of your assets minus your liabilities or outstanding credit. If you own property, your equity in that property equals your actual financial ownership, ownership no one else possesses. As time goes by, property generally gains or loses in value; for example, land experiences appreciation, making it worth more than your initial investment; whereas an automobile experiences depreciation, thus losing value each year.

1. assets. all items of value owned by an individual or a business
2. credit. money paid on account; permission for delayed payment
3. equity. the amount a property is worth beyond what is owed on it
4. appreciation. increase in the value of an asset over a period of time
5. investment. a paying of money for something that is expected to produce a profit or benefit
6. depreciation. a decrease in the value of an asset due to age, wear, and/or obsolescence

The actual salary your employer pays you represents more than only net income. In addition, your employer often provides many fringe benefits. As part of your employer's overhead expenses, the company pays for these benefits as well as certain taxes that aid you in the future. In times of inflation and recession, your money often won't go as far as you need. As a result, buying on credit is wise only if you can pay on time, avoiding the finance charge assessed for late payments.

7. net income. the amount received after taxes and other deductions are subtracted
8. fringe benefits. benefits given to an employee in addition to wages and those compensations required by law, such as health insurance and paid vacations
9. overhead. general business expenses incurred in operating a business, such as lighting, salaries, and rent
10. inflation. a sharp increase in prices resulting from too great an increase in money or bank credit
11. recession. a period of temporary business reduction often marked by layoffs in some areas
12. finance charge. a charge for the use of credit covering the merchant’s or banker’s cost of handling the credit account

Now apply these words as you complete Exercise 2-7 on the template diskette.