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**JERRY M. ROSENBERG**

# **DICTIONARY OF BUSINESS AND MANAGEMENT**

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**Professor, Graduate School  
of Management, and  
School of Business  
RUTGERS UNIVERSITY**

**Business Dictionary Series**



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# PREFACE

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“Language is a city, to the building of which every human being brought a stone.”

—RALPH WALDO EMERSON

Fourteen years ago, the *Dictionary of Business and Management* first appeared, and it was expected to be sufficiently current for at least one generation. However, the U.S. economy, in just one decade, has undergone tumultuous shifts, sometimes shaken by internal disruption and inefficiencies, othertimes by forces of international competition.

Trials and tribulations produced both differing patterns of commerce and a vast reservoir of new terms. Nine years ago, when the second edition appeared, we were entering a revitalized way of perceiving the free-enterprise system. President Reagan projected an image of returning to the more independent capitalist traditions, generating a myriad of new terminology, and often a redefining of already coined phrases. President Bush has followed in this tradition.

New legislation, an invigorated European Community, and Japanese dominance in the global marketplace all have evolved a host of regulations and concepts unknown to the business community a few years ago.

I remain thankful to Stephen Kippur, John Wiley's Senior Vice President and my editor, Karl Weber, Associate Publisher now but for many years my editor, and to my present editor Neal Maillet, all retaining the confidence in my work to have launched this new edition. It is Ellen, my wife, daughters Liz and Lauren, son-in-law Bob, who have been and remain the stimuli that inspire me to perpetuate this passion for words. I ask for nothing more.

To my audience and users, I continue to appreciate the time spent communicating with me as to suggestions for new entries and/or corrections of definitions found in this volume.

JERRY M. ROSENBERG

*New York, New York*

# **FIELDS INCLUDED**

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Accounting	Merchandising
Administration	Operations Research
Advertising	Organization
Banking	Packaging
Business	Personnel
Business Law	Production
Collective Bargaining	Public Policy
Commodities	Purchasing
Distribution	Research Methodology
Economics	Retailing
Export-Import	Salesmanship
Finance	Securities
Insurance	Shipping
Labor Relations	Stock Market
Management	Transportation
Manufacturing	Warehousing
Marketing	

*To Bess and Ben*

# INTRODUCTION

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This dictionary of more than 7,500 entries has been prepared with the hope that awareness of the accepted meanings of terms may enhance the process of sharing information and ideas. Though it cannot eliminate the need for the user to determine how a writer or speaker treats a word, such a dictionary shows what usages exist. It should reduce the arguments about words and assist in stabilizing terminology. Most important, it should aid people in saying and writing just what they intend with greater clarity.

A word can take on different meanings in different contexts. There may be as many meanings as there are areas of specialty. A goal of this dictionary is to be broad and to establish core definitions that represent the variety of individual meanings. My purpose is to enhance parsimony and clearness in the communication process.

Many terms are used in different ways. I have tried to unite them without bias of giving one advantage or dominance over another. Whenever possible (without creating a controversy), I have stated the connection between multiple usages.

Commonly used symbols, acronyms, and abbreviations are given. Foreign words and phrases are included only if they have become an integral part of our English vocabulary.

The dictionary includes terms from accounting, administration, advertising, banking, business, business law, collective bargaining, commodities, distribution, economics, export-import, finance, government, insurance, labor relations, management, manufacturing, marketing, merchandising, operations research, organization, packaging, personnel, production, public administration, public policy, purchasing, research methodology, retailing, salesmanship, securities, shipping, stock market, transportation, and warehousing.

The entries offer the most recent information taken from contemporary practice. The book closes with an appendix of useful tables.

## ORGANIZATION

This is a defining work rather than a compilation of facts. The line is not easy to draw, since in the final analysis meanings are based on facts. Consequently, factual information is used where necessary to make a term more easily understood.

Although the sources are not given, all terms are presented in the language of those who use them. The level of complexity needed for a definition will vary with the user; one person's complexity is another's precise and parsimonious statement. Several meanings are sometimes given—relatively simple for the layman, more developed and technical for the specialist.

I have organized the dictionary to provide information easily and rapidly. Keeping in mind two categories of user—the experienced person who

demands precise information about a particular word, and the newcomer, support member, teacher, or student who seeks general explanation—I have in most cases supplied both general and specialized entries to make this dictionary an unusually useful reference source.

## **FORMAT**

**Alphabetization.** Words are presented alphabetically. Compound terms are placed where the reader is most likely to look for them. They are entered under their most distinctive component, usually nouns. Should you fail to locate a word where you initially look for it, turn to a variant spelling, a synonym, or a different word of the compound term.

Entries containing mutual concepts are usually grouped for comparison. They are then given in inverted order; that is, the expected order of words is reversed to allow the major word of the phrase to appear at the beginning of the term. These entries precede those that are given in the expected order. The terms are alphabetized up to the first comma and then by words following the comma, thus establishing clusters of related terms.

**Headings.** The currently popular term is usually given as the principal entry, with other terms cross-referenced to it. Some terms have been included for historical significance, even though they are not presently in common usage.

**Cross References.** Cross references go from the general to the specific. Occasionally, “see” references from the specific to the general are used to inform the user of words related to particular entries. “See” references to presently accepted terminology are made wherever possible. “Cf.” suggests words to be compared with the original entry.

**Synonyms.** The word “synonymous” following a definition does not imply that the term is *exactly* equivalent to the principal entry under which it appears. Usually the term only approximates the primary sense of the original entry.

**Disciplines.** Many words are given multiple definitions based on their utilization in various fields of activity. The definition with the widest application is given first, with the remaining definitions listed by area of specialty (identified in bold face italic type). Since the areas may overlap, the reader should examine *all* multiple definitions.

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**A:** the total average dollar inventory.

**AAA:** see *American Accounting Association*.

**AAR:** against all risks.

**ABA:** see *American Bankers Association*.

**abandonment:**

(1) **finance:** the elimination from use of a fixed asset; the total retirement of a fixed asset from service following salvage or other reclaiming of removable parts.

(2) **insurance:** a surrender of property by the owner to the insurer in order to claim a total loss when, in fact, the loss may be less than total. This is not permitted under a fire insurance policy, but under proper circumstances the principle is applicable in ocean marine business.

(3) **transportation:** a request by a carrier for permission to stop service over all or part of its route or to give up ownership or control of the cargo or carrier; a refusal to accept delivery of badly damaged items.

(4) **business law:** with a patent, trademark, or copyright, the cession of rights by the owner, whereby the invention, design, or name falls into the public domain.

**abandonment stage:** the final stage in a product's life cycle, when the profit potential is such that management decides that the best course is to discontinue marketing it.

**abatement:**

(1) **finance:** cancellation of part or all of an expenditure.

(2) **finance:** cancellation or reduction of an assessed tax.

(3) **business law:** a reduction or pulling down, as with nuisance.

**abatement of a nuisance:** a court action to terminate acts detrimental to the public welfare.

**ability to pay:**

(1) **collective bargaining:** the ability of management to meet the financial demands of a union. This capacity depends on the financial condition of the firm and often is disputed.

(2) **finance:** a criterion used to ascertain who shall bear the cost of federal programs; the rationale for taxing individuals in the form of a progressive income tax.

**ability to pay basis:** in wage and salary administration, a concept in which an employer's ability to pay specific wage rates is a factor.

## 2 able-bodied labor

**able-bodied labor:** workers who possess the physical strength to perform a variety of manual tasks. The term excludes the very young, the very old, and those who are incapacitated, either physically or mentally.

**above-normal loss (ANL):** a loss made greater than normal by virtue of weather, delayed alarm, or other conditions not usually expected. See also *loss expectancy*; cf. *consequential loss*, *extraordinary gain or loss*, *normal foreseeable loss*.

**above par:** the price of a stock or bond, that is higher than its face amount.

**above the line:** the promotional expenses associated with advertising in one of the media.

**abreaction channels:** ways established by management to give employees opportunities to air dissatisfactions and blow off steam (e.g., attitude surveys, counseling).

**abrogation of agreement:** the cancellation or setting aside of a contract or any portion of it.

**absence:** an employee's temporary unavailability for work that lasts for one or more days or shifts.

**absence of demand:** within a market, when a significant portion of the market finds no possibilities of benefits from a product and is, consequently, entirely disinterested in the item.

**absence rate:** the ratio of absences to available work days, determined by the total number of man-days missed divided by the total number of man-days worked over a specified time frame.

**absentee:** a person who is absent, usually referring to a worker who is absent for a particular work day or shift.

**absolute advantage:** an advantage of one nation or area over another in the costs of manufacturing an item in terms of resources used.

**absolute cost barriers:** barriers to entry into an industry that are not related to economies of scale. These barriers allow established firms to produce at lower cost than potential entrants, and they derive from control of sources of raw materials, patent rights, and established marketing approaches. See also *economies of scale*.

**absolute frequency:** in marketing research, the number of data elements in a given defined category.

**absoluteness of responsibility:** the concept that managers cannot avoid responsibility for the activities of their subordinates. They may delegate authority, but they cannot delegate all responsibility.

**absolute sale:** any transaction where no qualifications to completion are imposed by either the buyer or seller.

**absorb:**

(1) **accounting:** to merge by transfer all or portions of an account with another account, resulting in the loss of identity of the first account.

(2) **finance:** to include pertinent actual costs in determining a price or standard cost.

**absorbed:** designating a security no longer in the hands of an underwriter and now with a shareholder.

**absorption account:** see *adjunct account*.

**absorption costing:** a type of product costing that assigns fixed manufacturing overhead to the units produced as a product cost.

**absorption point:** the point at which the securities market rejects further offerings that are unaccompanied by price concessions.

**abstinence concept:** a theory according to which a postponement in the use of an item involves a cost that should be reimbursed by a payment such as interest.

**abstract:**

(1) **general:** a document that summarizes another document.

(2) **personnel:** a brief summary of a potential employee's background, interests, and other relevant information.

**abstract of title:** an attorney's prepared statement tracing the history of the ownership of real property to determine the present title. See also *encumbrance*.

**accelerated depreciation:** depreciation at a greater than expected rate. This makes the depreciation allowance, and therefore the tax allowance, available sooner, resulting in a benefit to the owner.

**accelerating premium pay:** a wage incentive system under which the bonus or premium is progressively higher as the production standard is exceeded.

**acceleration principle:** exemplified by the direct relationship in which a change in sales at the consumer level results in an even greater change in the sales of goods.

**accelerator:** synonymous with *marginal propensity to invest*.

**accelerator theory of business investment:** a concept that investment spending is closely related to changes in consumption. An increase or decrease in consumption spending will induce a change in investment that is proportionally even greater than the change in consumption.

**acceptability:** an attitude toward money resulting in its acceptance as a medium of exchange in the marketplace.

**acceptable quality level:** the percent of defects in a lot that would be acceptable most of the time.

**acceptance:**

(1) **banking:** a time draft (bill of exchange) on the face of which the drawee has written "accepted" over his signature. The date and

place payable are also indicated. The person accepting the draft is known as the acceptor. A "bank acceptance" is a draft drawn on and accepted by a bank.

(2) **transportation:** the acknowledged receipt by a shipment's consignee resulting in termination of the common carrier contract.

**acceptance for honor:** the receipt of a draft or bill of exchange by another party when collection has been rejected by the drawee and protest for nonacceptance has been claimed. Cf. *notice of dishonor*.

**acceptance house:** an organization that specializes in lending funds on the security of bills of exchange or offers its name as an endorser to a bill drawn on another party.

**acceptance line:** the maximum limit in monies that a bank commits itself to accept for a single client.

**acceptance number:** the maximum number of defects allowed in a sample for acceptance of a lot.

**acceptance supra protest:** following a protest, the payment of a bill to preserve the reputation or credit of the drawer or endorser.

**acceptance theory of authority:** a theory suggesting that a subordinate's decision to accept a superior's order is the ultimate source of authority. See also *authority*.

**acceptor:** the drawee of a note for acceptance, who agrees upon signing the form, to pay a draft or bill when due.

**accession:**

(1) **personnel:** the hiring of a new employee or the rehiring of a former worker.

(2) **business law:** the doctrine that the property owner is entitled to all that is added or affixed to the property.

(3) **management:** elevation to office.

**accession rate:** the average number of persons added to a payroll in a

#### 4 accessory equipment

given period per 100 employees. See also *turnover*; cf. *termination pay*.

**accessory equipment:** industrial goods, such as hand tools, office equipment, or forklifts, that usually do not operate directly in the production process and normally have shorter lives and are less costly than installations.

**accidental death benefit:** an amount payable in addition to the face amount of an insurance policy in the event of accidental death of the insured.

**accident and health insurance:** a type of coverage that pays benefits, sometimes including reimbursement for loss of income, in case of sickness, accidental injury, or accidental death. Cf. *health insurance*, *hospitalization insurance*, *medical expense insurance*, *medical payments insurance*.

**accident insurance:** insurance against loss of earning power as the result of a disabling accident only. Cf. *health insurance*.

**accident severity:** a measure of the amount of time lost as the result of an accident.

**accommodation:** historically, the lending of currency by a person who has it to another who has need of it, without collateral; more popularly, the lending of a person's honor or credit, without any consideration, to enable another to obtain borrowed money.

**accommodation desk:** an area in a store for providing customer services, including gift wrapping, adjustments, and refunds.

**accommodation endorsement:** signature or endorsement of a note or draft solely for the purpose of inducing a bank to lend money to a borrower whose personal credit is not substantial enough to warrant a loan.

**accommodation line:** insurance business accepted by an insurer from

an agent, a broker, or the insured (assuming his or her account is otherwise satisfactory) that would be declined if considered strictly on the merits of the individual risk.

**accommodation paper:** a promissory note, endorsed by an individual(s), allowing the original signer of the note to receive bank credit; thus the second or other signer(s) accepts the guarantee of credit.

**accommodation party:** one who signs a note as maker, drawer, acceptor, or endorser without receiving value, though remaining totally liable, for the purpose of lending the creditworthiness of his or her name to another person.

**account:**

(1) **finance:** a record of all the transactions, and the date of each, affecting a particular phase of a business, expressed in debits and credits, evaluated in money, and showing the current balance, if any.

(2) **advertising:** an advertiser; the client of an advertising agency or an organization that places promotional material directly with the media.

**accountability in management:** the process of making top corporate leaders responsible for their actions, goals, and so on, utilizing available objective measures.

**accountant:** an individual engaged in accounting work. Cf. *certified public accountant*.

**account balance:** the net debit or net credit amount in a specific account in the ledger. An excess of total debits over total credits results in a debit balance, whereas an excess of total credits over total debits results in a credit balance.

**account classification:** the evaluation of retail or other buyers according to existing and, in particular, potential business.

**account current:** the accounting for business produced by an insurance

agent for each month, reported by him or her to the company no later than the tenth of the following month.

**account debtor:** an individual who is obligated on an account, contract right, or general intangible.

**account executive:**

(1) **advertising:** the member of an agency who supervises the planning and preparation of advertising for clients and is responsible for contacts between the agency and the advertiser.

(2) **securities:** synonymous with *registered representative*.

**accounting:** the art, science, interpretation, and organized method of recording all the transactions affecting the financial condition of a business or organization.

**accounting controls:** the plan of organization and the procedures and records that are concerned with safeguarding the assets and assuring the reliability of the financial records.

**accounting conventions:** synonymous with *accounting principles*.

**accounting costs:** costs usually recorded by accountants and generally limited to cash outlays for labor, materials, and equipment. Accounting costs exclude items supplied by owner-operators of businesses. See also *implicit costs*.

**accounting cycle:** the series of accounting activities that occur from the commencement of an accounting period to the end of that period. The cycle begins with the determination of the account balance at the beginning of the period; then the effects of transactions occurring during the period are recorded, the records are closed, and financial statements for the period are prepared.

**accounting information system:** a subset of the managerial information system in which the financial data derived from recorded

transactions are collected, processed, and reported.

**accounting principles:** broad guidelines that identify the procedures to be used in specific accounting situations.

**Accounting Principles Board (APB):** the top private-sector regulatory body; existed from 1959 to 1973, when it was succeeded by the Financial Accounting Standards Board. See also *Financial Accounting Standards Board*.

**accounting procedure:** methods which uncover, record, or summarize financial information in the yielding of financial statements.

**accounting process:** the means of transforming accounting data into accounting reports that can be interpreted and used in decision making; often used interchangeably with accounting cycle.

**accounting profit:** revenue receipts of a firm less explicit costs. See *explicit costs*.

**accounting rate of return:** income for a period divided by the average investment made in that period.

**account number:** the numeric identification given to an account in an institution or business, such numerical identification being a part of and in direct harmony with the overall system of numerical description given to the accounts that exist in that institution or business.

**accounts payable:** a current liability representing the amount owed by an individual or a business to a creditor for merchandise or services purchased on an open account or short-term credit.

**accounts receivable:** money owed a business enterprise for merchandise bought on open account.

**accounts receivable financing:** short-term financing that involves either the pledge of receivables as collateral for a loan or the outright sale of receivables.

**accredited list:** a listing of people to whom a public warehouse representative makes issue of merchandise stored without the specific authority in each instance by the merchandise's owner.

**accretion account:** a record of the increase between the acquisition value and the face value of bonds purchased at a discount.

**accruals:** items of revenue, expenses, receivables or payables recorded as a result of the use of the accrual basis of accounting.

**accrual system:** a method of recording and apportioning expense and income for the period in which each is involved, regardless of the date of payment or collection.

**accrue:**

- (1) **economics:** to gain or profit by.
- (2) **business law:** to become eligible for a right or claim.
- (3) **finance:** to accumulate, grow, or add in an orderly fashion (e.g., interest accrues on invested funds).

**accrued assets:** interest, commission, services offered, and items of revenue neither received nor past due but earned (e.g., accrued dividends).

**accrued charges:** as contrasted with payment in advance, charges that, though known, are not yet due (e.g., rent payment to be made at the end of the month).

**accrued depreciation:** depreciation, or loss in value, that has occurred during a specified period.

**accrued dividend:** the customary, regular dividend considered to be earned but not declared or payable on legally issued stock or other instruments of part ownership of a legally organized business or financial institution.

**accrued expenses:** expenses that are recognized by a firm prior to that firm's disbursement of cash. Accrued expenses arise when a company has used goods or services

provided before it has paid for them.

**accrued interest payable:** interest accumulated on an indebtedness (time deposits, borrowed money, etc.) but not yet paid.

**accrued interest receivable:** interest earned by a bank but not yet collected.

**accrued liabilities:** liabilities arising from expenses that have been incurred but have not yet been paid. Cf. *prepaid expenses*.

**accumulated depreciation:** the fixed-asset valuation account offsetting the depreciation provisions.

**accumulated dividend:** a dividend not paid when due. The dividend is expected to be paid at a later time, but it becomes a business liability until payment.

**accumulated leave:** all unused leave from the previous year that remains to the credit of the employee at the beginning of the first pay period. The taking of such leave is usually subject to administrative control.

**accumulated profit tax:** a tax penalty directed at corporations that avoid announcing dividends in order to reduce stockholders' declarations of additional income.

**accumulation:**

- (1) **securities:** the deliberate, well-controlled assembling of blocks of stock without necessarily bidding up prices.
- (2) **insurance:** the opposite of amortization: a percentage added to policy benefits as a form of reward for continuous renewal.
- (3) **securities:** profits that are not distributed to stockholders as dividends but instead are transferred to a capital account.
- (4) **business law:** addition of income from dividends, interest, and other sources to the principal amount of a fund and treatment of such additions as capital.