

Business and Personal Finance © 2012

Chapter 4: Developing a Business Plan

Check Your Answers: Section Assessment

Section 2

Review Key Concepts

1. Budgeting, inventory, payroll, cash flow, and investments.
2. Accounting records and reports help a business keep track of how much the business earns and spends.
3. Investments allow a business to have money for future needs, such as purchasing new equipment.
4. Investing in human capital improves the skill of workers increasing the quality and rate of work. This can cost the business less in the long run as fewer employees and less training will be needed. Investing in technology may make processes more efficient and save money as fewer workers may be needed, but more money may be spent on training and troubleshooting. Investing in capital goods can improve the quality and rate of work and reduce repair and maintenance costs.

Higher Order Thinking

5. Responses may include printing on both sides of paper, using refilled ink cartridges instead of new ones, and using ceramic mugs instead of paper cups.

English Language Arts

6. Budget Planning Income on a personal budget might include a paycheck. Expenses may include lunch, entertainment, and insurance. Income for the business will include sales. Expenses may include payroll, insurance, utilities, rent, and inventory. The summary should show that both have a constant cash flow in and out and both have expenses.

Mathematics

7. Accounting Help Needed Net cash flow January = $\$150,000 - \$35,000 - \$20,000 - \$20,000 = \$75,000$; Net cash flow February = $\$175,000 - \$39,000 - \$25,000 - \$45,000 = \$66,000$; Percentage growth = $\$66,000/\$75,000 - 1 = -12\%$ growth