

Entrepreneurship Building a Business

Chapter 20 Accounting and Financial Reporting

Section 20.2 Preparing Financial Statements

SECTION 20.2 After You Read Answer Key

Self-Check

1 A Profit and Loss (or "P&L") statement.

2. It represents a financial picture – or snap shot – of the business at one point in time.

3. The business could lose the ability to purchase on credit and could cause the business to fail.

Think

4. Accept all reasonable answers. Keeping every scrap of paper is not practical; doing so may hinder your productivity. On the other hand, the more records you have, the more you will know about the financial status of your business, enabling you to prove the accuracy of your financial statements. **Mathematics**

5. $\$13,000 + \$3,400 + \$450 + \$875 + \$110 + \$95 + \$350 + \$95 + \$220 + \$85 = \$18,680$; $\$24,420 - \$18,680 = \$5,740$; the net cash flow totals \$5,740