

Business and Personal Finance © 2012

Chapter 5: Developing a Financial Plan

Check Your Answers: Section Assessment

Section 1

Review Key Concepts

- 1.** Operating capital is used to cover business expenses and expansion plans that the revenue will not cover.
- 2.** Trade associations, business organizations, and government agencies, such as the Small Business Administration and the Bureau of the Census.
- 3.** Buying inventory at a low price from a competitor who is going out of business or renovating facilities.
- 4.** Start-up costs are one category of start-up capital, including the costs and fees in establishing a business.

Higher Order Thinking

- 5.** Responses will vary but might include an electronics store, auto repair shop, a construction company, or a limo service due to the inventory and equipment.

21st Century Skills

- 6. Solve Problems** Suggestions may include looking for another vendor; offering different, less expensive flowers; or reducing other variable expenses to allow more money for purchasing flowers.

Mathematics

- 7. Projected Income Statement** Revenues: Yr 1 \$165,000, Yr 2 \$198,000, Yr 3 \$237,600; Cost of Merchandise Sold: Yr 1 \$82,500, Yr 2 \$99,000, Yr 3 \$118,800; Rent, Utilities, Supplies: \$25,000 each year; Payroll: Yr 1 \$5,000, Yr 2 \$5,200, Yr 3 \$5,408; Taxes: Yr 1 \$57,750, Yr 2 \$69,300, Yr 3 \$83,160; Net Income/(Loss): Yr 1 (5,250), Yr 2 (500), Yr 3 \$5,232.