

Business and Personal Finance © 2012

Chapter 5: Developing a Financial Plan

Check Your Answers: Section Assessment

Section 2

Review Key Concepts

1. A statement of required start-up capital, a projected income statement, a projected statement of cash flows, and a projected balance sheet.
2. A financial plan often includes reports for a 12-month period and for a several year period so you can see both immediate and long-term expectations.
3. A list of all the general ledger accounts that a business will use to differentiate business transactions.

Higher Order Thinking

4. Responses may include that her statement of required start-up capital shows sufficient money to purchase telecommunication and computer systems, and her projected income statements and projected statement of cash flows support her sales increase goals.

English Language Arts

5. **Reviewing Rivals** Essays should explain that Molly will need to list all other flower shops in the area. She should then evaluate the types of flowers and services offered by each, their prices, their promotions and advertisements, and the customers they attract.

Mathematics

6. **Forecast Sensitivity** a) Year 1 = $\$95,350/\$204,200 = 46.7\%$; Year 2 = $\$122,000/\$264,000 = 46.2\%$; Year 3 = $\$159,000 / \$338,000 = 47.0\%$ b) Year 1: Sales = $\$195,000$; Cost of merchandise sold = $\$195,000 \times 46.7\% = \$91,054$; Total other expenses = $\$110,370$; Net income/(loss) = $\$195,000 - \$91,054 - \$110,370 = -\$6,424$ loss. Year 2: Sales = $(\$195,000 \times 15\%) + \$195,000 = \$224,250$; Cost of merchandise sold = $\$224,250 \times 46.2\% = \$103,631$; Total other expenses = $\$117,800$; Net income/loss = $\$224,250 - \$103,631 - \$117,800 = \$2,819$ income. Year 3: Sales = $(\$224,250 \times 15\%) + \$224,250 = \$257,888$; Cost of merchandise sold = $\$257,888 \times 47\% = \$121,314$; Total other