

Business and Personal Finance © 2012

Chapter 12: Money Management Strategy

Check Your Answers: Section Assessment

Section 2

Review Key Concepts

1. A personal balance sheet is a financial statement that shows what you own and what you owe.
2. A cash flow statement is a summary of cash inflow and outflow during a period of time.
3. A personal balance sheet is created by listing all of your assets and liabilities. It contains liquid assets, real estate, personal possessions, and investment assets. It also contains current liabilities and long term liabilities. A cash flow statement is created by listing all of your income sources and your expenses. It contains a list of all income sources and fixed and variable expenses.

Higher Order Thinking

4. A cash flow statement and a personal balance sheet both list expenses/liabilities and provide a snapshot of your financial situation. However, a cash flow statement does not break down all of your liabilities. It focuses on your monthly payments. A personal balance sheet does not show your income only the balance in your *accounts*.

English Language Arts

5. **Spending Habits** Answers will vary. Students' responses should identify a position regarding Larry's finances and present the similarities and differences between Larry's options for using his surplus. Students' responses should provide support from the text for their decision.

Mathematics

6. **Net Worth** $33,521.07 + 488,600 + 112,330.50 + 198,658.88 = 833,110.45$ (total assets); $22,564.70 + 30,562 + 456,253.65 = 509,380.35$ (total liabilities); net worth = $833,110.45 - 509,380.35 = 323,730.10$