Chapter 36 Financing the Business

Section 36.1 Financial Analysis

Review Key Concepts

1. Asset: anything of monetary value that you own; liability: a debt that you owe to others; net worth: the difference between assets and liabilities
2. You need to accurately assess start-up costs so that you can protect yourself by having adequate capital and help to ensure the viability of the proposed business.
3. It is important to know about your own living expenses because if you are not going to continue to work at another job or get living expenses from elsewhere, you need to have money to live on until the business starts producing enough to cover your expenses. It is a good idea to project your monthly living expenses and household cash needs for at least the first year of business.

Practice Academics

English Language Arts

4. Students should conduct research to locate two different worksheets that help in determining initial cash requirements needed to start a business, and then write a one-page report comparing and contrasting the worksheets. For example, the Missouri Small Business & Technology Development Centers and SCORE both provide such worksheets. Both are similar, including places for expenses such as advertising and promotion, legal fees, and utility deposits. The SCORE worksheet provided more detail and had the expenses divided into categories, such as "Capital Equipment List" and "Advertising and Promotional Expenses." It also had a "Sources of Capital" section.

Mathematics

5. Total start-up costs for a six-month period: $72,000. ($1,500 + $400 + $3,500 + $550 + $650 + $1,000 + $700 + $8,000 × 6 + $1,200 × 6 + $750 × 6 + $4,000)