

Chapter 36 Financing the Business

Section 36.2 Financial Statements

Section Outline with Content and Academic Vocabulary

Section Outline

Estimating the Business Income and Expenses

Preparing an Income Statement

Estimating Total Sales

Calculating Net Sales

Cost of Goods Sold

Determining Gross Profit

Determining Business Expenses

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Calculating Fixed Expenses

Calculating Payroll Expenses

Calculating Total Expenses

Net Income from Operations

Calculating Other Income

Calculating Other Expenses

Net Profit or Loss Before Taxes

Net Profit or Loss After Taxes

The Balance Sheet

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Liabilities

Equity

Analysis of Financial Statements

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Activity Ratios

Profitability Ratios

Cash Flow Statement

Cash Payments

Preparing a Cash Flow Statement

Loans

Chapter 36 Financing the Business

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Section Outline with Content and Academic Vocabulary *continued*

Content Vocabulary

income statement A summary of income and expenses during a specific period such as a month or year. (p. 851)

gross sales The total of all sales for a given period of time. (p. 852)

net sales The amount left after gross sales have been adjusted for returns and allowances. (p. 852)

net income The amount left after total expenses are subtracted from gross profit. (p. 855)

interest The money paid for the use of money borrowed or invested. (p. 856)

principal The amount needed to start a business. (p. 856)

balance sheet A summary of a business's assets, liabilities, and owner's equity. (p. 858)

cash flow statement A monthly plan that tracks when cash is expected to come into the business and when it is expected to be paid out. (p. 859)

Academic Vocabulary

significant Of great importance. (p. 856)

ratio A relationship between the sizes of two numbers or amounts. (p. 858)