

THINK CRITICALLY

Handwrite your responses in the space below; 2 sentences each.

1. What are the three main types of financial budgets and what is the purpose of each?
 2. Why is analysis of internal and external information an important part of budget development?
 3. The difference between a financial budget and a financial statement is that the budget ____
 - a. is projected
 - b. has less information
 - c. is not accurate
 - d. none of the above
 4. True or False? ____ A budget discrepancy is the difference between a budgeted amount and actual financial performance.
 5. A(n) _____ budget projects all income and expenses for the operations of a business for a specific future time period.
 6. Which financial budget is typically prepared for the shortest period of time? ____
 - a. operating
 - b. cash
 - c. capital
 - d. all are prepared for one year
 7. True or False? ____ The most accurate method to calculate the amounts in a budget is to apply a specific percentage of increase or decrease.
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TEAMWORK

Discuss in pairs or small groups and then write your conclusions below.

8. An example of a personal budgeting decision similar to a business' capital budget is deciding whether to purchase an expensive automobile or save for the upcoming costs of college. Discuss with your team how individuals can make difficult choices among expensive alternatives that will require payments for several years.