

Think Critically

1. How often should businesses prepare an income statement?
2. Why do you think that some businesses do not use a regular calendar year for their business?
3. What are main differences between income statements for merchandising businesses, manufacturing businesses, and service businesses?
4. Name the six parts of a typical income statement.
5. In May, Yoder's Bookstore had sales of \$5,000, cost of goods sold of \$3,000, operating expenses of \$800, and taxes of \$400. Calculate Yoder's gross profit and final net income or loss.

Think Critically

1. What does a cash flow statement show?
2. List the five parts of a cash flow statement.
3. Name the five ways that a business owner can keep money flowing into a business.
4. Explain a burn rate and the calculation in which it is used.

Problem Solving

1. Why should you prepare both best-case and worst-case projections for your cash flow statement?
2. Green Golf Course has a positive cash flow only six months out of the year. What should the owner do with the extra cash during these months?

Think Critically

1. What is the purpose of a balance sheet?
2. Explain each term in this equation: $\text{Assets} - \text{Liabilities} = \text{Owner's Equity}$
3. Explain the difference between current assets and long-term assets.
4. Name some examples of current assets and long-term assets.
5. Explain the difference between current liabilities and long-term liabilities.
6. Name some examples of current liabilities and long-term liabilities.