

FILL IN THE BLANK (note: some terms will not be used)

assets	depreciation	operating budget
balance sheet	financial budget	owner's equity
budget discrepancies	financial statements	present value
business financial goals	future value	principal
capital budget	income statement	time value of money
cash flow statement	interest	trend analysis
collateral	interest rate	
creditor	liabilities	

1. _____ is the total value that all owners and investors have in the firm.
2. All of the things a business owns and uses as a part of business operations are considered _____ .
3. The difference in purchasing power of an amount of money at a future date is called _____ .
4. The _____ identifies the assets, liabilities, and equity of a business as of a specific date.
5. Differences between budgeted amounts and actual financial performance are called _____ .
6. _____ is the decline in the value of an asset as it ages.
7. _____ is the amount of money borrowed.
8. A(n) _____ is a plan to acquire/finance long-term assets of a business.
9. _____ is an asset promised by a business to a creditor if repayment of a loan isn't completed.
10. _____ is the amount paid for the privilege of borrowing money.
11. _____ examines financial performance over several periods of time to determine patterns.
12. _____ establish direction for the financial plans of a business.

THINK CRITICALLY

13. How can a company be profitable but not have enough cash to meet immediate financial obligations? Is it possible for a company to have a large amount of cash on hand but not be profitable? Explain.

14. Prepare two written financial goals for a business and show how the goals meet all of the characteristics of effective goals.

15. Describe why the financial health of a company affects the way it can respond to competition, problems, and opportunities. Should a company try to maintain a large amount of unused capital and cash to be able to respond to unanticipated circumstances? Why or why not?

16. If you were the owner of a business and could choose the method of financing growth, would you prefer to invest more of your own personal money, attract additional investors, borrow money from creditors to be repaid, or wait to make additional profits to reinvest in the business? Analyze the advantages and disadvantages of each choice.

17. If you had to choose one of the three main financial statements to learn about the overall financial health of a business, which would you choose and why? If you wanted to learn about the current financial performance, which statement would be the most helpful? Why?

18. Describe why both inflation and interest rates should be considered by a business when choosing among investments and when deciding whether to borrow money to finance a major purchase.



EXCEL PROBLEMS

Use Excel to solve the problems below and email the spreadsheet as an attachment.
MAKE SURE TO USE FORMULAS IN YOUR WORK!
 (don't just type the answers)

19. Calculate the simple interest and compound interest earned for each of the investments using the information from the table.

Amount invested	Interest rate	Compounding period	Length of investment	Simple interest	Compound interest
\$10,000	5.0	annual	2 years		
\$150,000	6.5	quarterly	1 year		
\$1,490,500	8.0	monthly	18 months		

20. A business needs to borrow \$75,000 from the bank to replace a damaged delivery vehicle. It will be able to repay the loan in six months. The bank will discount the loan and charge an annual interest rate of 7.5 percent. What amount must the company borrow in order to receive the needed money?

21. If your grandparents deposit \$500 in an investment account for your college education each year from the time you are born and the account pays 5 percent compounded annually, what will be the total amount in the account when you turn 18 years old?