**Entrepreneurship**

# Unit 5.1: Utilizing Financial Documents

Student:

Date:

Period:

**Section V: Projecting Cash Flow for Business**

## A new business owner must be able to:

!

!

All of these items are found on an Income Statement–the final section of the business plan

## An Income Statement is also known as a:

Income Statement Definition:

## What are the differences between fixed and variable expenses?

* + Fixed:
  + Variable:

## Start-up Costs

* + The expenses paid to establish a business. Many entrepreneurs have to\_ the money (friends, family, savings, partners, private investors, etc)
  + Common costs include:

## Costs of Goods Sold (COGS)

!

* + Service-only businesses have this type of expense.

## Operating Expenses are expenses necessary to a business.

Includes:

## Gross & Net Income

* + Gross Income:
  + Net Income:

i& These figures are . The taxes you pay are calculated using the Net Income amount.

## Break-even Point

* + The that must be made to cover all the expenses of the business.

## Your business’ fixed costs are $40,000 a year. Your selling price is $3.50 per unit. Your variable cost is 95¢ per unit. How many units must you sell to break even?

1. **A Balance Sheet is a:**
2. **What equation is the foundation of a Balance Sheet?** = +
   * **Assets:**
   * **Liabilities:**
   * **Equity:**
3. **What parts of the Balance Sheet must equal each other?**

**Section IV: Identifying Sources of Capital ($)**

1. **Define Collateral:**
2. **Identifying Sources of Capital**
   * Equity Capital:
   * Equity:

## Forms of Equity Financing

## Define the 5 C’s of Credit to Qualify for a Loan

* + Character:
  + Capacity:
  + Capital:

i& **The net worth of a business**–the amount by which the assets of the business

the liabilities

* + Collateral:
  + Conditions:

## i& Lenders consider:

i& Some lenders will require certain types of to limit their risk

## Obtaining a Loan

* + Lenders that do not want an equity stake in your company, but are willing to loan you money for your business, will have you pay on the amount borrowed.
  + Define Interest:

The original amount lent is called the .

The percentage of the principal which must be paid as interest is called the interest rate.

## Section IV: Calculating Interest

1. **What is the formula for Interest?**
2. **How much must be repaid for a loan with the following terms?**

Principal (P) = $50,000 Interest Rate (R) = 8% Time (T) = 5 years

# Section IV: Calculating Monthly Payment

## Define Amortization:

1. **Calculate the monthly payment for the loan in questions #14.**

**Section IV: Calculating Return on Investment**

1. **ROI means .**
   * A of the money earned (or lost) on an investment to the amount of money invested.
   * You need to determine your potential ROI you start your business. If the return is too low, with this business.
   * Time is .

## Calculating Return on Investment (ROI)

* + Smart investors look for returns of from a business.
  + Calculate the ROI on an:

$80,000 investment 10% yearly return (ROI)

## Remember: Your should work hard for you; not work hard for your money.