Business Math

Semester 1 Exam Study Guide 2015

**Chapter 1**

Know and be able to use all the vocabulary.

|  |  |  |
| --- | --- | --- |
| * economics
 | * entrepreneurship
 | * demand
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| * opportunity cost
 | * economy
 | * equilibrium point
 |
| * scarcity
 | * traditional economy
 | * price ceiling
 |
| * factors of production
 | * bartering
 | * price floor
 |
| * land
 | * command economy
 | * demand elasticity
 |
| * labor
 | * market economy
 | * elastic demand
 |
| * capital
 | * supply
 | * inelastic demand
 |
| * financial market
 | * depository institutions
 | * non-depository institutions
 |
| * incentive
 |  |  |

Know the four factors of production and how they affect a business.

Know how the government manages scarcity.

Know about types of economic systems: traditional economies, command economies and market economies. Be able to give a real world example of each.

Know about the relationship of supply and demand, and what impact it has on the price of goods.

Know the four factors that can influence the supply of a particular product.

Know what a financial market is and a real world example of one.

Know the difference between a depository and non-depository financial institution.

Understand how governments use incentives. Give a real world example.

**Chapter 2**

Know and be able to use all the vocabulary.

|  |  |  |
| --- | --- | --- |
| * fiat money
 | * inflation
 | * tariff
 |
| * money supply
 | * deflation
 | * quota
 |
| * budget deficit
 | * recession
 | * embargo
 |
| * budget surplus
 | * trough
 | * Gross Domestic Product (GDP)
 |
| * patent
 | * specialization
 | * Consumer Price Index (CPI)
 |
| * copyright
 | * international trade
 | * comparative advantage
 |
| * trademark
 | * absolute advantage
 |  |

Name the three main functions of money.

Name the three properties of money.

Be able to calculate an exchange rate.

Know how the money supply can affect prices.

Be able to discuss the roles government plays in the United States economy.

Explain budget deficits and surpluses.

Know what the Federal Reserve System is and the role it plays in the U.S. economy.

Know about several economic indicators and what they measure. Understand why businesses use economic indicators.

Know about the four main segments of a business cycle: expansion, recession, trough, and recovery. Be able to explain what segment our economy is currently in.

Be able to explain why nations trade.

**Chapter 3**

Know and be able to use all the vocabulary.

|  |  |  |
| --- | --- | --- |
| * public sector
 | * entrepreneur
 | * corporate bylaws
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| * private sector
 | * Employer Identification Number (EIN)
 | * corporate charter
 |
| * competition
 | * unlimited liability
 | * board of directors
 |
| * price competition
 | * limited life
 | * limited liability company (LLC)
 |
| * nonprice competition
 | * partnership
 | * franchise
 |
| * market
 | * partnership agreement
 |  |
| * oligopoly
 | * general partner
 |  |
| * monopoly
 | * limited partner
 |  |
| * profit
 | * cooperative
 |  |

Know the difference and similarities between:

The public and private sectors

Price competition and non-price competition

Profit and risk in a business

A limited partner and a general partner

A closely held corporation and publicly held corporation

Know the different the different market systems.

Know about the three main types of the businesses, (sole proprietorship, partnership, corporation) their advantages and disadvantages, and examples of each.

Know what a Limited Liability Company (LLC) is, and what advantages it has.

Know what a franchise is, and what advantages and disadvantages they have.

**Chapter 4**

Know and be able to use all the vocabulary.

|  |  |  |
| --- | --- | --- |
| * free enterprise system
 | * generally accepted accounting principles (GAAP)
 |  |
| * business plan
 | * budget
 |  |
| * strategic plan
 | * merchandise
 |  |
| * marketing plan
 | * inventory
 |  |
| * financial plan
 | * cash flow
 |  |
| * accounting
 | * negative cash flow
 |  |
| * transaction
 |  |  |

Know about the free enterprise system.

Know the parts of a business plan, and what they are for.

Be able to explain why a business needs a business plant.

Know what accounting is and why it is important that businesses use it.

Understand what generally accepted accounting principles (GAAP), why they are important, and how businesses use them.

Understand the relationship between a business’s budget and inventory.

Understand what a business’s cash flow is, and what happens when you have a negative cash flow.

Know about the importance of financial management when running a business.

**Chapter 5**

Know and be able to use all the vocabulary.

|  |  |  |
| --- | --- | --- |
| * capital
 | * fixed expenses
 |  |
| * start-up capital
 | * variable expenses
 |  |
| * start-up costs
 | * reserve capital
 |  |
| * operating capital
 | * chart of accounts
 |  |
| * financial forecasting
 |  |  |
| * projected financial statements
 |  |  |
| * gross profit on sales
 |  |  |

Know the parts of an effective financial plan.

Know about start-up costs, assets, and start-up verses working capital.

Know the difference between fix and variable expenses and be able to identify examples of both.

Know about important factors that determine if a new business will be successful.

**Chapter 6**

Know and be able to use all the vocabulary.

|  |  |
| --- | --- |
| operating costs | Small Business Administration (SBA) |
| reserve fund | LowDoc Program |
| private financing | business credit card |
| commercial debt financing | private investor |
| commercial loan | commercial finance company |
| line of credit | venture capital firm |
| secured loan | Small Business Investment Companies (SBICs) |
| unsecured loan |  |

Know the difference and similarities between:

 A venture capitalist, an entrepreneur, a limited partner, an "angel"

Know about the different types of loans banks make to businesses such as home equity loans, commercial loans, secure and unsecured loans and lines of credit.

Know the difference between loans a business takes from a bank and private loans.

Know about the difference between a bank loan backed by collateral and a character loan.

Know about the Small Business Administration (SBA) and what kind of programs they have to help small business get financing.

Know about the importance of small businesses to the American economy.

**Chapter 7**

Know and be able to use all the vocabulary.

|  |  |  |
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| * financial reports
 | * debit
 | * Income statement
 |
| * accounting period
 | * credit (accounting)
 | * cost of merchandise sold
 |
| * accounting cycle
 | * journal
 | * net income
 |
| * accounting equation
 | * general ledger
 | * balance sheet
 |
| * account
 | * posting
 | * statement of cash flows
 |
| * double entry accounting
 | * trial balance
 |  |
| * T account
 | * financial statements
 |  |

Know about the accounting periods. What is the most common?

Know about common accounts such as accounts payable and accounts receivable.

Know the accounting equation. Understand what owners equity is.

Be able to explain the five steps in the accounting cycle.

**Chapter 8**

Know and be able to use all the vocabulary.

|  |  |  |
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| * payroll
 | * Federal Insurance Contributions Act (FICA)
 |  |
| * gross earnings
 | * Social Security tax
 |  |
| * salary
 | * Medicare tax
 |  |
| * hourly wage
 | * total gross earnings
 |  |
| * overtime rate
 | * perpetual inventory system
 |  |
| * commission
 | * point of sale terminals
 |  |
| * deductions
 | * periodic inventory system
 |  |
|  | * specific identification method
 |  |

Know the six steps of the payroll system.

Know what types of jobs are likely to get paid an hourly wage, which jobs are likely to be paid a salary and which job would likely get paid a commission.

Know what it means to get paid on commission and how a commission is calculated.

Know the difference between a voluntary payroll deduction and a required payroll deduction.

Be able to explain how payroll software makes calculating employee payroll deductions and net earnings easier.

Know about how employers must match FICA deductions paid to the federal government.

Know how to calculate your gross earnings for a weekly paycheck if you work overtime. (see Go Figure on page 226)

Know the two main methods used to determine inventory quantity. Be able to give an example of a type of business that would use each method.

Know the equation for calculating inventory turnover.

**Chapter 9**

Know and be able to use all the vocabulary.

|  |  |  |
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| * pricing
 | * direct labor
 |  |
| * product cost-plus pricing
 | * fixed cost
 |  |
| * markup
 | * contribution margin
 |  |
| * manufacturing business
 | * break-even point
 |  |
| * product costing
 | * market penetration
 |  |
| * cost behavior
 | * target profit
 |  |
| * variable costs
 | * target sales
 |  |
| * direct materials
 | * margin of safety
 |  |

Know the three goals of effective pricing.

Know the difference between a variable cost and fixed cost in business and be able to name examples of each.

Know how to calculate the mark up on an item a business sells. What are two ways businesses use to determine how much to mark-up an item?

The key to all successful business operations is growth. Know several forms of business growth.

Know how to calculate the cost of direct labor.

Know how to calculate target sales. (see Go Figure on page 273)

What are ways businesses can improve their market share.

**Chapter 10**

Know and be able to use all the vocabulary.

|  |  |  |
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| * personal financial planning
 | * consumer
 |  |
| * goals
 | * interest
 |  |
| * values
 | * time value of money
 |  |
| * liquidity
 | * principle
 |  |
| * service
 | * future value
 |  |
| * good
 | * annuity
 |  |
|  | * present value
 |  |
|  |  |  |
|  |  |  |

Know what simple and compound interest is and be able to calculate both. (p. 305-306)

Know about short term, intermediate term and long term financial goals. Know the time frame for each. (p. 297)

Know the difference between goods and services and be able to identify examples of both. (p. 297-298)

Be able to list the eight strategies that can be used t avoid common money mistakes and provide examples of how you might use them. (p. 309-310)

**Chapter 11**

Know and be able to use all the vocabulary.

|  |  |  |
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| * job
 | * demographic trends
 | * cover letter
 |
| * career
 | * service industries
 | * cafeteria-style employee
 |
| * standard of living
 | * internship
 | * benefits
 |
| * trends
 | * cooperative education
 | * pension plan
 |
| * potential earning power
 | * networking
 | * mentor
 |
| * aptitudes
 | * informational interview
 | * cover letter
 |
| * interest inventories
 | * résumé
 | * cafeteria-style employee
 |

Know how to match a person’s strengths and interest to a career path. (p.320)

Know how interest rates and trends in industry can affect employment opportunities. (p. 324)

Know about different ways of obtaining employment experience such as part-time work, volunteer work, internships and school projects. (p. 329)

Know what a cover letter is for. (p. 332 – 334)

Know about employee benefits and which is tax exempt. (p. 336)

Be able to summarize three ways to increase your chances of job satisfaction.

**Possible Math Problems on the Exam**

Exchange Rates

Break Even Point and Target Sales

Accounting Equation: Assets – Liabilities = Owners Equity

Simple Interest

Compound Interest

Converting between Hourly, Weekly, Annual Wages

Commission

Gross verses Net Pay