

Entrepreneurship Building a Business

Chapter 20 Accounting and Financial Reporting

Section 20.1 Financial Record Keeping

SECTION 20.1 After You Read Answer Key

Self-Check

1. Business must follow set standards and procedures so that anyone examining the records of a business can understand its financial reports.
2. Income and payments may be recorded in two ways. If you use a cash basis, your income is recorded when it is received and your expenses when they are paid. If you use an accrual basis, you record income when it is earned and expenses when they are incurred.
3. Double-entry accounting means that when a business transaction occurs, the transaction affects two or more accounts.

Think

4. Accounts receivable is the amount customers owe a business; it is an asset account. Accounts payable is the amount a business owes to creditors; it is a liability account.

English Language Arts

5. Students' reports will vary depending on the annual reports they review. Students should base their selection on the quality and clarity of the writing in the report.