

## The Language of Business - Homework

Jan’s Bicycle Sales & Repair is a new business in the area. Jan is an avid bike rider – she competes in several road races each year. She also loves to talk to people about the health benefits of riding bicycles. That’s one of the main reasons she opened her business. She sells many different types of bicycles, and she repairs all types as well. Let’s practice “the language of business” as it relates to Jan’s business.

Here is a list of items that are associated with Jan’s business:

- \$50,000 of bikes in inventory today, ready to sell
- \$150,000 building (the store) & land
- \$10,000 in the business checking account
- \$80,000 loan to purchase the building and land
- \$40,000 operating loan to purchase the bikes so she can sell them
- \$7,500 depreciation on the building and equipment for the year
- \$30,000 of office equipment, displays, cash registers, etc. that she owns
- \$8,000 of interest paid this year on the loan to purchase the building
- \$2,000 of interest paid this year on the operating loan to purchase the bicycle inventory
- \$140,000 of bicycle sales for the year
- \$12,000 of property insurance for the year
- \$60,000 spent to purchase the bicycles she sold throughout the year
- \$5,000 in advertising expenses for the year
- \$11,000 that Jan owes to her bicycle parts supplier as of today – to be paid within 1 month
- \$20,000 that Al’s Bike Tours owes to Jan as of today for bicycles he purchased but hasn’t paid for yet
- \$25,000 of sales commission (based on the number of bikes sold) that Jan pays to her sales team

Please classify these items into the correct category. Each item belongs in only one category.

<b>Revenues (Item)</b>	<b>(\$)</b>
_____	_____
<b>Operating Expenses (Item)</b>	<b>(\$)</b>
_____	_____
_____	_____
<b>Total Operating Expenses</b>	_____

Overhead Expenses (Item)	(\$)
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____

Total Overhead Expenses \_\_\_\_\_

Asset (Item)	(\$)
_____	_____
_____	_____
_____	_____
_____	_____

Account Receivable (Item)	(\$)
_____	_____

Account Payable (Item)	(\$)
_____	_____

Operating Loan (Item)	(\$)
_____	_____

Term Loan (Item)	(\$)
_____	_____

Please calculate the Gross Margin for Jan’s bike business for the year.

Total Revenues:                   \$ \_\_\_\_\_

- Total Operating Expenses:    \$ \_\_\_\_\_

= Gross Margin:                    \$ \_\_\_\_\_

Jan sold a total of 800 bicycles last year. Calculate Jan’s Gross Margin per bicycle? This represents how much money is left over after paying the operating expenses for each bike sold.

Calculate the Profit (or Net Income) for Jan's business for the year.

Total Revenues:	\$ _____
- Total Operating Expenses:	\$ _____
- Total Overhead Expenses:	\$ _____
= Profit:	\$ _____

How much profit did Jan earn per bicycle that she sold? Briefly explain what this number means to Jan.

Calculate the Total Assets for Jan's business as of today.

Accounts Receivable:	\$ _____
+ Assets:	\$ _____
= Total Assets:	\$ _____

Calculate the Total Liabilities for Jan's business as of today.

Accounts Payable:	\$ _____
+ Operating Loan:	\$ _____
+ Term Loan:	\$ _____
= Total Liabilities:	\$ _____

How much Equity (Net Worth) does Jan have in her business as of today? This is how much Jan has personally invested in her business so far.

Total Assets:	\$ _____
- Total Liabilities:	\$ _____
= Equity (Net Worth):	\$ _____

What does this Equity number mean to Jan?