

Name:

Date:

Class:

Lesson 11.2

Practice Your Understanding

1. A hair salon applied to two banks requesting a business loan to fund renovations. The first bank offered a 1-year, short-term loan with a 3-percent interest rate. The second bank offered a 5-year, long-term loan with a 4-percent interest rate. Determine which loan you recommend the hair salon accept. Explain the advantages and disadvantages of your choice. (11.2-1)

Answer:

2. Distinguish whether the following business expenses should be classified as a short-term capital need or a long-term capital need. (11.2-2)

- a. Rent

Answer:

- b. Copy machine

Answer:

- c. General supplies

Answer:

- d. Liability insurance

Answer:

- e. Company vehicle

Answer:

- f. Office furniture

Answer:

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g. Employee uniforms

Answer:

h. Office renovations

Answer: