

**Report on the Methodology Study
Conducted for the
Board of Governors of the Federal Reserve System
by the National Opinion Research Center
of the University of Chicago**

February, 1999

Introduction

NORC conducted focus groups and cognitive interviews to improve the 1998 Survey of Small Business Finances survey instrument. The goal of this methodological study was to uncover sources of error in respondent's reporting of financial data and to develop ways to improve the data through changes in the wording of questionnaire items, including lead-ins and interviewer prompts, and revisions to the worksheet format.

Items in the SSBF questionnaire requiring dollar amount responses were selected for testing in the focus groups and cognitive interviews. In addition, a set of questions concerning number of employees was tested as well. Follow-up questions (probes) were constructed for each item. These probes were designed to explore the processes respondents go through in answering the questions and the problems they encounter in doing so. For example, respondents explained their answers to the questions (e.g., "How did you arrive at that answer? What information did you use?"), defined financial terms (e.g., "What is your understanding of capital lease?"), and indicated whether they included or excluded particular information in formulating their responses (e.g., "Are you thinking of the [loan] amount applied for, or the amount that was approved?").

Beginning in early December, 1998, NORC project staff coordinated the recruiting effort for all focus groups and cognitive interviews. Cognitive interview participants were offered \$100 with the exception of difficult-to-schedule Hispanic and Asian participants, who were offered up to \$200. One focus group participant was given \$200 and another \$150 as incentive to participate.

NORC identified potential participants through six sources, listed in the table below. Table 1 shows the number of owners contacted who agreed to participate and the number who actually participated. As the table illustrates, our success in finding participants varied widely across these sources. More than half of the business owners who participated were personal contacts of NORC staff or were NORC vendors.

Table 1: Participation levels by source.

Participant Source	Focus Group			Cognitive Interview		
	Number Recruited	Number Participated	Percent Participated	Number Recruited	Number Participated	Percent Participated
Personal Contact	16	12	75%	14	12	86%
NORC Vendor List	7	4	57%	NA	NA	NA
Neighborhood Directory	NA	NA	NA	3	1	33%
Govcom A8 Database	8	2	25%	4	3	75%
Yellow Pages	NA	NA	NA	3	3	100%
Various Internet	3	1	33%	2	2	100%
Total	34	19	56%	26	21	81%

We were equally successful recruiting African-Americans as Caucasians across all sources. It was difficult however to recruit Hispanic and Asian participants. Of the three Hispanic participants, all were recruited through non-personal sources. One Asian respondent was recruited through the Yellow Pages while the other was a personal contact of NORC staff.

Overall, the reasons for nonparticipation spanned two categories: level of effort and sensitivity of information. Particularly among CPAs, level of effort was a primary drawback for participating. A polite, "It's the worst time of year to be contacting me," was

a common reply from CPAs feeling the pressure of tax season. We also found that offering the option of completing the interview over the phone or in-person at their place of business increased the likelihood of participation. For example, both Asian business owners who participated in cognitive interviews only did so because NORC project staff came to their place of business. Though an overall success, we believe the challenges faced by the recruiting effort for the methodology study will mirror those we will experience in both the pretests and main study.

Focus Groups

Focus Groups: Overview

NORC conducted four focus groups during the period from January 9 to January 13, 1999. In all, 19 small business owners participated in the focus groups, in groups of 4 to 6.

Prior to the focus group, each participant completed a short questionnaire, providing general information about themselves and their business. Ten of the group participants were male and 9 were female. The businesses represented in the focus groups are shown in Table 2.

Table 2. Businesses participating in the Focus Groups.	
Respondent	Business Type
<i>Sole Proprietors</i>	
SP-1	Consulting / Social Services
SP-2	Maintenance / Repair
SP-3	Retirement Planning / Benefits
SP-4	Stock Broker
SP-5	Graphic Design
SP-6	Attorney / Private Practice
<i>Partnerships</i>	
P-1	Decorative Painting / Restoration
P-2	American Folk Art
P-3	Law Partnership
P-4	Law Partnership
<i>C-Corporations</i>	
CC-1	Manufacturing / Distribution
CC-2	Manufacturing / Sales
CC-3	Computers
CC-4	Communication

Table 2. Businesses participating in the Focus Groups.

CC-5	Moving Company
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Table 2. Businesses participating in the Focus Groups.	
<i>S-Corporations</i>	
SC-1	Restaurant / Catering
SC-2	Private Practice / Dental
SC-3	Food Service Supply / Janitorial Supply
SC-4	Translation Services

Focus group participants also reported the age of the participating owner, the number of owners, and the number of employees. This information is shown in Table 3.

Table 3. Age of Owner, Number of Owners, and Number of Employees			
Focus Group	Age Range	Mean # Owners (Range)	Mean # Employees (Range)
Sole Prop.	36-52	1 (1-1)	1 (1-2)
Partnerships	35-42	15.5 (2-45)	21.0 (6-38)
C-Corp.	45-49	3.8 (1-9)	10.7 (3-24)
S-Corp.	41-52	2.0 (1-4)	14.7 (9-20)

Respondents were also asked to report their total year-end 1997 assets and liabilities on the pre-focus-group questionnaire. Most did provide this information. An examination of these figures (summarized in Table 4) and where possible, a comparison to the worksheets and focus group response forms filled out by participants during the focus group, pointed to an interesting issue. While the worksheets tended to have more specific values (i.e. uneven dollars and cents), the focus group response forms and pre-focus-group questionnaires provided what appeared to be approximations in even dollar amounts. Furthermore, while these approximations seemed, for the most part, to be the result of rounding to the nearest hundred or thousand dollars, there were instances where the reported value seems to be the result of truncating down rather than rounding up. While this observation is based on quite small numbers of respondents (in part due to questionnaire non-response and in part due to the number who returned completed worksheets), it is nonetheless a matter of concern for the main study. Even a relatively small amount of rounding/truncation error made by individual respondents can accumulate to an appreciable amount across respondents, particularly in a sample of the size projected for the main study.

Table 4. Questionnaire reports of 1997 assets and liabilities.		
Focus Group	Range of Reported Assets	Range of Reported Liabilities
Sole Prop.	\$ 600 - 76,000	\$ 0 - 6,500
Partnerships	\$90,000 - 3,000,000	\$90,000 - 1,000,000
C-Corp.	\$50,000 - 24,000,000	\$12,000 - 22,000,000
S-Corp.	\$69,924 - 275,000	\$20,000 - 163,000

Finally, respondents were asked to report whether they had completed the worksheet and how long it had taken them to complete it. Twelve respondents reported that they had completed the worksheet, 4 reported that they had not, and 3 did not respond to this part of the questionnaire. For those who did complete the worksheet, the reported time spent ranged from 15 minutes to 2 hours. The average was 33.8 minutes.

Focus Group Summaries by Topic

The main topics covered by the focus groups are summarized below. A complete transcription of the observer's notes is included in Appendix 1.

Employment

Using the original wording of the questions in the employment section of the questionnaire, less than half (8/19) of the respondents included the owner(s) in their count of the number of employees. Some said this was because they did not consider themselves employees, others said it was because they did not take a paycheck or had been operating at a loss. The fact that some do not count the owners in their employee count was also borne out by the pre-focus group questionnaire. For example, Table 2 above shows that the maximum number of owners for a partnership was 45 but the maximum number of employees for a partnership was reported as 38.

Checking Accounts

All respondents reported having at least one checking account. When asked to provide the 1997 year-end balance (E3), all respondents were able to determine a figure and they expressed strong confidence in the amounts they used. All of the sole proprietors used their worksheets or bank statements to determine this amount.

Half of the partners and 4 of the 5 C-Corporation respondents also consulted

their records. The remaining members of these two groups reported that they had a clear recollection of the balances because they keep close records or because their accountant provides them with accurate figures. However, two of the partnership respondents reported problems with separating out the portion of the balance for business because they used the same accounts for business and personal use and also transferred funds from business and personal sources as needed.

By contrast to the other groups, the S-Corporation respondents did not use records in providing their answers to these questions (one did look through the records she had brought but did not find what she was looking for). However, all reported that they could remember the approximate amount and provide an answer confidently.

Two other issues were raised with regard to checking accounts. 1) One respondent was unsure whether to include his "margin account" here or elsewhere (it seemed to fit better under line of credit). 2) One of the law partnerships reported that they had trust accounts from their clients which they list as assets but they were not sure if we wanted them included in our sections on checking (and savings) accounts.

Savings Accounts

Most of the focus group respondents reported that they did not have savings accounts for the business. The notable exception to this was the partnerships. For the most part, their answers were comparable to those for checking as summarized above; they did not seem to have a problem giving confident answers from their record. The only source of confusion, again, was with regard to the law firm client trust accounts.

Credit Cards -- Personal

Nearly all the focus group respondents reported using personal credit cards for business purposes. With regard to their own use of these cards, respondents were confident they could give accurate answers regarding dollar amounts. Most reported using only one personal credit card for business use.

Some of the respondents indicated that it would be more difficult to determine what amounts other owners charged to their personal credit cards, but most of them felt that their accountants could determine reasonable estimates of this from records of requests for reimbursement. Comments along this line made it clear that some of the respondents were including the "convenience" use of personal credit cards for up-front payment that was followed by a request for reimbursement. Some respondents noted that they used their personal cards so that they would get frequent flyer points on their accounts. Others talked mostly about the need to use personal credit cards because business credit cards were so hard to obtain.

In terms of determining the amount to report, some used their records and took an estimated percentage as the amount used for business. Others said they got an amount from their accountant.

With regard to the questions in the credit card section involving “typical” amounts, respondents reported that “typical” and “average” mean the same thing. However the numerical values they produce are not always a numerical average of the values that underlie a given question. For example, when they were asked to take the amount reported for a typical month and multiply by 12, some matched the annual figure in their records (many said they got the monthly figure by dividing an annual amount by 12 in the first place), but others found that the monthly estimates led to an underestimate of the annual amount.

It was suggested that questions that ask for “typical” amounts be specific about what the desired computation is and, in general, that items asking for dollar amounts point the respondent to specific lines in the worksheet or tax forms wherever possible.

Credit Cards -- Business

Most focus group respondents reported that they do not use business credit cards. None of the sole proprietors had them and they were quite emphatic about the difficulty of obtaining them and their perception of the unfairness involved.

Only one of the partnerships uses business credit cards. This respondent reported asking his accountant to complete this portion of the worksheet.

Only one of the S-Corporation respondents and one of the C-Corporation respondents reported using business credit cards. The S-Corporation respondent reported using only business credit cards for business purposes. She did not refer to records to give her responses and admitted that she was only guessing at the amounts, but added that she had guessed at another amount earlier and did check her records and found she was correct. (Most of the S-Corporation respondents did not consult their records as frequently as members of the other groups throughout the focus group.)

The C-Corporation respondent who used business credit cards also said that determining an estimate of the amount charged was straightforward and in fact was easier because he only had one business credit card but had several personal cards.

Three members of the C-Corporation group reported that they had separate personal credit cards that they used only for business purposes and implied that they treated them as business credit cards.

Lines of Credit

None of the sole proprietors used lines of credit, with the possible exception of respondent SP-4, who has a margin account that he listed as checking but later thought it might also fit under lines of credit.

Only one of the partnership respondents had a line of credit. This respondent reported the requested amounts from memory. Also, only one of the S-Corporation respondents had a line of credit. He said that because there was only one, it was easy to recall and he also did not refer to records.

Four of the five C-Corporation respondents reported using lines of credit. They reported the amounts from their worksheets and records. One respondent questioned whether to include home equity loans here.

Capital Leases

Most of the focus group respondents did not know what Capital Leases were. Many did not understand the concept even after the definition provided in the interview prompt was read. However, in these cases, the use of a concrete example provided the necessary clarification. Often, these were offered by other members of the focus group. The examples offered were auto leases and copier equipment leases. The latter seemed to be more readily recognized. While the use of definitions and examples was clearly important with regard to this topic, in one instance the process took so long that the respondents forgot the question. It is recommended that a definition with an example be provided for all respondents at the beginning of this section and that the questions follow the definition and example.

Once the appropriate clarifications were made, most of the focus group respondents reported that they did not have capital leases during the reference period. The exception was the C-Corporations where 4 of the 5 respondents reported having them.

With regard to question F19 involving the amount of principal owed on capital leases, respondents reported starting with the outstanding balance and subtracting a percentage of the annual amount paid (calculated as $1/12$ of the rate times the monthly payment then calculating an annual amount). This description was convoluted and unclear.

Mortgages

The sole proprietors and partnerships all reported that they did not use

mortgages for business purposes during the reference period.

Two of the S-Corporation respondents did use them and reported that the amounts were easy to recall, however they interpreted question P25 as referring to the balance owed.

Two of the C-Corporation respondents also reported using mortgages. They also said that the amounts, including P25, were easy to determine because they had not paid on the principal yet.

Other Loans

Most of the focus group respondents did not have any of the loan types covered by the "Other Loans" section of the focus group protocol. The partnerships reported some confusion regarding what to do with vehicle leases that were not capital leases (operating leases) and with what should be done with partners' capital contributions.

Most of the focus group respondents did not think any of the other loan types would pose any particular problem for reporting and accuracy different from that discussed above. The S-Corporation respondents thought the notion of loans from stockholders was amusing.

Most Recent Loan

None of the sole proprietors reported having had a loan application during the reference period.

The partnerships reported that producing the information for this section was easy and that they were confident they had accurate data. One respondent thought it would be easy for us to obtain the data but the other three respondents in this group disagreed and felt that respondents would be reluctant to give such specific information over the telephone.

Two of the S-Corporation respondents had loan applications during the reference period. One of these respondents thought the information was more difficult to provide, but she did not have the worksheet/records. The other respondent did use the worksheet for this section. Some members of this group also thought the information in this section would be harder to obtain because of the level of specificity and the fact that it was seen as more personal in nature and often related to negative experiences. One respondent was confused by the discussion of sensitive data, but he thought the discussion was about giving the information to the bank in the course of the loan application rather than about giving the information to us.

Income and Expenses

The “prompts” for this section were needed with greater frequency. More respondents relied on the worksheet and records for this section, but also said that the information requested was easier to obtain from their worksheet/records (although it took more time to do so). They also reported a high degree of confidence in the information they provided.

Confusions in this section included:

- 1) what to do with capital gains (raised with regard to P11)
- 2) what to do with income from consulting with other firms (raised with regard to P2.3)

Some also thought this section was rather sensitive and some felt respondents would be reluctant to give accurate information.

Assets

Some of the respondents in the Sole Proprietor and S-Corporation groups were confused by R1 and thought it had been asked before in the section on income. Most respondents used the worksheet for at least parts of this section. Problems with this section included:

- 1) confusing cash holdings with total income;
- 2) confusion on how to define accounts receivable;
- 3) what to do with capital contributions;
- 4) what to do with contingency fees.

Several respondents suggested that the use of ranges would make this section easier.

Liabilities

General comments on ease and sensitivity of this section paralleled those for assets. Confusions with this section included:

- 1) what to do with operating leases;
- 2) what to do with capital contributions;
- 3) confusion with the different ways retainers are treated. Sometimes retainers are treated as insuring availability for a given term and are not returned even if no work was requested during the term. Other times, they are “up-front” payment for work owed.

Equity

Most of the respondents defined equity as assets less liabilities. Some law firms

used the sum of partners' capital accounts. One S-Corporation respondent defined it as “the total worth of the company” while another defined it as “what you own minus what you owe.” One C-Corporation respondent indicated that he was not sure we wanted a financial interpretation.

Worksheets

While most focus group respondents agreed that the concept of the worksheet was a good one, there was some disagreement regarding the form the worksheet and accompanying materials should take. The points of disagreement mostly involved production and presentation issues.

The sole proprietors thought the worksheet was useful for organizing the information they needed for the interview, but felt that more information should be included in the cover letter explaining the purpose of the study and the reason for collecting the specific information included in the worksheet. They also suggested that there should be an explanation that not all businesses would be expected to have experience with using all the financial services covered by the questionnaire. They said that they had an initial reluctance to participate because so little of the material applied to them. They were relieved to find in the focus group that they were not alone in this regard, but felt that more should have been done prior to the interview to explain that the range of items was broader than would necessarily be reflected in the experience of any given small business.

The sole proprietors also were quite critical of the presentation of the worksheet and materials and felt that they should have been more nicely produced. They recommended the use of higher quality paper, more supporting documentation, and packaging in presentation folders. They liked the use of FedEx and recommended that it be used in the main study. Some also suggested that it be used for pre-paid return of completed worksheets to improve compliance and circumvent the need to ask respondents for the same information in the interview that they had already taken the time to fill in on the worksheets.

The partnerships also thought the worksheet was helpful and would improve the ability to obtain the information in the interview. Like the sole proprietors, they stressed the importance of a clear statement of the purpose of the study and its potential advantages. They emphasized that the timely delivery of the materials prior to the interview is crucial. They also liked the fact that the worksheet pointed to specific line numbers in tax forms and recommended more of this if possible. In contrast to the sole proprietors, this group thought the presentation was good and recommended that it not be made “too slick” or it would be suspicious. Some were suspicious of the request for the bank’s zip code, and all members of this group thought that the owner would be unlikely to know this information unless he obtained it from the accountant and that they

would not give it to a phone interviewer even if they did have the information.

The S-Corporation and C-Corporation respondents also stressed the importance of clearly communicating the reason for collecting the data for this study, emphasizing the reluctance they felt respondents would have giving detailed financial information over the phone.

Many respondents also suggested that the use of ranges of values would both make it easier to complete the worksheet and improve the willingness of respondents to give the information to an interviewer.

Additional comments may be found in Appendix 1.

Cognitive Interviews

Cognitive Interviews: Overview

Cognitive interviews were conducted with 21 respondents; five interviews were conducted by telephone and 16 were conducted in person. The interviews were conducted between January 5th and 27th, 1999. Fifteen respondents were with the owners of small businesses, three were business owners' accountants and three were accountants not reporting for a specific firm. The business types represented were eight sole proprietorships, four c-corporations, five s-corporations and one partnership. Respondents were asked to complete a worksheet prior to the interview and to bring their financial records (such as tax forms, bank statements) with them to the interview. We received completed worksheets from five respondents; another respondent who did not complete the worksheet submitted his company's financial statement instead.

As with the focus groups, prior to the interview, respondents were asked to complete the SAQ; we received completed SAQs from 11 respondents. Eleven of the respondents were male and eight were female. Tables 5 through 7 below provide general characteristics of the respondents and their businesses. Because some respondents did not return their SAQs, the data in tables 6 and 7 are incomplete.

Table 5. Businesses participating in the Focus Groups.	
Respondent	Business Type
<i>Sole Proprietors</i>	
SP-1	Restaurant / Catering
SP-2	Home Health Care
SP-4	Art Gallery
SP-5	Graphic Design
SP-6	Dental
SP-7	Retail Apparel
<i>Partnerships</i>	
PT-1	Dry Cleaner
<i>C-Corporations</i>	
CC-1	Landscaping

Table 5. Businesses participating in the Focus Groups.	
CC-2	Real Estate
CC-3	Accounting
CC-4	Accounting
<i>S-Corporations</i>	
SC-1	Bar / Restaurant
SC-2	Travel Agency
SC-3	Engineering
SC-4	Public Relations
<i>CPA's</i>	
CPA-1	Dental (c-corp)
CPA-2	Accounting
CPA-3	-
CPA-4	Attorney / Legal Services

Table 6. Age of Owner, Number of Owners, and Number of Employees			
Business Type	Age Range	Mean # Owners (Range)	Mean # Employees (Range)
Sole Prop.	36-49	1.5 (1-2)	4 (1-7)
Partnerships	-	-	-
C-Corp.	38-56	1.3 (1-2)	6 (2-10)
S-Corp.	44-55	2.3 (1-3)	22.3 (4-50)
CPA	32-70	1.3 (1-2)	4.3 (1-8)
Total	36-70	1.6 (1-3)	10.5 (1-50)

(Based on 11 Completed SAQs)

Table 7. Questionnaire reports of 1997 assets and liabilities.		
Business Type	Range of Reported Assets	Range of Reported Liabilities
Sole Prop.	\$15,985 - 600,000	\$0 - 125,000
Partnerships	--	--
C-Corp.	\$9,941 - 322,000	\$26,200 - 322,000
S-Corp.	\$25,000 - 26,571.83	\$1,500 - 1,949,397

(Based on 11 completed SAQs.)

Seven respondents reported on the SAQ that they had completed the worksheet. Five respondents who reported on the time required to complete the worksheet indicated it took from 10 minutes to one hour, with an average of 32 minutes. We received completed worksheets from five of the respondents.

Cognitive Interview Summaries by Topic

The main topics covered by the focus groups are summarized below. A complete transcription of the interviews is included in Appendix 2.

These findings are based primarily on the responses of 16 of the business owners or the owners' accountants. The data from three of the business owners are incomplete because of problems with the tape recording equipment; their data are considered only in the assets and liabilities section.

Employment

When asked for the number of employees on the firm's payroll, six business owners did not include themselves in the count. One accountant said that no one was on the payroll because the business owner was a sole proprietor. Four respondents reported having temporary workers during a typical pay period, but these were not included in their initial count. In addition, four respondents reported that family and friends who worked for them were not counted either.

Checking Accounts and Savings Accounts

Fourteen respondents reported having a checking account for the business and five reported having a savings account. Respondents had few problems answering the questions concerning any checking or savings accounts the business had. In two cases, a personal checking account was used for business and the respondents were not clear whether this should be reported as the business' checking account. One respondent asked whether the question referred to personal or business checking accounts.

Personal Credit Cards and Business Credit Cards

Nine respondents reported using personal credit cards for business purposes and three reported having business credit cards. Respondents had some difficulty determining what types of personal credit card usage should be reported. Two had obtained cash advances for business purposes and one used his personal credit card only for charging reimbursable business lunch and travel costs. In three instances respondents appeared uncertain of what type of credit card they possessed. One business owner had a business credit card but was confused as to whether to count the card as business or personal because his name appears on it, even though he knew his business was responsible for payment. Two other respondents named specific credit or store charge cards they used (Kinko's, AT & T, Discover) but may have been uncertain whether these counted as business cards.

In the case of multiple business owners, the respondent is supposed to report on credit card usage for all owners (see questions F2.1, F2.3 and F2.4). Although there were not many interviews with respondents representing multi-owner businesses, it appears that respondents are not speaking on behalf of all owners. For example, in one case (sc_3) the respondent spoke only of his own credit card usage and did not report about the other owners of his business until prompted.

Lines of Credit

Three respondents reported that they have a business line of credit. Four respondents, none of whom had a line of credit, did not understand the term and were unsure whether they had a line of credit. Confusion of lines of credit with credit cards and trade credit appears to be the most common comprehension problem.

Capital Leases

With capital leases as well, misunderstanding of the term appears to be the most common problem. Five respondents expressed confusion about the term. Through probing it was determined that two of these five respondents actually had a capital

lease, yet they were unable to determine this without help from the interviewer. Some could not distinguish a capital lease from an equipment loan or thought that only manufacturing companies would have capital leases. One respondent was confused because her capital lease was not issued through a bank but through another source.

Mortgages

The question concerning mortgages caused confusion for some respondents. One respondent had discussed his mortgage in the section on lines of credit. The earlier question on lines of credit (F7) seemed to him to address the issue of mortgages (F7 reads "...including home equity loans used for business purposes"). Another respondent did not seem to understand part of the wording of question F21 ("use the funds from any mortgages") and was also uncertain how to respond because both her home and business are on the same property.

Most Recent Loan

Question MRL1, which asks whether respondents had applied for a loan or line of credit, had to be repeated or clarified for three respondents. The question is lengthy and requires the respondent to consider a time period that is different from the previous questions in the survey. Only three respondents indicated that they had applied for a loan or line of credit recently. Two respondents reported that the application had been approved. One respondent had applied for two loans at the same time and indicated that one request had been approved and one denied. One respondent did not apply for a specific dollar amount but wanted the maximum amount that the lending institution would approve. The three respondents who did apply for a loan recently appeared to have no problems in answering the follow-up questions regarding that loan application.

Income and Expenses

Two items in this section that were difficult for respondents were on "any other income" (Q P2.3) and the cost of conducting business (Q. P3.1). Four respondents were uncertain about what to include as "other income." Respondents asked whether interest income, rental income (gross or net), and income earned outside of the business were relevant to this question. The question on the cost of conducting business appeared difficult for respondents to comprehend. Three needed clarification on the question but one of the prompts that could be offered was complex and of no help. Two respondents asked specifically about whether owner salaries are considered part of the cost of conducting business. One accountant noted that the business owner adjusts her salary depending on the circumstances, making the cost of doing business somewhat misleading for that business. An added problem for respondents attempting

to provide an accurate answer to this question is the burden of having to sum three numbers from the tax forms to arrive at the answer.

Assets and Liabilities

The assets and liabilities sections were the most difficult for respondents. Respondents are asked to supply dollar amounts for various types of assets and liabilities and to provide the total amount of all assets combined and all liabilities combined. Only nine respondents provided subtotals that were within 15% of the answer they gave for their total assets. Eight respondents reported total liabilities that were close to the sum of the subtotals they reported. It is interesting to note that seven respondents reported liability subtotals that exactly equaled the total liabilities they reported.

The primary problem respondents faced in reporting their assets and liabilities appeared to be determining what to include and exclude from their answers. Some respondents reported the same dollar amount to both the subtotal and total, suggesting that they did not realize they should provide both a breakdown and a grand total of their assets or liabilities. Some respondents may not have a full understanding of terms such as "accounts payable" and accounts receivable." In several questions (e.g., R1, R3, R5, R7) the reference period was not explicitly stated in the question, although it was mentioned in the lead-in. A few respondents needed to confirm that one or more questions pertained to year-end 1997. Confusion about the reference period may explain why one respondent, when asked about accounts payable, appeared to give the total amount s/he paid out over the course of the year, rather than the amount still owed as of the end of the year. Even though respondents have just completed detailed reporting on various liabilities, such as the amounts owed on lines of credit or capital leases, these amounts were not included in reporting on liabilities.

For one respondent, an asset or liability was both personal and business. This respondent had both her home and her business (an art gallery) located on the same property. The respondent was unsure of whether to prorate the amount of the mortgage rather than report the entire amount, since the mortgage was not entirely for business.

Worksheets

The five worksheets that respondents returned to us were examined to determine how completely they were able to fill out the worksheets and how closely respondents followed the worksheets (or financial statement) while answering the questionnaire

items. The dollar amounts reported in the interview were compared to the worksheet. Any instances in which the amounts reported in the interview and worksheet differed were considered mismatches. For one respondent, the interview and worksheet matched precisely. For the four other respondents, there were between six and twelve responses were mismatched. In 3 instances, the mismatches appeared due simply to rounding off of answers; in one case the mismatch may have resulted from misunderstanding of the question being asked. In 3 instances, Rs indicated having a financial service but did not report it in the interview. In these cases respondents' comments suggest they were reporting personal financial information on the worksheet but not reporting it in the interview when they realized that only business finances were relevant. Some more serious discrepancies between the worksheet and interview were found as well. In 27 instances dollar amounts differed substantially between the interview and worksheet. In some cases respondents may have decided to include, sometimes incorrectly, dollar amounts they had previously excluded from their answer (such as for taxes, value of equipment). In other cases, dollar amounts that appeared on one line of the worksheet appeared to be reported in response to another question (e.g., equipment loan reported as capital lease). Often there was no clear explanation to be found for the respondents' decision to change the information they had recorded on their worksheets.

Conclusions and Recommendations

The focus group and cognitive interview data show general agreement on the problems respondents face in trying to provide financial data on their businesses. In many cases respondents simply need clarification on what the questions are asking for. Defining financial terms and prompting on what to include and exclude in answering a particular question should help respondents provide better answers. Based on the findings from the focus groups and cognitive interviews we recommend the following modifications to the 1998 SSBF instrument and worksheet:

Checking Accounts and Savings Accounts

1. For respondents using a checking or savings account for both personal and business finances, provide prompts on how much of the account balance to report.
2. Add prompts or definitions to include whether or not to include margin accounts and trust accounts.

Personal and Business Credit Cards

3. Use interviewer prompts to help respondents determine whether their credit card(s) or the particular transactions they make are relevant to the question.
4. Respondents may assume that only the use of credit cards to finance the business (such as to purchase equipment) is of interest. Change lead-in, question or prompts to instruct respondents that business-related cash advances and entertainment and travel expenses are relevant. Respondents should also be told to include charges they make even if these are immediately reimbursable by the company.
5. Prompt respondents to answer for all business owners. For businesses with multiple owners, add instructions in the lead-in to include all business owners in responses. In each question, extra emphasis on all owners can be added (“How much did the firm charge to all business owners’ personal credit cards?”)
6. Clarify what is to be done with personal credit cards that are used in part or exclusively for business purposes. It seems that some are including them and some are not.

Lines of Credit

7. Include a definition of the term “line of credit” in the lead-in to this section or in question F7.

Capital Leases

8. This section must begin with a definition and example before the first question is asked. Most respondents did not understand this concept.
9. Interviewer prompts should remind respondents that some financial services may be obtained through sources other than banks. If capital leases are likely to be issued through “other sources” and respondents are not thinking of these other sources, a reminder statement be included in the lead-in to the capital lease section.

Mortgages

10. In the earlier question on lines of credit, a built-in prompt that clarifies the meaning of “home equity loans used for business purposes” may be helpful to respondents.
11. Currently, respondents are instructed to include an asset or liability as business-related if 50% or more of it pertains to business. These instructions should be modified to state that the entire value of the asset or liability (not just a percentage of it) should be included.

Most Recent Loan

12. To simplify the wording of MRL1, consider including the qualifying statement regarding renewals for lines of credit (“In thinking about this question....” in the lead-in to the section.

Income and Expenses

13. Design Interviewer prompts (include/do not include) that help respondents determine what kind of “other income” to report.
14. The CATI instrument should be set up to take the separate dollar amounts on cost of doing business so that respondents will not need to sum the numbers themselves.

Assets and Liabilities

15. Provide a lead-in that tells respondents that they will be asked to break down their total assets and liabilities into categories. Briefly name these categories to give respondents a sense of what to include and exclude in each question.
16. Consider plugging in respondent answers to prior questions about assets or liabilities as a check. If answers appear quite inconsistent, respondents can be queried (e.g., Did you include your line of credit with Bank One in your answer?). For example, the respondents’ cash holdings should not

be lower than the amount they reported in their checking and savings accounts; any liabilities (such as capital leases, mortgages) already reported should be included in the liabilities section.

17. Include reference period in all questions.
18. Include interviewer prompt that tells respondents to report full amount of an asset or liability as long as 50% or more of it is for business.

Worksheets

19. Provide direct links between worksheet and questionnaire items with a numbering system. Respondents can then be asked for the amount on a specific line of the worksheet. Currently, respondents must listen closely to each question and try to determine which worksheet line to report. Many respondents do not always refer to their worksheets/records even if they have completed them and have them available.
20. Include interviewer prompts that help respondents find information off tax forms.
21. Make clearer that information from sources other than financial institutions may be relevant to the information. Make space on the worksheet and include prompts that remind respondents of leases and loans they may have from other sources.

General Recommendations

22. Respondents were quite strong in their recommendation of the use of dollar amount ranges. We agree that this should be considered where it will not compromise the utility of the data. If exact values are desired, some instruction regarding rounding should be included.
23. Information that is to be combined in a particular way should be spelled out. For example, if an arithmetic average is desired, ask for it. If a portion of a larger value is to be partitioned out, the question (or a series of questions) should lead the respondent to the desired partition. For example, some respondents were unclear about the questions that asked for the amount of principal. The questions involving this concept could be broken out to ask for the component values needed to compute this first, taking the respondent through the computation. This, of course, should be done on the worksheet, not during the interview.

Appendix 1

Focus Group Observer's Notes

SSBF FOCUS GROUP : Sole Proprietors

Respondents:

- SP-1: Consulting / Social Services
- SP-2: Maintenance / Repair
- SP-3: Benefits / Retirement Planning
- SP-4: Stock Broker
- SP-5: Graphic Design
- SP-6: Attorney / Practitioner

Preliminary Questions:

Why small business?

- SP-2: flexibility
- SP-4/SP-5: independence
- SP-1/SP-2: freedom to schedule
- SP-6: decision-making power
- SP-2: sole proprietor becoming less risky
- SP-5: can work at home on computer; working alone facilitates this

Challenges

- SP-6: challenge finding clients that can pay / partnership would require splitting finances and limit the way "marketing" is done
- SP-1/SP-4: #1 challenge is getting enough money / paying clients
- SP-4/SP-6: building client base / marketing
- SP-6: #2 challenge is getting clients to pay
- SP-6: #3 challenge is carrying workload as solo practitioner
- SP-3: time management
- SP-1: deciding how much money to invest to make things work
- SP-2: pricing without underpricing
- SP-5: Clients think that because they are dealing with solo proprietor they can get a deal.

How hard was it to obtain information requested for worksheet?

- SP-5: Very hard. It is time consuming / It is asking a lot.
- SP-1/SP-4: A lot of it does not apply
- SP-5: It made me feel small because I do not have all of this.
- SP-6: For people like me, I do not have most of this and it is computerized and straightforward that for \$100, I am willing to do it. But if I had a core of these items, I'd figure \$100 is not enough to get me to get all that info together. I would not take the time.

Most all said the focus group format is much better than the quex.

What can we do to make people more willing to participate?

SP-5: Screen better to determine what people have and tailor worksheet / interview so there is not as much that does not apply.

SP-6: Stress policy issues and how doing this might help them.

Number of Employees

SP-1: 1 employee

SP-2/SP-6: 0 employees

As worded because the notation on deductions and stress on payroll would not count self. They do not consider themselves as getting regular salary.

What records did you bring with you?

- 1 brought only worksheet
- 4 brought 1997 tax forms
- 1 brought only state tax form
- 2 brought the records as well

Checking Accounts:

SP-4: most frequently used is different from most important; brokerage account is most important because it enabled to take margin loan off brokerage account

SP-5: use personal account for business as well

Personal Credit Cards

6 "Typical" means average - divided annual account

5 what you can plan for or predict

1 normal and ordinary exp > what % changed

*others agree with 5 and 1

Business Credit Cards

(see comments on quex)

also - reasons for difficulty is "banks are stupid" - they will give loans to businesses that continue to default but they will not give credit card to small business

Lines of Credit

No one had - except #4 was not sure about his brokerage account - he listed it as checking but now thinks it belongs under lines of credit

Cover letter explaining the range of things covered and setting people more at ease about the fact that much will not apply and that is okay - that it should not intimidate you and that we are interested in complete range of size and complexity and soften the look of the paperwork burden

Income and Expenses

All used worksheet and were confident of 1997 numbers.

For 1996, most were not in business then. One only part of the year - see quex notes.

P2.3 - Some found this confusing because of way they do consulting at other firms and are paid - it is sometimes accounted differently and weren't sure where to put it.

P3.1 - See notes on quex.

Also make it as easy as possible - most will be able to and will give ranges and would not need to consult all their records to do it.

R1 is a problem. Some think it is same as earlier questions. Others have one account for business and personal and it is difficult to separate this.

R3 - R7 and R9, R11 - See notes on quex.

R13 - All agree this is difficult to determine unless they ask their accountant or knew more about it. Many were confused about how this is done / determined.

Again, ranges.

S2 - S5 - These folks are confused about accounts receivable and accounts payable. It is also clear that there should be better screening on how these folks do accounting.

To improve: need to shorten, simplify, use ranges, stress confidentiality, or make anonymous.

S14 - See notes on quex.

Worksheet

For purposes of getting numbers together it is fine. See also notes on quex. But does not give opportunity to address some of the things alluded to in the instructions.

Needs more information in cover letter. See also quex notes.

Estimate of willingness to do this as 45 minute phone interviews:

Two	1%
3	5%
1	1%

Make it nicer in presentation. Nicer paper / folders. FedEx is good - gets more attention.

Most will not do this with their time versus working with paying clients.
Make it shorter.

Mostly a time factor and "what's in it for me."

Lessen the intrusiveness.

SSBF FOCUS GROUP: Partnerships

Respondents:

P-1: Decorative Painting / Restoration

P-2: American Folk Art

P-3: Law Partnership (45 partners)

P-4: Law Partnership (13 partners)

Preliminary Questions:

What liked about small business?

P-1/P-2: flexibility

P-2: area endeavor liked and good at

P-3: financial aspects (we're not small enough for that)

Challenges

P-2: paperwork

P-1: changes (in services and styles)

P-3: marketing, controlling expenses, liability exposure (legal malpractice)

Worksheet

Timing is important - need to get it far enough in advance.

Line items are good.

Number of Employees

No one included owner(s) as worded. Also did not include contract accountants because they do not consider them their employees and/or do not take taxes out for them.

Checking Accounts:

E3

Most (3/4 used worksheet) / one remembered the balance because he bounced a check recently. 2 have multiple checking accounts / bookkeeper keeps track (payroll and operating) response of those who do give total.

2 have problems because they blur their business and personal accounts and move funds from personal to business account when needed.

One of the lawyers has trust accounts from their clients which they list as assets with a

corresponding liability but was not clear if this should be included in checking/savings section.

Savings Accounts:

Same basic answers as for checking.

Personal Credit Cards

All report use of personal cards for business purposes. The law firms do not prefer that, but it is done.

All consider "typical" as meaning "average" but felt that other businesses with a more seasonal component would look at it differently.

Not as sure of exact dollar amounts on charges to personal credit cards.

P-4 says zero

P-2 says 0-50%

P-3 /P-4 are including charges employers made to *their* personal cards and applied for reimbursement.

These amounts are estimated from memory or educated guesses.

Credit limits are difficult because (for some) they know their's but not their partners' limits.

Business Credit Cards

3 do not use

1 does and asked bookkeeper when completing worksheet. This was easier to determine because clear records kept.

Lines of credit

One has personal line of credit. Reported amounts from memory.

Capital leases

No one knew what this is. After definition, no one had these.

Mortgages

No one

Other loans

Vehicle - no

Equipment - no

Partner - no - but P-4 was confused if partner capital contribution should be included?

Confusion as to how to include vehicle leasing that is not capital lease.

MRL

This section is seen as more sensitive but one said may be easier over the phone. Other were not so sure - would depend on justification given for why the information is needed. 3 felt that information over the phone would not be easy to get because of reluctance to share information that could benefit competitors and because of wariness over phone scams.

Income and Expenses

- P1 Easy to get from worksheet.
- P2 Respondents did refer to worksheets in answering these questions. Took 2.3 more time to do so then other questions.
- 3.1 1 used (income - expenses), others used total operating expenses.

P11 - Confusion about capital gain. Most thought it would be better to use ranges because they would not feel you were pinning them down to exact amounts / privileged information. They also indicated (especially P-3 and P-4) that net income may not be clear to all because e.g. he would not include payments to owners in calculations; i.e. net income would be before owner payments made.

Cash Holdings

P-4 again asked about the trust accounts mentioned earlier. Also had problem with accounts receivable for work in process, mentioning cash accounting done and it would be difficult to spell out this information.

R9 - again, should partners' capital contributions be included?

R11, R13 - 3 respondents looked at worksheet

R14, R15 - confusion about contingency fees (see accounts receivable for work in progress comments above).

R18 - Only one consulted the worksheet; rest used intermediate figures on response form.

P-1 reports more problems than the others because he feels he has much more blending of business and personal.

Again, ranges would be better - respondents feel they would give more accurate answers. They also suggest screening should cut down on number of specific questions asked.

S2 - again, what should be done with regular leases (not capital leases) and capital contributions?

The law firms pointed out that retainers are not always treated the same. Some retainers insure your availability and are not always treated as liability because the

retainer is not returned if work is not asked for during term. Other times it is money up-front from unknown client, charged against as work is done and any balance left is returned.

Equity

The law firms wondered what the best definition is for them. They distinguish between two meanings for them: sum of capital contributions (partners' capital accounts) versus assets-liabilities.

Positive reaction to the worksheet. They thought it was helpful and would definitely improve the ability to get information in phone interviews. They also referred to it frequently during the focus group. They recommended not making it too slick. Terminology needs to be clarified.

P-2 was suspicious of the request for bank's zipcode.

All thought that employer would not typically have this information and could not give it unless bookkeeper and employer had it - and even if they did have they would not give it.

Also stressed the need to make it clear why the study is being done and how it is of value to the respondent.

Suggested more trend questions.

Estimate of likely response rate for main study:

P-2: 10%

P-4: 20-25%

P-3 /P-4: Timing will matter (if too close to tax time, more reluctance) - 20%

SSBF FOCUS GROUP: C-Corporations

Respondents:

- CC-1: Manufacturing Company - Mfg./Dist. anchors/fasteners
- CC-2: Mfg./Sales of picture frames
- CC-3: Computer Firm
- CC-4: Communication
- CC-5: Moving Company

Preliminary Questions

Why small business?

- CC-4: Control own destiny
- CC-2: Makes you stronger / Learn about money
- CC-1: Tremendous teaching tool / challenge
- CC-5: Opportunity to meet variety of people / Makes you force in the community

Major challenges

- CC-1: Getting good employees / Getting sufficient money
- CC-4: Employees / People you need to deal with to get money, many of whom want to become part of your business / Likes to screen lending track record with minority businesses over 10 year period
- CC-5: Getting required equipment and capital to get it
- CC-2: Financing for land and storage, etc.
- CC-4: Same financial institution that will deny or hassle you about credit will lend money to foreign governments readily.

Number of Employees

Three of five included self in count of employees because they do get a paycheck. One person does not consider himself (CC-4) an employee because he is the "head cat in charge." One person did not because she (CC-2) had losses three years running and did not take a paycheck. Regarding temporary employees, they estimated values from memory (except 2 do not use). Two out of five have fluctuating need.

Who is excluded?

- CC-4 Says project consultants were not included in his count
- CC-2 Was not sure where to include self and husband (because of losses)

Checking

- All used them in 1997.
- CC-1 Referred to worksheet, as did CC- 2 and CC-3.
- CC-4 Remembered based on purchases at time
- CC-5 Used other records
- All reported being very confident.

None had multiple accounts.

Savings

No one had.

Personal Credit Cards

All used personal credit cards for business purposes.

All but CC-4 thought of typical as average. CC-4 thought of his impression of what happened usually.

Amounts based on weighing limits on cards and what they know they used

One took an arithmetic average

Two report that multiplying by 12 would result in a *less* than true annualized amount.

After discussion, three thought that average would be clearer than typical because there is some ambiguity in what typical means to different people.

Question 2.3

CC-3 always pays off

CC-2 remembers because keeps track

CC-4 said it was easy because of high amount of debt carried - others averaged from records

CC-1 pays percent outstanding per month (50%)

In terms of limits on personal credit, all used maximum limit.

CC-1 was not sure what to do with AMEX

Business Credit Cards

Only one had this.

He (CC-4) said getting this information was straightforward because he has only one and knows the figures. It was easy because he only has one business card versus several personal cards.

NOTE: Three members of this group has separate personal cards for business purposes. They were used only for business but consider them personal.

Lines of credit

Four out of five people had these.

Question about whether to include home equity loan

Information obtained from worksheet and records.

Capital leases

Four people had these.

One did not know what a capital lease was and did not understand the definition until a concrete example was given.

F19 - took monthly payment less 1/12 rate x outstanding balance

Mortgage

Two out of five people had used these for business.

Amount was straightforward because had not paid on principal.

MRL

One respondent said he applies for lines of credit with amount open so could not give specific amount.

Associated fees (CC-3 gave up because could not separate out fees associated only with MRL.) Another (CC-1) questioned what should be included in fees (cost of preparation?). One (CC-2), with some agreement from the others, said it was hard to think through the specifics of this because it was a difficult process that requires a lot of work that does not always pay off.

Income and Expenses

Question P1 - Needed prompt to clarify gross or net. Most respondents said this section (on income) was easy because not much income.

P3-11 - Three people used worksheet extensively. Two people from memory.

Most of group thought this information might be sensitive. They stressed need for confidentiality / anonymity. Make purpose clear and who will use data.

Assets

R1 - Three people used records.

R3 - Two people (#1 and #5) defined accounts receivable as money people owe that you have a reasonable chance of collecting.

R18 - Most used worksheet and records

Liabilities

S9 - accounts payable is total you owe

S12 - all used worksheet - noted no L19 on worksheet

Equity

Four people took equity to mean assets - liabilities. One was not sure we wanted financial definition. Others took bottom line of balance sheet.

General Comments:

Sensitivity viewed as all or not at all proposition. People will probably not go through much trouble to get specific dollar amounts.

Suggested request go directly to accountant - the heads would take longer to get the information.

Some (about half) thought ranges would be better in sense that people would not need to take as much time and be more comfortable. Two people thought it would be bad to use some of each - that it would introduce mode effect and introduce error in any amount responses given. Others thought responses would be any other way.

Again, need to be clear on what reason is for data collection and how it will help them in getting loans. Four people said they would not do this over the phone.

Timing of the worksheet is important (return FedEx)

Four people agreed that giving personal information or the business information for this survey would be sensitive and that many small business owners cannot separate the two.

The group thought the worksheet was helpful and good.

Compliance will depend on explaining what purpose and benefit is. What feedback are respondents getting? Should show what came out of it.

Estimates of response rate for main study:

24%

20-24%

10%

10% would be lucky

SSBF FOCUS GROUP: S-Corporations

Respondents:

SC-1: Restaurant / Catering

SC-2: Private Practice/Dental

SC-3: Food Service / Janitorial Supply Company

SC-4: Translation Service - President/CEO

Preliminary Questions:

What liked about small business?

SC-4: Flexibility

SC-2: Personal freedom

SC-1/SC-3: Ability to do what you want

Challenges

SC-4/SC-3 Capital; right type of employees / finding reliable employees; credit, connection to banks; control over contractor; need family for sufficient capital to start because bank will not see you till established (3 years)

SC-1/SC-2 Money / making small amount of funds cover

Number of Employees

11.1 - All included selves in count. Counted checks

11.2 - All had 0

11.3 - Only 1 (compensates some in non-monetary way)

All felt that the three questions account for everyone.

Checking

E3 - One person (SC-1) looked for records but did not find them. The other three people said they knew the approximate amount that was always there.

One had multiple accounts; kept track by computer.

Savings

E4 - No savings accounts

Personal Credit Cards

All but SC-1 used

Typical meant average to all.

Yearly was 12 x monthly.

They keep track because need reimbursement.

2.3 - all felt they could easily determine the balance and the amount of payments and 2.4, the credit limits: None referred to worksheet for any of these.

Business credit cards

Only SC-1 uses business cards and uses them exclusively. SC-4 was very upset about how difficult it is to get a business card no matter how much business you give the credit cards. SC-3 gets solicitation for business cards but does not need them and does not use them. SC-2 also only uses personal credit cards because she gets the mileage points.

2.5 - 2.10: SC-1 answered these but did not use worksheet and admitted she was only guessing, but says she is confident and last time she checked a guess against records and was correct.

Lines of Credit

Only one (SC-3) used line of credit.

F10 - easy to recall (they did not use worksheet)

F11 - was able to paraphrase - also claims easy to recall

Capital leases

Needed definition and clarifying example. (Forgot question).

No one had them.

Mortgages

SC-1 and SC-2 did not use

F21 - 23 - claim easy to recall

F25 - interpreted question as balance owed

Other loans

SC-1 thought vehicle loan information would be harder to recall, but thought question referred to personal vehicle(s).

All thought all business loans would be salient enough to recall easily.

They thought the idea of actually having loans from stockholders was amusing.

MRL

Only SC-3 and SC-4 had loan applications in the reference period.

SC-4 was denied on one and approved on one.

SC-3 used worksheet for this one.

MRL22 - Two people thought it would not be difficult. One thought it was difficult because did not remember, and she was not using worksheet.

Two thought it was more sensitive than other questions because it was personal information and required a lot of information/details, because it recalled negative experiences, and because he thought our question meant sensitive to give information to the banks not to us.

Income and Expenses

P2.3 - needed prompt but no one had

P3.1 - as group, were able to produce what is in prompt

P11 - Three of four people used worksheet to get this one. SC-1 and SC-2 needed other records (tax) as well. SC-2 did additional calculations.

All felt that respondents would give the information but SC-3 suggested and some agreed that some respondents might lie.

Assets

R1 - SC-4 thought this had been asked before (confused it with total income).

R3 - SC-1 and SC-3 used worksheet

R5 and R7 - SC-1 and SC-3 used worksheet

R9 - No one has

R11 - R16 - one person referred to worksheet

R18 - SC-1 and SC-3 referred to worksheet and records, but none reported problems and all felt there would be no problem getting respondents to give information because is on balance sheet.

S2 - S5 - SC-1 and SC-3 referred to worksheets

Equity

S14 - SC-4 worth of company; SC-3 amount you own versus what you owe; no one else offered definition

(need to check response forms; it is not clear what they did)

General comments:

Again stressed the need to convey what benefit is for respondent.

SC-2 said, and the others agreed, that there would be a definite reluctance to give the financial information over the phone. Compensation would not matter for some of the information but for other information it might. Would not do it for \$50.

Felt the worksheet made it easier and they would not have know the information otherwise.

Three people, all but SC-2, would be more reluctant to give personal information.

Estimated response rates for main study

10%

1% - 5%

5% - 10%

5%

Appendix 2

Transcription of Cognitive Interviews

Please reference the ancillary document entitled: ***Cognitive Interview Transcript.***

Appendix 3

Worksheets

Survey of Small Business Finances Worksheet (C-Corporation)

Sponsored by the Federal Reserve Board

Conducted by the National Opinion Research Center
at the University of Chicago

Dear Small Business Owner:

Thank you in advance for participating in the Survey of Small Business Finances (SSBF). Your valuable contribution to this important study will help the Federal Reserve Board better understand the needs of small businesses like yours. With a better understanding of the experiences of small businesses and their owners, public policy affecting the cost and availability of financial services can be more accurately evaluated and enacted.

We appreciate your cooperation and understand that your time is valuable. In order to make the interview as effective as possible, we have developed this worksheet which reflects the specific 1997 financial information that will be addressed in the Survey of Small Business Finances. Completing this worksheet prior to the interview will make answering the survey easier and less time consuming for you.

If they are available to you, the following records will be useful in completing this worksheet:

1997 Bank Statements
1997 Income Tax Returns
1997 Balance Sheets
1997 Income Statements

You have reported to us that your business is a **Corporation or C-Corporation**, that is a business that has been granted a state charter recognizing it as a separate legal entity having its own rights, privileges, and liabilities distinct from those of the individuals that form the business.

To be as useful as possible, the following worksheet questions are targeted to corporations. If for some reason a question doesn't happen to apply to your specific business simply write in "NA" for not applicable and go to the next question.

Additionally, we've included a glossary of financial definitions at the end of this worksheet.

Should you have any questions regarding the survey or this worksheet, please call 1-773-759-4024, or send me an E-mail message at haggerty@norcmail.uchicago.edu. Thank you again for completing this worksheet and contributing your unique perspective to the Survey of Small Business Finances.

Sincerely,

Catherine Haggerty
SSBF Project Director
NORC at the University of Chicago

FINANCIAL INSTITUTIONS AND OTHER SOURCES OF FINANCING

Please list **all** the financial institutions or sources that your firm uses to obtain financial services.

Financial services include checking, savings, loans, credit card receipt processing, wire transfers, sweep accounts, and coin and currency, night depository, lock box and cash management services.

To reduce the amount of information you need to provide, we are only asking for:

- 1) The name of the institution or other source of financing, and
- 2) The ZIP Code for the office or branch you use most often.

Note: *Typical financial institutions and sources are banks, savings banks, credit unions, finance companies, leasing companies, mortgage banks, insurance companies, brokerage and mutual fund companies, and savings and loan associations. Additional sources of finance may include owners, family and friends, venture capital and other business firms, the Small Business Administration (SBA) and other government lending agencies. Please include all of these that apply below.*

1) Full Name of Financial Institution	2) ZIP Code of "Most Often Used" Branch
Example: <i>First National Bank of Chicago</i>	6 0 6 2 3
1.	
2.	
3.	
4.	
5.	
6.	
7.	
8.	
9.	
10.	
11.	
12.	

FINANCIAL SERVICES

We need to know which financial services you received at each of the financial institutions that you just listed on Page 1. Please complete one set of questions **for each** financial institution listed.

If you recall any additional financial institutions while completing the "Financial Services" questions, please add them to the list on Page 1 and continue with the "Financial Services" questions.

Please complete the "Financial Services" questions listed below for the **first** financial Institution you listed on Page 1.

Note: If you have more than 3 financial institutions or sources listed on Page 1, please use the additional "FINANCIAL SERVICES" pages enclosed.

Institution # 1			
Checking Account?	NO ↓	YES ⇒	Balance at year end 1997? \$ _____
Savings Account?	NO ↓	YES ⇒	Balance at year end 1997? \$ _____
Lines of Credit or Revolving Credit Agreement? <i>(Do not include credit cards)</i>	NO ↓	YES ⇒	Number of credit lines: # _____ Total Credit Limit: \$ _____ Balance at year end 1997: \$ _____
Capital Lease?	NO ↓	YES ⇒	Number of leases: # _____ Total amount of principal owed at year end 1997: \$ _____
Mortgage?	NO ↓	YES ⇒	Number of mortgages: # _____ Total amount of principal owed at year end 1997: \$ _____
Motor Vehicle Loan?	NO ↓	YES ⇒	Number of loans: # _____ Total amount of principal owed at year end 1997: \$ _____
Loans Secured by Equipment or Installment Purchase of Equipment?	NO ↓	YES ⇒	Number of loans: # _____ Total amount of principal owed at year end 1997: \$ _____
Other Loan?	NO ↓	YES ⇒	Number of loans: # _____ Total amount of principal owed at year end 1997: \$ _____

FINANCIAL SERVICES, Continued

Please complete the financial services questions listed below for the **second** Financial Institution you listed on Page 1.

Institution # 2		
Checking Account?	NO ↓ YES ⇒	Balance at year end 1997? \$ _____
Savings Account?	NO ↓ YES ⇒	Balance at year end 1997? \$ _____
Lines of Credit or Revolving Credit Agreement?	NO ↓ YES ⇒	Number of credit lines: # _____ Total Credit Limit: \$ _____ Balance at year end 1997: \$ _____
Capital Lease?	NO ↓ YES ⇒	Number of leases: # _____ Total amount of principal owed at year end 1997: \$ _____
Mortgage?	NO ↓ YES ⇒	Number of mortgages: # _____ Total amount of principal owed at year end 1997: \$ _____
Motor Vehicle Loan?	NO ↓ YES ⇒	Number of loans: # _____ Total amount of principal owed at year end 1997: \$ _____
Loans Secured by Equipment or Installment Purchase of Equipment?	NO ↓ YES ⇒	Number of loans: # _____ Total amount of principal owed at year end 1997: \$ _____
Other Loan?	NO ↓ YES ⇒	Number of loans: # _____ Total amount of principal owed at year end 1997: \$ _____

FINANCIAL SERVICES, Continued

Please complete the financial services questions listed below for the **third** Financial Institution you listed on Page 1.

Note: If you have more than 3 financial institutions or sources listed on Page 1, use the additional "FINANCIAL SERVICES" pages enclosed. Please complete a page for each financial institution you have listed on Page 1.

Institution # 3			
Checking Account?	NO ↓	YES ⇒	Balance at year end 1997? \$ _____
Savings Account?	NO ↓	YES ⇒	Balance at year end 1997? \$ _____
Lines of Credit or Revolving Credit Agreement?	NO ↓	YES ⇒	Number of credit lines: # _____ Total Credit Limit: \$ _____ Balance at year end 1997: \$ _____
Capital Lease?	NO ↓	YES ⇒	Number of leases: # _____ Total amount of principal owed at year end 1997: \$ _____
Mortgage?	NO ↓	YES ⇒	Number of mortgages: # _____ Total amount of principal owed at year end 1997: \$ _____
Motor Vehicle Loan?	NO ↓	YES ⇒	Number of loans: # _____ Total amount of principal owed at year end 1997: \$ _____
Loans Secured by Equipment or Installment Purchase of Equipment?	NO ↓	YES ⇒	Number of loans: # _____ Total amount of principal owed at year end 1997: \$ _____
Other Loan?	NO ↓	YES ⇒	Number of loans: # _____ Total amount of principal owed at year end 1997: \$ _____

CREDIT CARD USAGE

These next questions are about credit cards -- such as American Express, Visa, or MasterCard, and gas station, airline, or rental car cards -- that are used to pay for business expenses.

Please do not include debit cards, which are cards that directly access the cash in a checking account or credit line and can be used at automated teller machines (ATMs).

PERSONAL CREDIT CARDS USED FOR BUSINESS

1. Did your business use owners' personal credit cards to pay for business expenses during 1997?
(*please circle one*)

NO ==> Please go to Question 2 below

YES ==> Please go to Questions 1a and 1b

- 1a. During an average month, about how much did the business charge to the owners' personal credit cards in new expenses?

Amount: \$ _____

- 1b. After payments were made, what was the balance of business charges on all owners' personal credit cards at the end of an average month?

Amount: \$ _____

BUSINESS, CORPORATE OR PURCHASING CREDIT CARDS

2. Did your business use business, corporate or purchasing credit cards to pay for business expenses during 1997? Please do not include trade credit or revolving lines of credit. (*please circle one*)

NO ==> Please go to the next page

YES ==> Please go to Questions 2a and 2b

- 2a. During an average month, about how much did the business charge to the owners' business, corporate or purchasing credit cards in new expenses?

Amount: \$ _____

- 2b. After payments were made, what was the balance of charges on all business credit cards at the end of an average month?

Amount: \$ _____

FINANCIAL RECORDS DATA

Many of following items may be obtained from your **1997 1120 or 1120A** income tax form. Please answer the questions in reference to your firm's 1997 Fiscal Year End or December 31, 1997.

If your firm was not under the current ownership for all of 1997, please indicate the date on which ownership began: **Month:** _____ **1997**

Item and Description	Line Number 1120 or 1120A	Amount
Total Sales from 1997. Total sales less amounts for returned merchandise. Also called "gross receipts or sales less returns and allowances." It can be a positive or negative amount. Please put parentheses around negative amounts.	1c	\$ _____
Total Sales from 1996. Total sales less amounts for returned merchandise. If the firm was not in business in 1996, please write in "NA" for not applicable. Please put parentheses around negative amounts.	1c	\$ _____
Total Amount of Other Income. This amount is any other business income the firm may have had that was not included in gross receipts or sales, such as federal and state gasoline tax refunds or a fuel tax credit or refund; this amount might also include income from the business's investments, such as securities or rental property.	4+5+6+7+8+9+10	\$ _____
Total Costs of Conducting Business. The direct cost of producing or purchasing the product sold to customers, <u>and</u> including selling and administrative expenses, interest expenses, and other deductions.	2+27 in 1120 2+23 in 1120A	\$ _____
Taxable Income for 1997. Taxable income is the total amount of income less the total amount of deductions. The total amount of deductions includes any net operating loss or special deductions.	28 in 1120 24 in 1120A	\$ _____
Total Dollar Amount of Cash Holdings. This includes the amount of cash on hand, in checking, savings, money market accounts, certificates of deposit (CDs), and other time deposits. This can be a positive or negative amount. Please put parentheses around negative amounts.	1d--1120, Schedule L 1b--1120A, Part 3	\$ _____
Dollar Amount of Accounts Receivable and Trade Notes Less Allowance for Bad Debts. Money owed to the firm by customers who bought goods or services on account.	2b(d)--1120, Schedule L 2a(b) - 2b(b)--1120A, Part 3	\$ _____
Total Value of Business's Inventories. Merchandise held for sale or materials for production such as raw materials, work in progress, or finished goods.	3d--1120, Schedule L 3b--1120A, Part 3	\$ _____
Total Value of Stocks, Bonds, Prepaid Expenses, and Other Current Assets. <u>Bonds</u> include Treasury bonds and bills, bonds issued by federally sponsored credit agencies or corporations, and municipal bonds; <u>stocks</u> include publicly traded stocks held as temporary investment (do not include long term investment stock); <u>prepaid expenses</u> are payments made in advance but have not been used as of year end 1997, such as rent or taxes; <u>other current assets</u> are any other assets that can be converted to cash, sold or used up within a year through normal operations.	4d+5d+6d --1120, Schedule L 4b+5b+6b --1120A, Part 3	\$ _____

Item and Description	Line Number 1120 or 1120A	Amount
Total Value of Other Investments. This is money <u>owed</u> to the firm for mortgages, real estate, or other investments your business might have; these investments were purchased with the intent to generate a return.	7d+8d+9d --1120, Schedule L 7b+8b --1120A, Part 3	\$ _____
Net Book Value of Land. This is the purchase price of the land at the time it was acquired.	12d --1120, Schedule L 10b --1120A, Part 3	\$ _____
Net Book Value of Depreciable, Depletable, and Intangible Assets (including buildings). The acquisition cost minus any accumulated depreciation, depletion, and amortization.	10b(d)+11b(d)+13b(d) --1120, Schedule L 9b(b)--1120A, Part 3	\$ _____
Book Value of Other Assets Not Yet Described. These assets might be insurance, security deposits, notes receivable or savings deposits. Type and Book Value of the 3 Largest Other Assets. <i>Please describe:</i> 1. _____ 2. _____ 3. _____	14d --1120, Schedule L 11b --1120A, Part 3	\$ _____ \$ _____ \$ _____ \$ _____
Total Dollar Amount of All Assets.	15d --1120A, Schedule L 12b --1120A, Part 3	\$ _____
Total Amount Owed on All Loans, Mortgages, Notes and Bonds. Combined short and long term loans, mortgages, notes, and bonds; including any loans from stockholders.	17d+19d+20d--1120, Schedule L 15b+16b --1120A, Part 3	\$ _____
Total Amount of Accounts Payable. Money owed to suppliers for purchases the firm made on account.	16d --1120, Schedule L 13b --1120A, Part 3	\$ _____
Total Amount of Other Current Liabilities. e.g., accrued expenses, taxes payable, prepayments, deposits or advances from customers.	18d --1120, Schedule L 14b --1120A, Part 3	\$ _____
Total Amount Owed on Other Debts or Liabilities Not Yet Discussed. Type and Amount of the 3 Largest Other Liabilities. <i>Please describe:</i> 1. _____ 2. _____ 3. _____	21d --1120, Schedule L 17b --1120A, Part 3	\$ _____ \$ _____ \$ _____ \$ _____
Total Dollar Amount of All Debts and Liabilities.	16d+17d+18d+20d+21d --1120, Schedule L 13b+14b+15b+16b+17b --1120A, Part 3	\$ _____
Total Amount of Shareholders' Equity. Shareholders' equity is the dollar-value sum of common and preferred stock, additional paid-in-capital, and retained earnings, less the cost of any treasury stock.	22b(d)+23d+24d+25d+26d- 27d --1120, Schedule L 18b+19b+20b+21b-22b --1120A, Part 3	\$ _____

FINANCIAL DEFINITIONS

Accrued Expense: Expenses that have been incurred but not yet paid such as salaries, taxes, and interest.

Any other income: This amount is any other business income the firm may have had that was not included in gross receipts or sales, such as federal and state gasoline tax refunds or a fuel tax credit or refund; this amount might also include income from the business's investments, such as securities or rental property.

Capital leases: Capital leases satisfy one of the following conditions: (1) the lease transfers ownership of the asset at the end of the lease term; (2) the lease contains an option for a bargain purchase of the asset, (3) the lease term extends over most of the economic life of the asset, or (4) the lease requires rental payments that approximate the fair market value of the leased asset.

Checking accounts: Money Market Deposit Accounts (MMDAs) and Money Market Mutual Funds (MMFs) should be classified as checking accounts only if they offer unlimited checking privileges. Typical limitations on checking would include restrictions on the number of checks written per month or on the smallest amount for which a check could be written.

Collateral: Any business or personal property pledged as security that can be taken by the lender should the borrower fail to repay the debt.

Cost of goods or services sold: The cost of goods or services sold is calculated by summing (1) the value of beginning-year inventory, (2) purchases less the cost of items withdrawn for personal use, (3) the cost of labor, materials and supplies, and (4) other costs subtracting year-end inventory. These expenses are subtracted from gross profit and other income to determine the firm's [net profit or loss/ordinary income from business activities/taxable income], such as salaries, business expenses, overhead, depreciation, and other expenses.

Depletable assets: Include natural resources such as mines, timberlands, and oil wells.

Depreciable assets: Assets that wear out as they are used or whose usefulness decreases over time.

Discount: Typically, a discount is a specified percentage reduction in the amount of a bill if the bill is paid within a specified period of time.

Equity: The value of a business, less its liabilities; includes common stock, preferred stock, convertible preferred stock, subordinated debt with warrants, and convertible subordinated debt.

Intangible Assets: Include patents, copyrights, franchises, and good will.

Liability: Moneys owed; debts or financial obligation.

Lines of credit or revolving credit: Lines of credit and revolving credit agreements are arrangements with a financial institution that allow a firm to borrow funds during a specified period up to a specified credit limit. Include home equity lines of credit if the funds obtained were used for business purposes.

Ordinary income or loss: Ordinary income or loss is the total amount of income or loss less the total amount of deductions.

Other current liabilities: Any other debts that are due within a year such as dividends declared but not yet paid.

Other investments: Any items not yet discussed that were purchased with the intent to generate a return on the invested capital. Examples are investments in other companies, artwork or other property designed to appreciate. Prepayments and deposits.

Taxable income: Taxable income is the total amount of income less the total amount of deductions. The total amount of deductions includes any net operating loss or special deductions.

Taxes payable: Taxes that are owed but not yet paid such as property, payroll, or income tax.

Total sales: Gross receipts or sales less returns and allowances.

Trade credit: Trade credit refers to purchases on account. The firm pays suppliers after delivery rather than before or at the time of delivery. Sometimes the supplier offers a discount for prompt payment.

Survey of Small Business Finances Worksheet (S-Corporation)

Sponsored by the Federal Reserve Board

Conducted by the National Opinion Research Center
at the University of Chicago



Dear Small Business Owner:

Thank you in advance for participating in the Survey of Small Business Finances. Your valuable contribution to this important study will help the Federal Reserve Board better understand the needs of small businesses like yours. With a better understanding of the experiences of small businesses and their owners, public policy affecting the cost and availability of financial services can be more accurately evaluated and enacted.

We appreciate your cooperation and understand that your time is valuable. In order to make the interview as effective as possible, we have developed this worksheet which reflects the specific 1997 financial information that will be addressed in the Survey of Small Business Finances. Completing this worksheet prior to the interview will make answering the survey easier and less time consuming for you.

If they are available to you, the following records will be useful in completing this worksheet:

1997 Bank Statements
1997 Income Tax Returns
1997 Balance Sheets
1997 Income Statements

You have reported to us that your business is an **S-Corporation**, that is a corporation that does not pay tax on its income. To qualify for S-Corporation status, the firm 1) must be a U.S. corporation, 2) must have only one class of stock and no more than 75 shareholders, and 3) may not have certain organizations or non-U.S. citizens as shareholders.

To be as useful as possible, the following worksheet questions are targeted to S-corporations. If for some reason a question doesn't happen to apply to your specific business simply write in "NA" for not applicable and go to the next question.

Additionally, we've included a glossary of financial definitions at the end of this worksheet.

Should you have any questions regarding the survey or this worksheet, please call 1-312-759-4024, or send me an E-mail message at haggerty@norcmil.uchicago.edu. Thank you again for completing this worksheet and contributing your unique perspective to the Survey of Small Business Finances.

Sincerely,

Catherine Haggerty
SSBF Project Director
NORC at the University of Chicago

FINANCIAL INSTITUTIONS AND OTHER SOURCES OF FINANCING

Please list **all** the financial institutions or sources that your firm uses to obtain financial services.

Financial services include checking, savings, loans, credit card receipt processing, wire transfers, sweep accounts, and coin and currency, night depository, lock box and cash management services.

To reduce the amount of information you need to provide, we are only asking for

- 1) The name of the institution or other source of financing, and
- 2) The ZIP Code for the office or branch you use most often.

Note: *Typical financial institutions and sources are banks, savings banks, credit unions, finance companies, leasing companies, mortgage banks, insurance companies, brokerage and mutual fund companies, and savings and loan associations. Additional sources of finance may include owners, family and friends, venture capital and other business firms, the Small Business Administration (SBA) and other government lending agencies. Please include all of these that apply below.*

1) Full Name of Financial Institution	2) ZIP Code of "Most Often Used" Branch
Example: <i>First National Bank of Chicago</i>	6 0 6 2 3
1.	
2.	
3.	
4.	
5.	
6.	
7.	
8.	
9.	
10.	
11.	
12.	

FINANCIAL SERVICES

We need to know which financial services you received at each of the financial institutions that you just listed on Page 1. Please complete one set of questions **for each** financial institution listed.

If you recall any additional financial institutions while completing the "Financial Services" questions, please add them to the list on Page 1 and continue with the "Financial Services" questions.

Please complete the "Financial Services" questions listed below for the **first** financial Institution you listed on Page 1.

Note: If you have more than 3 financial institutions or sources listed on Page 1, please use the additional "FINANCIAL SERVICES" pages enclosed.

Institution # 1			
Checking Account?	NO ↓	YES ⇒	Balance at year end 1997? \$ _____
Savings Account?	NO ↓	YES ⇒	Balance at year end 1997? \$ _____
Lines of Credit or Revolving Credit Agreement? <i>(Do not include credit cards)</i>	NO ↓	YES ⇒	Number of credit lines: # _____ Total Credit Limit: \$ _____ Balance at year end 1997: \$ _____
Capital Lease?	NO ↓	YES ⇒	Number of leases: # _____ Total amount of principal owed at year end 1997: \$ _____
Mortgage?	NO ↓	YES ⇒	Number of mortgages: # _____ Total amount of principal owed at year end 1997: \$ _____
Motor Vehicle Loan?	NO ↓	YES ⇒	Number of loans: # _____ Total amount of principal owed at year end 1997: \$ _____
Loans Secured by Equipment or Installment Purchase of Equipment?	NO ↓	YES ⇒	Number of loans: # _____ Total amount of principal owed at year end 1997: \$ _____
Other Loan?	NO ↓	YES ⇒	Number of loans: # _____ Total amount of principal owed at year end 1997: \$ _____

FINANCIAL SERVICES, Continued

Please complete the financial services questions listed below for the **second** Financial Institution you listed on Page 1.

Institution # 2			
Checking Account?	NO ↓	YES ⇒	Balance at year end 1997? \$ _____
Savings Account?	NO ↓	YES ⇒	Balance at year end 1997? \$ _____
Lines of Credit or Revolving Credit Agreement?	NO ↓	YES ⇒	Number of credit lines: # _____ Total Credit Limit: \$ _____ Balance at year end 1997: \$ _____
Capital Lease?	NO ↓	YES ⇒	Number of leases: # _____ Total amount of principal owed at year end 1997: \$ _____
Mortgage?	NO ↓	YES ⇒	Number of mortgages: # _____ Total amount of principal owed at year end 1997: \$ _____
Motor Vehicle Loan?	NO ↓	YES ⇒	Number of loans: # _____ Total amount of principal owed at year end 1997: \$ _____
Loans Secured by Equipment or Installment Purchase of Equipment?	NO ↓	YES ⇒	Number of loans: # _____ Total amount of principal owed at year end 1997: \$ _____
Other Loan?	NO ↓	YES ⇒	Number of loans: # _____ Total amount of principal owed at year end 1997: \$ _____

FINANCIAL SERVICES, Continued

Please complete the financial services questions listed below for the **third** Financial Institution you listed on Page 1.

Note: If you have more than 3 financial institutions or sources listed on Page 1, use the additional "FINANCIAL SERVICES" pages enclosed. Please complete a page for each financial institution you have listed on Page 1.

Institution # 3		
Checking Account?	NO ↓ YES ⇒	Balance at year end 1997? \$ _____
Savings Account?	NO ↓ YES ⇒	Balance at year end 1997? \$ _____
Lines of Credit or Revolving Credit Agreement?	NO ↓ YES ⇒	Number of credit lines: # _____ Total Credit Limit: \$ _____ Balance at year end 1997: \$ _____
Capital Lease?	NO ↓ YES ⇒	Number of leases: # _____ Total amount of principal owed at year end 1997: \$ _____
Mortgage?	NO ↓ YES ⇒	Number of mortgages: # _____ Total amount of principal owed at year end 1997: \$ _____
Motor Vehicle Loan?	NO ↓ YES ⇒	Number of loans: # _____ Total amount of principal owed at year end 1997: \$ _____
Loans Secured by Equipment or Installment Purchase of Equipment?	NO ↓ YES ⇒	Number of loans: # _____ Total amount of principal owed at year end 1997: \$ _____
Other Loan?	NO ↓ YES ⇒	Number of loans: # _____ Total amount of principal owed at year end 1997: \$ _____

CREDIT CARD USAGE

These next questions are about credit cards -- such as American Express, Visa, or MasterCard, and gas station, airline, or rental car cards -- that are used to pay for business expenses.

Please do not include debit cards, which are cards that directly access the cash in a checking account or credit line and can be used at automated teller machines (ATMs).

PERSONAL CREDIT CARDS USED FOR BUSINESS

1. Did your business use owners' personal credit cards to pay for business expenses during 1997?
(*please circle one*)

NO ==> Please go to Question 2 below

YES ==> Please go to Questions 1a and 1b

- 1a. During an average month, about how much did the business charge to the owners' personal credit cards in new expenses?

Amount: \$ _____

- 1b. After payments were made, what was the balance of business charges on all owners' personal credit cards at the end of an average month?

Amount: \$ _____

BUSINESS, CORPORATE OR PURCHASING CREDIT CARDS

2. Did your business use business, corporate or purchasing credit cards to pay for business expenses during 1997? Please do not include trade credit or revolving lines of credit. (*please circle one*)

NO ==> Please go to the next page

YES ==> Please go to Questions 2a and 2b

- 2a. During an average month, about how much did the business charge to the owners' business, corporate or purchasing credit cards in new expenses?

Amount: \$ _____

- 2b. After payments were made, what was the balance of charges on all business credit cards at the end of an average month?

Amount: \$ _____

FINANCIAL RECORDS DATA

Many of following items may be obtained from your **1997 1120S** income tax form. Please answer the questions in reference to your firm's 1997 Fiscal Year End or December 31, 1997.

If your firm was not under the current ownership for all of 1997, please indicate the date on which ownership began: **Month:** _____ **1997**

Item and Description	Line Number from 1120S	Amount
Total Sales from 1997. Total sales less amounts for returned merchandise. Also called "gross receipts or sales less returns and allowances." It can be a positive or negative amount. Please put parentheses around negative amounts.	1c	\$ _____
Total Sales from 1996. Total sales less amounts for returned merchandise. If the firm was not in business in 1996, please write in "NA" for not applicable. Please put parentheses around negative amounts.	1c	\$ _____
Total Amount of Other Income. This amount is any other business income the firm may have had that was not included in gross receipts or sales, such as federal and state gasoline tax refunds or a fuel tax credit or refund; this amount might also include income from the business's investments, such as securities or rental property.	4+5 plus 2+3c+4a+4b+4c+4d +4e(2) +4f+5b+6+17+18, Schedule K	\$ _____
Total Costs of Conducting Business. The direct cost of producing or purchasing the product sold to customers, <u>and</u> including selling and administrative expenses, interest expenses, and other deductions.	2+20 plus 7+8+9+10+11a+ 15e+16b+19, Schedule K	\$ _____
Ordinary Income or Loss. Ordinary income or loss is the total amount of income or loss less the total amount of deductions.	21	\$ _____
Total Dollar Amount of Cash Holdings. This includes the amount of cash on hand, in checking, savings, money market accounts, certificates of deposit (CDs), and other time deposits. This can be a positive or negative amount. Please put parentheses around negative amounts.	1d, Schedule L	\$ _____
Dollar Amount of Accounts Receivable and Trade Notes Less Allowance for Bad Debts. Money owed to the firm by customers who bought goods or services on account.	2b(d), Schedule L	\$ _____
Total Value of Business's Inventories. Merchandise held for sale or materials for production such as raw materials, work in progress, or finished goods.	3d, Schedule L	\$ _____
Total Value of Stocks, Bonds, Prepaid Expenses, and Other Current Assets. <u>Bonds</u> include Treasury bonds and bills, bonds issued by federally sponsored credit agencies or corporations, and municipal bonds; <u>stocks</u> include publicly traded stocks held as temporary investment (do not include long term investment stock); <u>prepaid expenses</u> are payments made in advance but have not been used as of year end 1997, such as rent or taxes; <u>other current assets</u> are any other assets that can be converted to cash, sold or used up within a year through normal operations.	4d+5d+6d, Schedule L	\$ _____

Item and Description	Line Number from 1120S	Amount
Total Value of Other Investments. This is money <u>owed</u> to the firm for mortgages, real estate, or other investments your business might have; these investments were purchased with the intent to generate a return.	7d+8d+9d, Schedule L	\$ _____
Net Book Value of Land. This is the purchase price of the land at the time it was acquired.	12d, Schedule L	\$ _____
Net Book Value of Depreciable, Depletable, and Intangible Assets (including buildings). The acquisition cost minus any accumulated depreciation, depletion, and amortization.	10b(d)+11b(d)+13b(d), Schedule L	\$ _____
Book Value of Other Assets Not Yet Described. These assets might be insurance, security deposits, notes receivable or savings deposits. Type and Book Value of the 3 Largest Other Assets. <i>Please describe:</i> 1. _____ 2. _____ 3. _____	14d, Schedule L	\$ _____ \$ _____ \$ _____
Total Dollar Amount of All Assets.	15d, Schedule L	\$ _____
Total Amount Owed on All Loans, Mortgages, Notes and Bonds. Combined short and long term loans, mortgages, notes, and bonds; including any loans from stockholders.	17d+19d+20d, Schedule L	\$ _____
Total Amount of Accounts Payable. Money owed to suppliers for purchases the firm made on account.	16d, Schedule L	\$ _____
Total Amount of Other Current Liabilities. e.g., accrued expenses, taxes payable, prepayments, deposits or advances from customers.	18d, Schedule L	\$ _____
Total Amount Owed on Other Debts or Liabilities Not Yet Discussed. Type and Amount of the 3 Largest Other Liabilities. <i>Please describe:</i> 1. _____ 2. _____ 3. _____	21d, Schedule L	\$ _____ \$ _____ \$ _____
Total Dollar Amount of All Debts and Liabilities.	16d+17d+18d+19d+20d+21d Schedule L	\$ _____
Total Amount of Shareholders' Equity. Shareholders' equity is the dollar-value sum of common and preferred stock, additional paid-in-capital, and retained earnings, less the cost of any treasury stock.	22d+23d+24d+25d-26d, Schedule L	\$ _____

FINANCIAL DEFINITIONS

Accrued Expense: Expenses that have been incurred but not yet paid such as salaries, taxes, and interest.

Any other income: This amount is any other business income the firm may have had that was not included in gross receipts or sales, such as federal and state gasoline tax refunds or a fuel tax credit or refund; this amount might also include income from the business's investments, such as securities or rental property.

Capital leases: Capital leases satisfy one of the following conditions: (1) the lease transfers ownership of the asset at the end of the lease term; (2) the lease contains an option for a bargain purchase of the asset, (3) the lease term extends over most of the economic life of the asset, or (4) the lease requires rental payments that approximate the fair market value of the leased asset.

Checking accounts: Money Market Deposit Accounts (MMDAs) and Money Market Mutual Funds (MMFs) should be classified as checking accounts only if they offer unlimited checking privileges. Typical limitations on checking would include restrictions on the number of checks written per month or on the smallest amount for which a check could be written.

Collateral: Any business or personal property pledged as security that can be taken by the lender should the borrower fail to repay the debt.

Cost of goods or services sold: The cost of goods or services sold is calculated by summing (1) the value of beginning-year inventory, (2) purchases less the cost of items withdrawn for personal use, (3) the cost of labor, materials and supplies, and (4) other costs subtracting year-end inventory. These expenses are subtracted from gross profit and other income to determine the firm's [net profit or loss/ordinary income from business activities/taxable income], such as salaries, business expenses, overhead, depreciation, and other expenses.

Depletable assets: Include natural resources such as mines, timberlands, and oil wells.

Depreciable assets: Assets that wear out as they are used or whose usefulness decreases over time.

Discount: Typically, a discount is a specified percentage reduction in the amount of a bill if the bill is paid within a specified period of time.

Equity: The value of a business's assets, less its liabilities; includes common stock, preferred stock, convertible preferred stock, subordinated debt with warrants, and convertible subordinated debt.

Intangible Assets: Include patents, copyrights, franchises, and good will.

Liability: Moneys owed; debts or financial obligation.

Lines of credit or revolving credit: Lines of credit and revolving credit agreements are arrangements with a financial institution that allow a firm to borrow funds during a specified period up to a specified credit limit. Include home equity lines of credit if the funds obtained were used for business purposes.

Ordinary income or loss: Ordinary income or loss is the total amount of income or loss less the total amount of deductions.

Other current liabilities: Any other debts that are due within a year such as dividends declared but not yet paid.

Other investments: Any items not yet discussed that were purchased with the intent to generate a return on the invested capital. Examples are investments in other companies, artwork or other property designed to appreciate. Prepayments, and deposits.

Taxable income: Taxable income is the total amount of income less the total amount of deductions. The total amount of deductions includes any net operating loss or special deductions.

Taxes payable: Taxes that are owed but not yet paid such as property, payroll, or income tax.

Total sales: Gross receipts or sales less returns and allowances.

Trade credit: Trade credit refers to purchases on account. The firm pays suppliers after delivery rather than before or at the time of delivery. Sometimes the supplier offers a discount for prompt payment.

Survey of Small Business Finances Worksheet (Sole Proprietorship)

Sponsored by the Federal Reserve Board

Conducted by the National Opinion Research Center
at the University of Chicago

[REDACTED]

Dear Small Business Owner:

Thank you in advance for participating in the Survey of Small Business Finances. Your valuable contribution to this important study will help the Federal Reserve Board better understand the needs of small businesses like yours. With a better understanding of the experiences of small businesses and their owners, public policy affecting the cost and availability of financial services can be more accurately evaluated and enacted.

We appreciate your cooperation and understand that your time is valuable. In order to make the interview as effective as possible, we have developed this worksheet which reflects the specific 1997 financial information that will be addressed in the Survey of Small Business Finances. Completing this worksheet prior to the interview will make answering the survey easier and less time consuming for you.

If they are available to you, the following records will be useful in completing this worksheet:

1997 Bank Statements
1997 Income Tax Returns
1997 Balance Sheets
1997 Income Statements

You have reported to us that your business is a **sole proprietorship**, that is an unincorporated business owned by you alone. In a sole proprietorship, the individual owner has the right to all the profits from the business and also the responsibility for the all the business's liabilities.

To be as useful as possible, the following worksheet questions are targeted to sole proprietors. If for some reason a question doesn't happen to apply to your specific business simply write in "NA" for not applicable and go to the next question.

Additionally, we have included a glossary of financial definitions at the end of this worksheet.

Should you have any questions regarding the survey or this worksheet, please call 1-312-759-4024, or send me an E-mail message at Haggerty@norcmail.uchicago.edu. Thank you again for completing this worksheet and contributing your unique perspective to the Survey of Small Business Finances.

Sincerely,

Catherine Haggerty
SSBF Project Director
NORC at the University of Chicago

FINANCIAL INSTITUTIONS AND OTHER SOURCES OF FINANCING

Please list **all** the financial institutions or sources that your firm uses to obtain financial services.

Financial services include checking, savings, loans, credit card receipt processing, wire transfers, sweep accounts, and coin and currency, night depository, lock box and cash management services.

To reduce the amount of information you need to provide, we are only asking for

- 1) The name of the institution or other source of financing, and
- 2) The ZIP Code for the office or branch you use most often.

Note: *Typical financial institutions and sources are banks, savings banks, credit unions, finance companies, leasing companies, mortgage banks, insurance companies, brokerage and mutual fund companies, and savings and loan associations. Additional sources of finance may include owners, family and friends, venture capital and other business firms, the Small Business Administration (SBA) and other government lending agencies. Please include all of these that apply below.*

1) Full Name of Financial Institution	2) ZIP Code of "Most Often Used" Branch
Example: <i>First National Bank of Chicago</i>	6 0 6 2 3
1.	
2.	
3.	
4.	
5.	
6.	
7.	
8.	
9.	
10.	
11.	
12.	

FINANCIAL SERVICES

We need to know which financial services you received at each of the financial institutions that you just listed on Page 1. Please complete one set of questions **for each** financial institution listed.

If you recall any additional financial institutions while completing the "Financial Services" questions, please add them to the list on Page 1 and continue with the "Financial Services" questions.

Please complete the "Financial Services" questions listed below for the **first** financial Institution you listed on Page 1.

Note: If you have more than 3 financial institutions or sources listed on Page 1, please use the additional "FINANCIAL SERVICES" pages enclosed.

Institution # 1			
Checking Account?	NO ↓	YES ⇒	Balance at year end 1997? \$ _____
Savings Account?	NO ↓	YES ⇒	Balance at year end 1997? \$ _____
Lines of Credit or Revolving Credit Agreement? <i>(Do not include credit cards)</i>	NO ↓	YES ⇒	Number of credit lines: # _____ Total Credit Limit: \$ _____ Balance at year end 1997: \$ _____
Capital Lease?	NO ↓	YES ⇒	Number of leases: # _____ Total amount of principal owed at year end 1997: \$ _____
Mortgage?	NO ↓	YES ⇒	Number of mortgages: # _____ Total amount of principal owed at year end 1997: \$ _____
Motor Vehicle Loan?	NO ↓	YES ⇒	Number of loans: # _____ Total amount of principal owed at year end 1997: \$ _____
Loans Secured by Equipment or Installment Purchase of Equipment?	NO ↓	YES ⇒	Number of loans: # _____ Total amount of principal owed at year end 1997: \$ _____
Other Loan?	NO ↓	YES ⇒	Number of loans: # _____ Total amount of principal owed at year end 1997: \$ _____

FINANCIAL SERVICES, Continued

Please complete the financial services questions listed below for the **second** Financial Institution you listed on Page 1.

Institution # 2			
Checking Account?	NO ↓	YES ⇒	Balance at year end 1997? \$ _____
Savings Account?	NO ↓	YES ⇒	Balance at year end 1997? \$ _____
Lines of Credit or Revolving Credit Agreement?	NO ↓	YES ⇒	Number of credit lines: # _____ Total Credit Limit: \$ _____ Balance at year end 1997: \$ _____
Capital Lease?	NO ↓	YES ⇒	Number of leases: # _____ Total amount of principal owed at year end 1997: \$ _____
Mortgage?	NO ↓	YES ⇒	Number of mortgages: # _____ Total amount of principal owed at year end 1997: \$ _____
Motor Vehicle Loan?	NO ↓	YES ⇒	Number of loans: # _____ Total amount of principal owed at year end 1997: \$ _____
Loans Secured by Equipment or Installment Purchase of Equipment?	NO ↓	YES ⇒	Number of loans: # _____ Total amount of principal owed at year end 1997: \$ _____
Other Loan?	NO ↓	YES ⇒	Number of loans: # _____ Total amount of principal owed at year end 1997: \$ _____

FINANCIAL SERVICES, Continued

Please complete the financial services questions listed below for the **third** Financial Institution you listed on Page 1.

Note: If you have more than 3 financial institutions or sources listed on Page 1, use the additional "FINANCIAL SERVICES" pages enclosed. Please complete a page for each financial institution you have listed on Page 1.

Institution # 3			
Checking Account?	NO ↓	YES ⇒	Balance at year end 1997? \$ _____
Savings Account?	NO ↓	YES ⇒	Balance at year end 1997? \$ _____
Lines of Credit or Revolving Credit Agreement?	NO ↓	YES ⇒	Number of credit lines: # _____ Total Credit Limit: \$ _____ Balance at year end 1997: \$ _____
Capital Lease?	NO ↓	YES ⇒	Number of leases: # _____ Total amount of principal owed at year end 1997: \$ _____
Mortgage?	NO ↓	YES ⇒	Number of mortgages: # _____ Total amount of principal owed at year end 1997: \$ _____
Motor Vehicle Loan?	NO ↓	YES ⇒	Number of loans: # _____ Total amount of principal owed at year end 1997: \$ _____
Loans Secured by Equipment or Installment Purchase of Equipment?	NO ↓	YES ⇒	Number of loans: # _____ Total amount of principal owed at year end 1997: \$ _____
Other Loan?	NO ↓	YES ⇒	Number of loans: # _____ Total amount of principal owed at year end 1997: \$ _____

CREDIT CARD USAGE

These next questions are about credit cards -- such as American Express, Visa, or MasterCard, and gas station, airline, or rental car cards -- that are used to pay for business expenses.

Please do not include debit cards, which are cards that directly access the cash in a checking account or credit line and can be used at automated teller machines (ATMs).

PERSONAL CREDIT CARDS USED FOR BUSINESS

1. Did your business use owners' personal credit cards to pay for business expenses during 1997?
(*please circle one*)

NO ==> Please go to Question 2 below

YES ==> Please go to Questions 1a and 1b

- 1a. During an average month, about how much did the business charge to the owners' personal credit cards in new expenses?

Amount: \$ _____

- 1b. After payments were made, what was the balance of business charges on all owners' personal credit cards at the end of an average month?

Amount: \$ _____

BUSINESS, CORPORATE OR PURCHASING CREDIT CARDS

2. Did your business use business, corporate or purchasing credit cards to pay for business expenses during 1997? Please do not include trade credit or revolving lines of credit. (*please circle one*)

NO ==> Please go to the next page

YES ==> Please go to Questions 2a and 2b

- 2a. During an average month, about how much did the business charge to the owners' business, corporate or purchasing credit cards in new expenses?

Amount: \$ _____

- 2b. After payments were made, what was the balance of charges on all business credit cards at the end of an average month?

Amount: \$ _____

FINANCIAL RECORDS DATA

Some of following items may be obtained from your **1997 1040 Schedule C** income tax form. Please answer the questions in reference to your firm's 1997 Fiscal Year End or December 31, 1997.

If your firm was not under the current ownership for all of 1997, please indicate the date on which ownership began: **Month:** _____ **1997**

Item and Description	Line Number Form 1040 Schedule C	Amount
Total Sales from 1997. Total sales less amounts for returned merchandise. Also called "gross receipts or sales less returns and allowances." It can be a positive or negative amount. Please put parentheses around negative amounts.	Line 3	\$ _____
Total Sales from 1996. Total sales less amounts for returned merchandise. If the firm was not in business in 1996, please write in "NA" for not applicable. Please put parentheses around negative amounts.	Line 3	\$ _____
Total Amount of Other Income. This amount is any other business income the firm may have had that was not included in gross receipts or sales, such as federal and state gasoline tax refunds or a fuel tax credit or refund; this amount might also include income from the business's investments, such as securities or rental property.	Line 6	\$ _____
Total Costs of Conducting Business. The direct cost of producing or purchasing the product sold to customers, <u>and</u> including selling and administrative expenses, interest expenses, and other deductions.	Sum of lines 4+28+30	\$ _____
Firm's Total Net Profit. Net profit is the firm's income after all expenses and taxes have been deducted. It can be a positive or negative amount. Please put parentheses around negative amounts.	Line 31	\$ _____
Total Dollar Amount of Cash Holdings. This includes the amount of cash on hand, in checking, savings, money market accounts, certificates of deposit (CDs), and other time deposits. This can be a positive or negative amount. Please put parentheses around negative amounts.	Not available on Tax Form	\$ _____
Dollar Amount of Accounts Receivable and Trade Notes Less Allowance for Bad Debts. Money owed to the firm by customers who bought goods or services on account.	Not available on Tax Form	\$ _____
Total Value of Business's Inventories. Merchandise held for sale or materials for production such as raw materials, work in progress, or finished goods.	Line 41	\$ _____
Total Value of Stocks, Bonds, Prepaid Expenses, and Other Current Assets. <u>Bonds</u> include Treasury bonds and bills, bonds issued by federally sponsored credit agencies or corporations, and municipal bonds; <u>stocks</u> include publicly traded stocks held as temporary investment (do not include long term investment stock); <u>prepaid expenses</u> are payments made in advance but have not been used as of year end 1997, such as rent or taxes; <u>other current assets</u> are any other assets that can be converted to cash, sold or used up within a year through normal operations.	Not available on Tax Form	\$ _____
Net Book Value of Land. This is the purchase price of the land at the time it was acquired.	Not available on Tax Form	\$ _____

Item and Description	Line Number Form 1040 Schedule C	Amount
Net Book Value of Depreciable, Depletable, and Intangible Assets (including buildings). The acquisition cost minus any accumulated depreciation, depletion, and amortization.	Not available on Tax Form	\$ _____
Book Value of Other Assets Not Yet Described. These assets might be insurance, security deposits, notes receivable or savings deposits. Type and Book Value of the 3 Largest Other Assets. <i>Please describe:</i> 1. _____ 2. _____ 3. _____	Not available on Tax Form	\$ _____ \$ _____ \$ _____
Total Dollar Amount of All Assets.	Not available on Tax Form	\$ _____
Total Amount Owed on All Loans, Mortgages, Notes and Bonds. Combined short and long term loans, mortgages, notes, and bonds; nonrecourse loans.	Not available on Tax Form	\$ _____
Total Amount of Accounts Payable. Money owed to suppliers for purchases the firm made on account.	Not available on Tax Form	\$ _____
Total Amount of Other Current Liabilities. e.g., accrued expenses, taxes payable, prepayments, deposits or advances from customers.	Not available on Tax Form	\$ _____
Total Amount Owed on Other Debts or Liabilities Not Yet Discussed. Type and Amount of the 3 Largest Other Liabilities. <i>Please describe:</i> 1. _____ 2. _____ 3. _____	Not available on Tax Form	\$ _____ \$ _____ \$ _____
Total Dollar Amount of All Debts and Liabilities.	Not available on Tax Form	\$ _____

FINANCIAL DEFINITIONS

Accrued Expense: Expenses that have been incurred but not yet paid such as salaries, taxes, and interest.

Any other income: This amount is any other business income the firm may have had that was not included in gross receipts or sales, such as federal and state gasoline tax refunds or a fuel tax credit or refund; this amount might also include income from the business's investments, such as securities or rental property.

Capital leases: Capital leases satisfy one of the following conditions: (1) the lease transfers ownership of the asset at the end of the lease term; (2) the lease contains an option for a bargain purchase of the asset, (3) the lease term extends over most of the economic life of the asset, or (4) the lease requires rental payments that approximate the fair market value of the leased asset.

Checking accounts: Money Market Deposit Accounts (MMDAs) and Money Market Mutual Funds (MMFs) should be classified as checking accounts only if they offer unlimited checking privileges. Typical limitations on checking would include restrictions on the number of checks written per month or on the smallest amount for which a check could be written.

Collateral: Any business or personal property pledged as security that can be taken by the lender should the borrower fail to repay the debt.

Cost of goods or services sold: The cost of goods or services sold is calculated by summing (1) the value of beginning-year inventory, (2) purchases less the cost of items withdrawn for personal use, (3) the cost of labor, materials and supplies, and (4) other costs subtracting year-end inventory. These expenses are subtracted from gross profit and other income to determine the firm's [net profit or loss/ordinary income from business activities/taxable income], such as salaries, business expenses, overhead, depreciation, and other expenses.

Depletable assets: Include natural resources such as mines, timberlands, and oil wells.

Depreciable assets: Assets that wear out as they are used or whose usefulness decreases over time.

Discount: Typically, a discount is a specified percentage reduction in the amount of a bill if the bill is paid within a specified period of time.

Equity: The value of a business, less its liabilities; includes common stock, preferred stock, convertible preferred stock, subordinated debt with warrants, and convertible subordinated debt.

Intangible Assets: Include patents, copyrights, franchises, and good will.

Liability: Moneys owed; debts or financial obligation.

Lines of credit or revolving credit: Lines of credit and revolving credit agreements are arrangements with a financial institution that allow a firm to borrow funds during a specified period up to a specified credit limit. Include home equity lines of credit if the funds obtained were used for business purposes.

Ordinary income or loss: Ordinary income or loss is the total amount of income or loss less the total amount of deductions.

Other current liabilities: Any other debts that are due within a year such as dividends declared but not yet paid.

Other investments: Any items not yet discussed that were purchased with the intent to generate a return on the invested capital. Examples are investments in other companies, artwork or other property designed to appreciate. Prepayments, deposits, and advances from customers: Payments made in advance by customers as evidence that they intend to buy a particular product or service.

Taxable income: Taxable income is the total amount of income less the total amount of deductions. The total amount of deductions includes any net operating loss or special deductions.

Taxes payable: Taxes that are owed but not yet paid such as property, payroll, or income tax.

Total sales: Gross receipts or sales less returns and allowances.

Trade credit: Trade credit refers to purchases on account. The firm pays suppliers after delivery rather than before or at the time of delivery. Sometimes the supplier offers a discount for prompt payment.

Survey of Small Business Finances Worksheet (Partnership)

Sponsored by the Federal Reserve Board

Conducted by the National Opinion Research Center
at the University of Chicago

Dear Small Business Owner:

Thank you in advance for participating in the Survey of Small Business Finances. Your valuable contribution to this important study will help the Federal Reserve Board better understand the needs of small businesses like yours. With a better understanding of the experiences of small businesses and their owners, public policy affecting the cost and availability of financial services can be more accurately evaluated and enacted.

We appreciate your cooperation and understand that your time is valuable. In order to make the interview as effective as possible, we have developed this worksheet which reflects the specific 1997 financial information that will be addressed in the Survey of Small Business Finances. Completing this worksheet prior to the interview will make answering the survey easier and less time consuming for you.

If they are available to you, the following records will be useful in completing this worksheet:

1997 Bank Statements
1997 Income Tax Returns
1997 Balance Sheets
1997 Income Statements

You have reported to us that your business is a **partnership**, that is an unincorporated business owned by two or more people. In a partnership, the owners have the right to all the profits from the business and also the responsibility for the all the business's liabilities.

To be as useful as possible, the following worksheet questions are targeted to partnerships. If for some reason a question doesn't happen to apply to your specific business simply write in "NA" for not applicable and go to the next question.

Additionally, we have included a glossary of financial definitions at the end of this worksheet.

Should you have any questions regarding the survey or this worksheet, please call 1-312-759-4024, or send me an E-mail message at haggerty@norcmail.uchicago.edu. Thank you again for completing this worksheet and contributing your unique perspective to the Survey of Small Business Finances.

Sincerely,

Catherine Haggerty
SSBF Project Director
NORC at the University of Chicago

FINANCIAL INSTITUTIONS AND OTHER SOURCES OF FINANCING

Please list **all** the financial institutions or sources that your firm uses to obtain financial services.

Financial services include checking, savings, loans, credit card receipt processing, wire transfers, sweep accounts, and coin and currency, night depository, lock box and cash management services.

To reduce the amount of information you need to provide, we are only asking for

- 1) The name of the institution or other source of financing, and
- 2) The ZIP Code for the office or branch you use most often.

Note: *Typical financial institutions and sources are banks, savings banks, credit unions, finance companies, leasing companies, mortgage banks, insurance companies, brokerage and mutual fund companies, and savings and loan associations. Additional sources of finance may include owners, family and friends, venture capital and other business firms, the Small Business Administration (SBA) and other government lending agencies. Please include all of these that apply below.*

1) Full Name of Financial Institution	2) ZIP Code of "Most Often Used" Branch
Example: <i>First National Bank of Chicago</i>	6 0 6 2 3
1.	
2.	
3.	
4.	
5.	
6.	
7.	
8.	
9.	
10.	
11.	
12.	

FINANCIAL SERVICES

We need to know which financial services you received at each of the financial institutions that you just listed on Page 1. Please complete one set of questions **for each** financial institution listed.

If you recall any additional financial institutions while completing the "Financial Services" questions, please add them to the list on Page 1 and continue with the "Financial Services" questions.

Please complete the "Financial Services" questions listed below for the **first** financial Institution you listed on Page 1.

Note: If you have more than 3 financial institutions or sources listed on Page 1, please use the additional "FINANCIAL SERVICES" pages enclosed.

Institution # 1			
Checking Account?	NO ↓	YES ⇒	Balance at year end 1997? \$ _____
Savings Account?	NO ↓	YES ⇒	Balance at year end 1997? \$ _____
Lines of Credit or Revolving Credit Agreement? <i>(Do not include credit cards)</i>	NO ↓	YES ⇒	Number of credit lines: # _____ Total Credit Limit: \$ _____ Balance at year end 1997: \$ _____
Capital Lease?	NO ↓	YES ⇒	Number of leases: # _____ Total amount of principal owed at year end 1997: \$ _____
Mortgage?	NO ↓	YES ⇒	Number of mortgages: # _____ Total amount of principal owed at year end 1997: \$ _____
Motor Vehicle Loan?	NO ↓	YES ⇒	Number of loans: # _____ Total amount of principal owed at year end 1997: \$ _____
Loans Secured by Equipment or Installment Purchase of Equipment?	NO ↓	YES ⇒	Number of loans: # _____ Total amount of principal owed at year end 1997: \$ _____
Other Loan?	NO ↓	YES ⇒	Number of loans: # _____ Total amount of principal owed at year end 1997: \$ _____

FINANCIAL SERVICES, Continued

Please complete the financial services questions listed below for the **second** Financial Institution you listed on Page 1.

Institution # 2			
Checking Account?	NO ↓	YES ⇒	Balance at year end 1997? \$ _____
Savings Account?	NO ↓	YES ⇒	Balance at year end 1997? \$ _____
Lines of Credit or Revolving Credit Agreement?	NO ↓	YES ⇒	Number of credit lines: # _____ Total Credit Limit: \$ _____ Balance at year end 1997: \$ _____
Capital Lease?	NO ↓	YES ⇒	Number of leases: # _____ Total amount of principal owed at year end 1997: \$ _____
Mortgage?	NO ↓	YES ⇒	Number of mortgages: # _____ Total amount of principal owed at year end 1997: \$ _____
Motor Vehicle Loan?	NO ↓	YES ⇒	Number of loans: # _____ Total amount of principal owed at year end 1997: \$ _____
Loans Secured by Equipment or Installment Purchase of Equipment?	NO ↓	YES ⇒	Number of loans: # _____ Total amount of principal owed at year end 1997: \$ _____
Other Loan?	NO ↓	YES ⇒	Number of loans: # _____ Total amount of principal owed at year end 1997: \$ _____

FINANCIAL SERVICES, Continued

Please complete the financial services questions listed below for the **third** Financial Institution you listed on Page 1.

Note: If you have more than 3 financial institutions or sources listed on Page 1, use the additional "FINANCIAL SERVICES" pages enclosed. Please complete a page for each financial institution you have listed on Page 1.

Institution # 3			
Checking Account?	NO ↓	YES ⇒	Balance at year end 1997? \$ _____
Savings Account?	NO ↓	YES ⇒	Balance at year end 1997? \$ _____
Lines of Credit or Revolving Credit Agreement?	NO ↓	YES ⇒	Number of credit lines: # _____ Total Credit Limit: \$ _____ Balance at year end 1997: \$ _____
Capital Lease?	NO ↓	YES ⇒	Number of leases: # _____ Total amount of principal owed at year end 1997: \$ _____
Mortgage?	NO ↓	YES ⇒	Number of mortgages: # _____ Total amount of principal owed at year end 1997: \$ _____
Motor Vehicle Loan?	NO ↓	YES ⇒	Number of loans: # _____ Total amount of principal owed at year end 1997: \$ _____
Loans Secured by Equipment or Installment Purchase of Equipment?	NO ↓	YES ⇒	Number of loans: # _____ Total amount of principal owed at year end 1997: \$ _____
Other Loan?	NO ↓	YES ⇒	Number of loans: # _____ Total amount of principal owed at year end 1997: \$ _____

CREDIT CARD USAGE

These next questions are about credit cards -- such as American Express, Visa, or MasterCard, and gas station, airline, or rental car cards -- that are used to pay for business expenses.

Please do not include debit cards, which are cards that directly access the cash in a checking account or credit line and can be used at automated teller machines (ATMs).

PERSONAL CREDIT CARDS USED FOR BUSINESS

1. Did your business use owners' personal credit cards to pay for business expenses during 1997?
(*please circle one*)

NO ==> Please go to Question 2 below

YES ==> Please go to Questions 1a and 1b

- 1a. During an average month, about how much did the business charge to the owners' personal credit cards in new expenses?

Amount: \$ _____

- 1b. After payments were made, what was the balance of business charges on all owners' personal credit cards at the end of an average month?

Amount: \$ _____

BUSINESS, CORPORATE OR PURCHASING CREDIT CARDS

2. Did your business use business, corporate or purchasing credit cards to pay for business expenses during 1997? Please do not include trade credit or revolving lines of credit. (*please circle one*)

NO ==> Please go to the next page

YES ==> Please go to Questions 2a and 2b

- 2a. During an average month, about how much did the business charge to the owners' business, corporate or purchasing credit cards in new expenses?

Amount: \$ _____

- 2b. After payments were made, what was the balance of charges on all business credit cards at the end of an average month?

Amount: \$ _____

FINANCIAL RECORDS DATA

Many of following items may be obtained from your **1997 1065** income tax form. Please answer the questions in reference to your firm's 1997 Fiscal Year End or December 31, 1997.

If your firm was not under the current ownership for all of 1997, please indicate the date on which ownership began: **Month:** _____ **1997**

Item and Description	Line Number from 1065	Amount
Total Sales from 1997. Total sales less amounts for returned merchandise. Also called "gross receipts or sales less returns and allowances." It can be a positive or negative amount. Please put parentheses around negative amounts.	1c	\$ _____
Total Sales from 1996. Total sales less amounts for returned merchandise. If the firm was not in business in 1996, please write in "NA" for not applicable. Please put parentheses around negative amounts.	1c	\$ _____
Total Amount of Other Income. This amount is any other business income the firm may have had that was not included in gross receipts or sales, such as federal and state gasoline tax refunds or a fuel tax credit or refund; this amount might also include income from the business's investments, such as securities or rental property.	4+5+6+7 plus 2+3c+4a+4b+4c+4d+4e(2)+ 4f+5+6b+7+19+20, Schedule K	\$ _____
Total Costs of Conducting Business. The direct cost of producing or purchasing the product sold to customers, <u>and</u> including selling and administrative expenses, interest expenses, and other deductions.	2+21 plus 8+9+10+11+14a+17e+ 18b+21, Schedule K	\$ _____
Ordinary Income or Loss. Ordinary income or loss is the total amount of income or loss less the total amount of deductions.	22	\$ _____
Total Dollar Amount of Cash Holdings. This includes the amount of cash on hand, in checking, savings, money market accounts, certificates of deposit (CDs), and other time deposits. This can be a positive or negative amount. Please put parentheses around negative amounts.	1d, Schedule L	\$ _____
Dollar Amount of Accounts Receivable and Trade Notes Less Allowance for Bad Debts. Money owed to the firm by customers who bought goods or services on account.	2b(d), Schedule L	\$ _____
Total Value of Business's Inventories. Merchandise held for sale or materials for production such as raw materials, work in progress, or finished goods.	3d, Schedule L	\$ _____
Total Value of Stocks, Bonds, Prepaid Expenses, and Other Current Assets. <u>Bonds</u> include Treasury bonds and bills, bonds issued by federally sponsored credit agencies or corporations, and municipal bonds; <u>stocks</u> include publicly traded stocks held as temporary investment (do not include long term investment stock); <u>prepaid expenses</u> are payments made in advance but have not been used as of year end 1997, such as rent or taxes; <u>other current assets</u> are any other assets that can be converted to cash, sold or used up within a year through normal operations.	4d+5d+6d, Schedule L	\$ _____
Total Value of Other Investments. This is money <u>owed to</u> the firm for mortgages, real estate, or other investments your business might have; these investments were purchased with the intent to generate a return.	7d+8d, Schedule L	\$ _____

Item and Description	Line Number from 1065	Amount
Net Book Value of Land. This is the purchase price of the land at the time it was acquired.	11d, Schedule L	\$ _____
Net Book Value of Depreciable, Depletable, and Intangible Assets (including buildings). The acquisition cost minus any accumulated depreciation, depletion, and amortization.	10b(d)+12b(d)+9b(d), Schedule L	\$ _____
Book Value of Other Assets Not Yet Described. These assets might be insurance, security deposits, notes receivable or savings deposits. Type and Book Value of the 3 Largest Other Assets. <i>Please describe:</i> 1. _____ 2. _____ 3. _____	13d, Schedule L	\$ _____ \$ _____ \$ _____
Total Dollar Amount of All Assets.	14d, Schedule L	\$ _____
Total Amount Owed on All Loans, Mortgages, Notes and Bonds. Combined short and long term loans, mortgages, notes, and bonds; nonrecourse loans.	16d+18d+19d, Schedule L	\$ _____
Total Amount of Accounts Payable. Money owed to suppliers for purchases the firm made on account.	15d, Schedule L	\$ _____
Total Amount of Other Current Liabilities. e.g., accrued expenses, taxes payable, prepayments, deposits or advances from customers.	17d, Schedule L	\$ _____
Total Amount Owed on Other Debts or Liabilities Not Yet Discussed. Type and Amount of the 3 Largest Other Liabilities. <i>Please describe:</i> 1. _____ 2. _____ 3. _____	20d, Schedule L	\$ _____ \$ _____ \$ _____
Total Dollar Amount of All Debts and Liabilities.	15d+16d+17d+18d+19d+20d, Schedule L	\$ _____
Total Amount of Partners' Equity. Sometimes referred to as the "partners' capital accounts."	21d, Schedule L	\$ _____

FINANCIAL DEFINITIONS

Accrued Expense: Expenses that have been incurred but not yet paid such as salaries, taxes, and interest.

Any other income: This amount is any other business income the firm may have had that was not included in gross receipts or sales, such as federal and state gasoline tax refunds or a fuel tax credit or refund; this amount might also include income from the business's investments, such as securities or rental property.

Capital leases: Capital leases satisfy one of the following conditions: (1) the lease transfers ownership of the asset at the end of the lease term; (2) the lease contains an option for a bargain purchase of the asset, (3) the lease term extends over most of the economic life of the asset, or (4) the lease requires rental payments that approximate the fair market value of the leased asset.

Checking accounts: Money Market Deposit Accounts (MMDAs) and Money Market Mutual Funds (MMFs) should be classified as checking accounts only if they offer unlimited checking privileges. Typical limitations on checking would include restrictions on the number of checks written per month or on the smallest amount for which a check could be written.

Collateral: Any business or personal property pledged as security that can be taken by the lender should the borrower fail to repay the debt.

Cost of goods or services sold: The cost of goods or services sold is calculated by summing (1) the value of beginning-year inventory, (2) purchases less the cost of items withdrawn for personal use, (3) the cost of labor, materials and supplies, and (4) other costs subtracting year-end inventory. These expenses are subtracted from gross profit and other income to determine the firm's [net profit or loss/ordinary income from business activities/taxable income], such as salaries, business expenses, overhead, depreciation, and other expenses.

Depletable assets: Include natural resources such as mines, timberlands, and oil wells.

Depreciable assets: Assets that wear out as they are used or whose usefulness decreases over time.

Discount: Typically, a discount is a specified percentage reduction in the amount of a bill if the bill is paid within a specified period of time.

Equity: The value of a business's assets, less its liabilities; includes common stock, preferred stock, convertible preferred stock, subordinated debt with warrants, and convertible subordinated debt.

Intangible Assets: Include patents, copyrights, franchises, and good will.

Liability: Moneys owed; debts or financial obligation.

Lines of credit or revolving credit: Lines of credit and revolving credit agreements are arrangements with a financial institution that allow a firm to borrow funds during a specified period up to a specified credit limit. Include home equity lines of credit if the funds obtained were used for business purposes.

Nonrecourse loans: When the partners are not personally liable should the firm not repay the debt. Usually, with nonrecourse loans the creditor can only repossess the collateral.

Ordinary income or loss: Ordinary income or loss is the total amount of income or loss less the total amount of deductions.

Other current liabilities: Any other debts that are due within a year such as dividends declared but not yet paid.

Other investments: Any items not yet discussed that were purchased with the intent to generate a return on the invested capital. Examples are investments in other companies, artwork or other property designed to appreciate. Prepayments, and deposits.

Taxable income: Taxable income is the total amount of income less the total amount of deductions. The total amount of deductions includes any net operating loss or special deductions.

Taxes payable: Taxes that are owed but not yet paid such as property, payroll, or income tax.

Total sales: Gross receipts or sales less returns and allowances.

Trade credit: Trade credit refers to purchases on account. The firm pays suppliers after delivery rather than before or at the time of delivery. Sometimes the supplier offers a discount for prompt payment.

Appendix 4

Self-Administered Questionnaire

Welcome to the Survey of Small Business Finances

Questionnaire Development Focus Group. Please take a few minutes to complete this questionnaire. We very much appreciate the information you are providing. All of the information you provide will be kept confidential and will not be released outside of the NORC research team in a form in which individuals or businesses can be identified.

The following survey asks questions about the business and its owner(s). *If you are here representing the owner*, please complete the information about the business owner, to the best of your ability.

1. How many individuals own this business?

Total Number of Owners: _____

2. Are you the owner of the business? *(Please circle one)*

1.....Yes

2.....No *(If not, what is your role/title in the business?: _____)*

3. What is your sex/the sex of the business owner?

1.....Male

2.....Female

3.....Multiple owners. *Please indicate the number of owners of each gender.*

of Male Owners: _____

of Female Owners: _____

4. What is your age/the age of the business owner? _____

If multiple owners, please indicate the approximate age of each: _____

5. What is the highest level of school you/the owner have/has completed or the highest degree you/the owner have/has received? *(If multiple owners, please indicate the number of owners for each level.)*

#__ 1. Less than high school degree (grade 11 or less)

#__ 2. High school graduate or equivalent

#__ 3. Some college but no degree granted

#__ 4. Associate degree occupational/vocational

#__ 5. Associate degree academic program

#__ 6. College degree (BA, BS, AB, etc.)

#__ 7. Post graduate studies/degree (MBA, MS, MA, PhD, JD, MD, DDS, etc.)

#__ 8. Don't Know

6. Are you/Is the owner of the business of Hispanic or Latino origin or descent? *(If multiple owners, please indicate how many are of Hispanic origin.)*

- #__ 1. Yes
- 2. No

7. What is your race/the race of the business owner. *(If multiple owners, please indicate the number of owners of each race.)*

- #__ 1. White
- #__ 2. Black/African American
- #__ 3. Asian
- #__ 4. American Indian or Alaska Native
- #__ 5. Native Hawaiian or Other Pacific Islander
- #__ 6. Other. *Please specify:* _____

8. How many years of experience have you/has the owner had managing or owning a business, including this business? *(If multiple owners, please indicate the longest number of years of experience.)*

Year: _____

9. In what year was the business [founded/purchased/acquired]?

Year: _____

10. What is the principal activity of your/the business? (What does your business do or make?)

11. Where is the business located? *(Please circle one)*

- 1.....City/urban location
 - 2.....Suburbs
 - 3.....Rural area/small town
 - 4.....Multiple locations. *Please clarify:* _____
-

12. For 1997, is your business considered to be a(n): *(Please circle one)*

- 1.....sole proprietorship
- 2.....partnership
- 3.....S-corporation
- 4.....C-corporation

5.....Other. *Please describe:* _____

13. Including all types of workers, how many individuals work at this business during a typical week in 1997? Please include 1) workers receiving a regular paycheck from the business; 2) workers paid by a temporary employment agency; 3) owners, including their friends and family members; and 4) consultants.

Total Number of Employees: _____

14. Please circle the number in front of each of the business records that you brought with you today. *(Please circle all that apply)*

1.....1997 Income Tax Statement

2.....1998 Income Tax Statement (preliminary or complete)

3.....Balance Sheet

4.....Checking Statement

5.....Income Statement

6.....Other. *Please specify:* _____

15. Approximately how long did it take to locate and collect the business records you brought with you?

Hours: _____ Minutes: _____

16. Was someone able to complete the worksheet we sent?

1.....Yes

2.....No

If "YES", approximately how much time did it take to complete?

Hours: _____ Minutes: _____

17. Does the business use a computer for internal record keeping or account management?

1.....Yes

2.....No

18. What would you estimate as the total dollar amount of the business's ASSETS (using all sources) as of the end of 1997?

\$ _____

[NOTE: This figure should include the total of all cash on hand, and in checking, savings, money market accounts, certificates of deposit, and other time deposits; accounts receivable and trade notes, minus allowances for bad debts; the total value of any inventory of merchandise or production materials held by the business; the total value of the business's stocks, bonds, prepaid expenses; the total value of any other investments, that is money owed to the business for mortgages, real estate, or other investments the business may have had, such as loans to stockholders; the book value of any land; the net book value, as of year end 1997, of any depreciable, depletable or intangible assets, including buildings and equipment owned by the business; and any other 1997 assets such as insurance, security deposits, notes receivable

and savings deposits]

19. As of year end 1997, what was the combined dollar amount of the business's LIABILITIES (using all sources)?

\$ _____

[NOTE: This figure should include the combined amount of any loans, mortgages, notes, or bonds, capital leases, or any loans from stockholders, (including any nonrecourse loans); the total amount of the business's accounts payable; the total amount of the business's other current liabilities, such as accrued expenses, taxes payable, prepayments, deposits, or advances from customers; any other debts or liabilities not yet included, such as security deposits received from others and deferred income taxes.]

Finally, we are interested in learning how meaningful the following terms are to small business owners like yourself. We realize that not all of these terms will be relevant to your type of business, but to the extent that you are able, please provide us with your understanding of the following terms:

Sole proprietorship:

Partnership:

S-corporation:

Corporation (c-corporation):

Trade credit:

Revolving credit:

Collateral:

Capital lease:

Accounts receivable:

Accounts payable:

Line of credit:

Net gain:

Net loss:

Asset:

Liability:

Equity:

Thank You!

Appendix 5

Focus Group/Cognitive Interview Protocol

**Survey of Small Business Finance 1998
Focus Group and Cognitive Interview Protocol**

Prepared by the National Opinion Research Center

January 7, 1999

Background about the Protocols

The following questions and probes, unless otherwise noted, will be used for both the cognitive interviews and the focus groups. The primary differences between the implementation for the two techniques will be that, in the focus groups, respondents will be instructed to complete the questions from the worksheets and to respond to probes about the process and difficulties encountered, but will not be required to disclose orally to the group their specific financial information. In the cognitive interviews, the respondents will as individuals respond to the interviewer in the same way they would in the main study, and greater focus will be made on the accuracy of specific dollar amounts taken from records.

In addition, the advantages of the use of the two techniques involve the ability to assess through the cognitive interviews the individuals' views of problems free of group influences. On the other hand, the focus groups will allow an assessment of whether potential changes or solutions proposed by an individual would be well received or seen as equally helpful by other group members with different backgrounds or businesses, or whether the proposed changes seen as helpful to one respondent might cause other problems for a different set of respondents.

Instructions to the Cognitive Interview Respondent

READ: The National Opinion Research Center is a non-profit organization affiliated with the University of Chicago, which develops surveys for a number of agencies across the country. The process of survey development involves testing some of the items to see if the wording and format is easy to understand. In some instances, we may also need to try different ways of asking a particular question to see which will be the best as well as to explore questions which ask for complex or difficult to obtain information.

This interview is designed to give us the opportunity to get some of the information we need to improve one of our surveys. We will be asking you some of the questions in the survey, and would like you to answer them as you would in an actual questionnaire study. Following some of the questions, we may be asking you additional questions about the wording of the question or about the response you gave. In other cases, your responses will allow us to make comparisons with other respondents who have been asked the questions in a different form.

This is not a test. There are no right or wrong answers. In this study, we are not so much focusing on the actual responses as we are on the process respondents go through to arrive at their answers and on the difficulties respondents may have in understanding the questions and formulating their answers. Your responses will be confidential and will not be released outside the research team in a form that will allow the identification of individual respondents.

Do you have any questions before we begin?

We would like to tape record this interview to make sure we have an accurate record of the information you provide, so I would like to verify at this time that we have your permission to start tape recording, then I will ask you again when we begin taping so that we will have a record of your permission.

[Get respondent's ok to start taping, then turn on the recorder and continue]

This is _____ of the National Opinion Research Center. I am conducting this interview as part of a study for the center. Please state your name for our confidential records. [Pause] Please verify that we requested your permission to record this interview, that you are aware that we are taping it and have your permission to do so. [Pause].

Thank you. We will now begin the interview.

Introduction for Focus Groups

Duration: 5 minutes

- Introduce self, situation, purpose of focus group/cognitive interview
- Discuss taping, observers, and provide confidentiality assurances
- Have participants introduce themselves and briefly describe the nature of their businesses

Warm-up/Ice-breaker for Focus Groups

Duration: 10 minutes

What do you like about being a small business owner?

What do you think are the three biggest challenges small businesses face?

You've seen the nature of the questions the NORC would like to ask small business owners like yourself (from the brief questionnaire you completed while waiting). How successful do you think NORC will be in getting small business owners to provide the information? What do you think NORC's biggest challenge will be during data collection? How can NORC address those issues to make it easier for small business owners to respond?

OK, now let's look at some specific questions from the survey. In general, we will cover five topics important to small business finance: (1) balances in checking and savings accounts, (2) credit cards, (3) loans, (4) income and expenses, and (5) assets, liabilities and equity.

Let's begin by discussing business size. We would like to know the total number of individuals that worked at your business during a typical pay period in fiscal year 1997.

(For each of the following sections, participants will be asked to listen to the appropriate questionnaire items and allowed a few moments to consider their responses and possibly note them on the paper provided. Again, because we suspect that small business owners might be reluctant to offer details of their financing situation in a group setting, focus group participants will be told that they need to answer the question honestly for themselves, but need not divulge the answer to the group. We are merely interested in *how* they arrived at their answers and any suggestions they have for improving the questionnaire.)

Employment

A11.1. How many individuals were on your firm's payroll during a typical pay period? Workers on the payroll usually have deductions taken out of their gross pay for federal, state, and local taxes, before receiving a paycheck.

Probe A11.1A Did you include yourself in this count?

Probe A11.1B Was the qualification regarding payroll deductions helpful in formulating your answer to this question?

A11.2. Besides individuals already counted above, how many individuals were working at your firm, but were hired through a temporary employment agency during a typical pay period?

Probe A11.2A How did you determine your answer to this question?

Probe A11.2B Does your use of temporary employees fluctuate drastically during the year? Did this affect how you arrived at an estimate for a "typical" pay period?

A11.3. What about the owners, their families, and friends? How many of these individuals work at your firm, BUT WERE NOT INCLUDED IN THE ABOVE?

Probe A11.3A Do any of these individuals work without compensation?

CALCULATE: TOTAL EMPLOYEES = A11.1 + A11.3 + A11.2

Probe A11.3B If your total is zero, is that because you do not count yourself and/or other owners as employees?

[For Cognitive Interviews, IF TOTAL EMPLOYEES \geq 500, then STOP INTERVIEW]

Now, let's move on to checking and savings account balances:

Balance in Checking and Savings Accounts

E1. Did the firm have any checking accounts as of year end 1997 ?

READ ONLY IF ASKED BY RESPONDENT: Money Market Deposit Accounts (MMDAs) and Money Market Mutual Funds (MMFs) should be classified as checking accounts only if they offered unlimited checking privileges. Typical limitations on checking would include restrictions on the number of checks written per month or on the smallest amount for which a check could be written.

Lead-in E3. Please identify on your Response Form the financial institution where your firm had its most frequently used or most important CHECKING ACCOUNT(s) in 1997.

E3. As of year end 1997, what was the balance in the firm's checking accounts at the financial institution you listed just on your response form? (w1, w10 or w19)

R referred to: worksheet item # _____ financial records _____ no records _____

Problem (circle all that apply, explain below: repetition clarification other)

Probe E3A: How did you arrive at your answer?

Probe E3B: How sure are you of your answer?

Probe E3C: How do you keep track of the balance you have in different checking accounts at this institution and the other(s) you have mentioned?

Probe E3D: Do you have more than one checking account at this institution? If so, were you giving me the total balance, adding up all accounts, or did you do something else?

E4. Excluding retirement accounts, pension funds, and trusts, did the firm have any savings accounts, money market accounts, share accounts, certificates of deposit or CDs, or other time deposits as of year end 1997 ?

Lead-in E6. Please identify on your Response Form the financial institution where your firm had its most frequently used or most important SAVINGS ACCOUNT(s) in 1997.

E6. As of year end 1997, what was the balance in the firm's savings accounts at the financial institution you listed just listed on your response form? (w2, w11 or w20)

R referred to: worksheet item # _____ financial records _____ no records _____

Problem (circle all that apply, explain below: repetition clarification other)

Probe E6A: How did you arrive at your answer?

Probe E6B: How sure are you of your answer?

Probe E6C: How do you keep track of the balance you have in different savings accounts at this institution and the other(s) you have mentioned?

Probe E6D: Do you have more than one savings account at this institution? If so, were you giving me the total

balance, adding up all accounts, or did you do something else?

***The next questions are about credit cards -- such as American Express, Diners Club, MasterCard, Visa, and oil company, airline, or rental car cards -- that are used to pay for business expenses. Please do not include debit cards, which are those cards that directly access the cash in a checking account or credit line and can be used at automated teller machines (ATM cards) and as point-of-sale (POS) cards.*

*First, we would like to discuss any personal credit cards you may use for business expenses.***

Personal Credit Cards

F2. Did the firm use owners' personal credit cards to pay business expenses during 1997?

F2.1. During a typical month, about how much in new business expenditures did the firm charge to owners' personal credit cards? (w28)

R referred to: worksheet item # _____ financial records _____ no records _____

Problem (circle all that apply, explain below: repetition clarification other)

Probe F2.1A: What does the term "typical month" mean to you?

Probe F2.1A1: Over the course of one year, about how much in new business expenditures did the firm charge to owners' personal credit cards?

Probe F2.1A2: Now take the amount in F2.1 and multiply it by twelve. Is this about equal to your yearly business expenditures? (Is the amount higher or lower?)

Probe F2.1A3: What if I had asked: what is the average amount of new business expenditures that your firm charged to the owner's personal credit cards each month?

Probe F2.1B: Did you have any difficulty determining whether an expense should be considered business or personal?

Probe F2.1C: Were you thinking only of your personal credit cards, not those under the name of your business? Did you include ATM debit cards in your calculations?

Probe F2.1D: How did you arrive at your answer?

Probe F2.1E: How sure are you of your answer?

Probe F2.1F: Think about each personal credit card you own (if more than one) and the typical/average amount of business expenditures charged to each personal card each month. Feel free to list credit cards and amounts on your answer sheet. Add up the amounts. Does this equal the answer you gave to F2.1? Is this answer higher or lower than F2.1?

F2.3. After payments were made, what was the balance of business charges on all owners' personal credit cards at the end of the typical month? (w29)

R referred to: worksheet item # _____ financial records _____ no records _____

Problem (circle all that apply, explain below: repetition clarification other)

Probe F2.3A: How did you arrive at your answer?

Probe F2.3B: How sure are you of your answer?

Probe F2.3C: Did you add up the balance of business charges across all your personal credit cards? Or did you do something else?

Probe F2.3D: Can you estimate the total dollar amount of the business payments you make in a typical month?

Probe F2.3E: Let me confirm that during a typical month you charged \$_____ in new business expenditures to personal credit cards, made payments of \$____, for a remaining balance of \$_____ for business charges?

F2.4. What was the credit limit or maximum amount that could be charged on owners' personal cards that were used for business expenses? (not on worksheet)

R referred to: worksheet item # _____ financial records _____ no records _____

Problem (circle all that apply, explain below: repetition clarification other)

Probe F2.4A: How did you arrive at your answer?

Probe F2.4B: How sure are you of your answer?

Probe F2.4C: Is your answer the highest credit limit on these cards? Or did you report the average of the credit limits on your cards, or did you do something else? (For CI only.)

Business Credit Cards

Now we would like to discuss business credit or purchasing cards issued to the firm. Please do not include trade credit accounts or revolving lines of credit.

F2.5. During 1997, did the firm use business, corporate, or purchasing cards that require full payment of charges at the end of the monthly statement period?

F2.6. During a typical month, about how much in new expenditures did the firm charge to business, corporate, and purchasing cards that require full payment? (w30)

F2.7. During 1997, did the firm use business or corporate credit cards that allow the firm to revolve or finance balances owed after monthly payments are made?

F2.8. During a typical month in 1997, about how much in new expenditures did the firm charge to these business or corporate credit cards? (w30)

F2.6 + F2.8 = \$_____ (Should equal w30.)

R referred to: worksheet item # _____ financial records _____ no records _____

Problem (circle all that apply, explain below: repetition clarification other)

F2.9. Were the business expenses charged on these business or corporate credit cards generally paid in full or were balances typically owed after monthly payments were made?

F2.10. After payments were made, what was the balance of business charges that were revolved or financed?
(w31)

R referred to: worksheet item # _____ financial records _____ no records _____

Problem (circle all that apply, explain below: repetition clarification other)

Probe F2.10A: What information did you use to determine the amount you reported? (Was the information easy to recall; did you refer to records or the worksheet?)

Probe F2.10B: How confident are you that this amount is accurate?

F2.11. What was the credit limit or maximum amount that could be charged on these business or corporate credit cards? (not on worksheet)

R referred to: worksheet item # _____ financial records _____ no records _____

Problem (circle all that apply, explain below: repetition clarification other)

Probe F2.11A: Is the amount you provided the combined credit limit of all your business and corporate credit cards or the maximum on the card or cards with the largest limit?

Probe F2.11B: Did you include in your answer the combined limit of all business and corporate cards you use or only those that can be revolved?

Probe F2.11C: What information did you use to determine the amount you reported? (Was the information easy to recall; did you refer to records or the worksheet?)

Probe F2.11D: How confident are you that this amount is accurate?

Lines of Credit

F7. As of year end 1997, did the firm have any lines of credit or revolving credit agreements, including home equity loans used for business purposes?

PROMPT: Lines of credit and revolving credit agreements are arrangements with a financial institution that allow a firm to borrow funds during a specified period up to a specified credit limit. Include home equity lines of credit if the funds obtained were used for business purposes.

Lead-in F10. For the following questions, think about the financial institution where you have your most important or most frequently used line of credit. Please do not include any credit cards or trade credit. Please list the name of this financial institution on your Response Form.

F10. As of year end 1997, what was the total credit limit at the financial institution the financial institution you just listed on your Response Form? (w3, w12 or w21)

PROMPT: That is, what was the credit limit before any funds were borrowed?

R referred to: worksheet item # _____ financial records _____ no records _____

Problem (circle all that apply, explain below: repetition clarification other)

Probe F10A: Could you explain in your own words what this question is asking for?

Probe F10B: What information did you use to determine the amount you reported? (Was the information easy to recall; did you refer to records or the worksheet?)

Probe F10C: How confident are you that this amount is accurate?

F11. As of year end 1997, what was the outstanding balance at the financial institution you listed on your Response Form? (w4, w13 or w22)

R referred to: worksheet item # _____ financial records _____ no records _____

Problem (circle all that apply, explain below: repetition clarification other)

Probe F11A: Could you explain in your own words what this question is asking for?

Probe F11B: What information did you use to determine the amount you reported? (Was the information easy to recall; did you refer to records or the worksheet?)

Probe F11C: How confident are you that this amount is accurate?

Probe F11D: Compare your answer for F11 to your answer for F10. Was F11 equal to or less than F10? It should not have been greater. If it was greater, let's take a moment to rework these items and try to determine where the problem originated. (For CI only.)

Capital Leases

What about capital leases? Let's look at three questions.

F16. As of year end 1997, did the firm have any capital leases from financial institutions or other sources?

PROMPT: For capital leases, only part of the lease payment can be deducted as a cost of doing business. For operating leases, in contrast, the entire lease payment can be deducted.

PROMPT: Capital leases satisfy one of the following conditions: (1) the lease transfers ownership of the asset at the end of the lease term, (2) the lease contains an option for a bargain purchase of the asset, (3) the lease term extends over most of the economic life of the asset, or (4) the lease requires rental payments that approximate the fair market value of the leased asset.

IF YES:

What is the full name of the institution or source where the firm had its largest capital leases during 1997? And a short name? Please list the name of this financial institution on your Response Form.

Probe F17A: What is your understanding of capital leases?

Probe F17B: Did you have any difficulty arriving at that answer? How did you go about answering this question?

F18. How many capital leases did the firm have from the institution you listed on the Response Form? (see worksheet item above w5, w14 or w23)

F19. As of year end 1997 , what was the total amount of principal owed on [this/all these] capital leases] at the institution listed on the Response Form? (w5, w14 or w23)

PROMPT: We need the amount of principal owed, not the total amount of remaining payments which may include both principal and interest.

Probe F19A: Could you explain in your own words what this question is asking for?

Probe F19B: What information did you use to determine the amount you reported? (Was the information easy to recall; did you refer to records or the worksheet?)

Probe F19C: How confident are you that this amount is accurate?

Mortgages

OK, let's talk about mortgages now...

F21. As of year end 1997, did the firm use for business purposes the funds from any mortgages?

PROMPT: Count mortgages on personal real estate if funds were used for business purposes.

IF YES:

What is the full name of the institution from which the firm obtained the largest of the mortgages during 1997? And a short name? Please list the name of this financial institution on the Response Form.

F23. How many mortgages did the firm obtain from the institution you listed on the Response Form? (see worksheet item above w6, w15, w24)

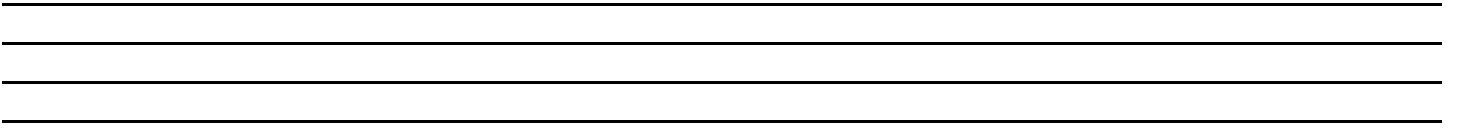
F25. As of year end 1997, what was the total amount of principal owed on [this/all these] mortgage[s] at the institution you listed on the Response Form? (w6, w15 or w24)

PROMPT: We need the amount of principal owed, not the total amount of remaining payments, which may include both principal and interest.

Probe F25A: What information did you use to determine the amount you reported? (Was the information easy to recall; did you refer to records or the worksheet?)

Probe F25B: Was this information easier or harder to produce than the similar information we asked for regarding capital leases? Why?

Probe F25C: How confident are you that this amount is accurate?



Other Loans

***Think about this set of questions we just asked you about capital leases and mortgages (i.e., the institutions, number of leases/mortgages, and the dollar amount of principal owed) . ***

Probe F30A: If we were to ask you the same set of questions about motor vehicle loans, would it be easier or harder to produce the information? Why?

Probe F30B: Would there be any other considerations that would be different in asking about motor vehicle loans that would be important to consider (especially with regard to reporting the dollar amount of principal owed)?

Probe F35A: If we were to ask you the same set of questions about equipment loans, would it be easier or harder to produce the information? Why?

Probe F35B: Would there be any other considerations that would be different in asking about equipment loans that would be important to consider (especially with regard to reporting the dollar amount of principal owed)?

Probe F39A: If we were to ask you the same set of questions about loans from partners or stockholders, would it be easier or harder to produce the information? Why?

Probe F39B: Would there be any other considerations that would be different in asking about loans from partners or stockholders that would be important to consider (especially with regard to reporting the dollar amount of principal owed)?

Probe F44A: If we were to ask you the same set of questions about any other types of loans you have had, would it be easier or harder to produce the information? Why?

Probe F44B: Would there be any other considerations that would be different in asking about any other types of loans you have had that would be important to consider (especially with regard to reporting the dollar amount of principal owed)?

Most Recent Loan Application

MRL1. Did the firm apply for a line of credit, loan, or lease during the period from January 1, 1996 to December 31, 1997? In thinking about this question, do not include renewals of lines of credit, requests for loans from owners, or applications for credit cards.

Yes No

(If most recent loan application denied then go to MRL46.)

Most Recent Loan Application Approved

MRL9. What was the total dollar amount for which the firm applied? (not on worksheet)

R referred to: worksheet item # _____ financial records _____ no records _____

Problem (circle all that apply, explain below: repetition clarification other)

Probe MRL9A: How sure are you of your answer?

Probe MRL9B: Let me confirm: are you thinking of the amount applied for, or the amount that was approved? (This language will be used for CIs only. A more conversational tone will be adopted when asking this information during FGs.)

MRL16. What was the dollar amount of the credit granted? (not on worksheet)

R referred to: worksheet item # _____ financial records _____ no records _____

Problem (circle all that apply, explain below: repetition clarification other)

Probe MRL16A: How sure are you of your answer?

Probe MRL16B: Let me confirm: are you thinking of the amount actually granted, or the amount that you applied for? (For CIs only.)

MRL22. What was the total dollar amount of fees associated with obtaining the [loan/line of credit]? Include points and all other fees associated with obtaining the loan. (not on worksheet)

R referred to: worksheet item # _____ financial records _____ no records _____

Problem (circle all that apply, explain below: repetition clarification other)

Probe MRL22A: How did you arrive at your answer?

Probe MRL22B: How sure are you of your answer?

Most Recent Loan Application Denied

MRL46. For this most recent denial, what was the total dollar amount for which the firm applied? (not on worksheet)

R referred to: worksheet item # _____ financial records _____ no records _____

Problem (circle all that apply, explain below: repetition clarification other)

Probe MRL46A: How did you arrive at your answer?

Probe MRL46B: How sure are you of your answer?

Income and Expenses

Now I'd like to talk about income and expenses during 1997.

P1. During 1997, what were the firms total sales or total receipts? (w32)

PROMPT: This amount is often referred to as total sales, less amounts for returned merchandise or as “gross receipts or sales less returns and allowances.”

R referred to: worksheet item # _____ financial records _____ no records _____

Problem (circle all that apply, explain below: repetition clarification other)

Probe P1A: Did you have any difficulty arriving at that answer? (If so, what was the difficulty?) How did you go about answering this question? (Was the information easy to recall; did you refer to records or the worksheet?)

Probe P1B: How confident are you of that answer?

P2. For comparison purposes, what were the firms total sales during 1996? (w33)

PROMPT: This amount is often referred to as total sales, net of amounts for returned merchandise and as “gross receipts or sales less returns and allowances.”

R referred to: worksheet item # _____ financial records _____ no records _____

Problem (circle all that apply, explain below: repetition clarification other)

Probe P2A: Did you have any difficulty arriving at that answer? (If so, what was the difficulty?) How did you go about answering this question? (Was the information easy to recall; did you refer to records or the worksheet?)

Probe P2B: How confident are you of that answer?

P2.3. Besides total sales, what was the total amount of any other income the firm received during 1997? (w34)

PROMPT: This amount is any other business income the firm may have had that was not included in gross receipts or sales, such as federal and state gasoline tax refunds or a fuel tax credit or refund; this amount might also include income from the business's investments, such as securities or rental property.

R referred to: worksheet item # _____ financial records _____ no records _____

Problem (circle all that apply, explain below: repetition clarification other)

Probe P2.3A: Did you have any difficulty arriving at that answer? (If so, what was the difficulty?) How did you go about answering this question? (Was the information easy to recall; did you refer to records or the worksheet?)

Probe P2.3B: How confident are you of that answer?

P3.1 During 1997, what was the total cost of conducting business? (w 35)

Prompt: Include both the cost of goods or services sold and the total of the firm's selling and administrative expense, interest expense, and other deductions.

READ for Cognitive Interview ONLY ==>

Prompt: The cost of goods or services sold is calculated by summing 1) the value of beginning-year inventory, 2) purchases less the cost of items withdrawn for personal use, 3) the cost of labor, materials and supplies, and 4) other costs subtracting year-end inventory. These expenses are subtracted from gross profit and other income to determine the firm's [net profit or loss/ordinary income from business activities/taxable income], such as salaries, business expenses, overhead, depreciation, and other expenses.

R referred to: worksheet item # _____ financial records _____ no records _____

Problem (circle all that apply, explain below: repetition clarification other)

Probe P3.1A: Could you explain in your own words what this question is asking for?

Probe P3.1B: What information did you use to determine the amount you reported? (Was the information easy to recall; did you refer to records or the worksheet?)

Probe P3.1C: How confident are you that this amount is accurate?

For sole proprietorships ask about: *net profits, net gains, and net losses.*
For partnerships and s-corporations ask about: *ordinary income or loss.*
For corporations ask about: *taxable income, net gain, and net loss.*

P11. What was your firm's total net profit/ordinary income or loss/taxable income for 1997? (w36)

PROMPT: Net profit is the firm's income after all expenses and taxes have been deducted. It can be positive or negative.

Probe P11A: Could you explain in your own words what this question is asking for?

Probe P11B: What information did you use to determine the amount you reported? (Was the information easy to recall; did you refer to records or the worksheet?)

Probe P11C: How confident are you that this amount is accurate?

Probe P11D: Do you think small business owners are likely to give us this information? If not, do you think they would be likely to tell us in general terms, whether they incurred a net profit or net loss, or broke even? And then provide a range of profit or loss (e.g., more than \$10,000 but less than \$50,000, etc.)? Why do you think they would be more inclined to give us more general information?

Assets, Liabilities and Equity

Now I'd like to talk about assets, liabilities and equity during 1997.

The first questions are about the firm's assets as of year end 1997. If an asset is used 50 percent or more in the firm, then please consider it a business asset and include it in your answers. Please think about dollar amounts.

R1. What was the total dollar amount of the firm's cash holdings? That is, what was the total amount of cash on hand, and in checking, savings, money market accounts, certificates of deposit, and other time deposits? (w37)

R referred to: worksheet item # _____ financial records _____ no records _____

Problem (circle all that apply, explain below: repetition clarification other)

R3. What was the amount of the firm's accounts receivable and trade notes, minus allowances for bad debts? (w38)

PROMPT: That is, how much money was the firm owed by customers who bought goods or services on account?

R referred to: worksheet item # _____ financial records _____ no records _____

Problem (circle all that apply, explain below: repetition clarification other)

R5. What was the total value of any inventory of merchandise or production materials held by the firm?
(w39)

PROMPT: That is, what is the total dollar amount of merchandise for sale or materials for production such as raw materials, work in progress, or finished goods?

R referred to: worksheet item # _____ financial records _____ no records _____

Problem (circle all that apply, explain below: repetition clarification other)

R7. What was the total value of the firm's stocks, bonds, prepaid expenses, and any other current assets?
Do not include bonds held for long-term investment. (w40)

**PROMPT: Bonds include Treasury bonds and bills, bonds issued by federally sponsored credit agencies, municipal bonds, bonds issued by corporations, and so on.
Stocks include publicly traded stocks held as temporary investments. Do not include stocks held for ownership control or long-term investment.
Prepaid expenses are payments for items such as insurance, interest, rents, taxes, advertising, and operating supplies that were made in advance but had not been used as of year end 1997.
Other current assets are any other assets that can be converted to cash, sold, or used up within a year through normal operations of the firm.**

R referred to: worksheet item # _____ financial records _____ no records _____

Problem (circle all that apply, explain below: repetition clarification other)

R9. What was the total value of any other investments, that is money owed to the firm for mortgages, real estate, or other investments your firm may have, such as loans to stockholders? (w41)

PROMPT: Other investments are any items not yet discussed that were purchased with the intent to generate a return on the invested capital. Examples are investments in other companies, artwork or other property designed to appreciate.

R referred to: worksheet item # _____ financial records _____ no records _____

Problem (circle all that apply, explain below: repetition clarification other)

R11. What was the book value of any land? (w42)

PROMPT: Book value of land is the dollar value at which land is carried on a firm's balance sheet. It represents the purchase price of the land at the time the land was acquired.

R referred to: worksheet item # _____ financial records _____ no records _____

Problem (circle all that apply, explain below: repetition clarification other)

R13. What was the net book value, as of year end 1997, of any depreciable, depletable or intangible assets, including buildings and equipment owned by the firm? (w43)

PROMPT: That is, what was the acquisition cost minus any accumulated depreciation, depletion, and amortization?

PROMPT: Depreciable assets are assets that wear out as they are used or whose usefulness decreases over time.

Depletable assets include natural resources such as mines, timberlands, and oil wells. Intangible assets include patents, copyrights, franchises, and good will.

R referred to: worksheet item # _____ financial records _____ no records _____

Problem (circle all that apply, explain below: repetition clarification other)

R14. As of year end 1997, did the firm have any other assets that were not yet discussed?

PROMPT: Examples of other assets are insurance, security deposits, notes receivable and savings deposits.

R referred to: worksheet item # _____ financial records _____ no records _____

Problem (circle all that apply, explain below: repetition clarification other)

R15. What was the book value of these other assets not yet described? (w44)

R referred to: worksheet item # _____ financial records _____ no records _____

Problem (circle all that apply, explain below: repetition clarification other)

CALCULATE: SUBTOTAL ASSETS = R1 + R3 + R5 + R7 + R9 + R11

SKIP: IF $0.1 * (\text{SUBTOTAL ASSETS}) < R15$ GO TO QUESTION R18

R16. Describe the three largest of these other assets. (w45, w46, w47)

ASSET NUMBER	R16. What were the three largest of these <u>other</u> assets?	R17. What was the book value of (ASSET) as of 1997?
1		\$
2		\$
3		\$

R referred to: worksheet item # _____ financial records _____ no records _____

Problem (circle all that apply, explain below: repetition clarification other)

R18. As of 1997, what was the total dollar amount of all assets of the firm? (w48)

PROMPT: Total assets is equal to the sum of

R referred to: worksheet item # _____ financial records _____ no records _____

Problem (circle all that apply, explain below: repetition clarification other)

Probe AssetsA: Did you have any difficulty arriving at those answers? How did you go about answering those questions?

Probe AssetsB: What information did you use to determine the amounts you reported? (Was the information easy to recall; did you refer to records or the worksheet?)

Probe AssetsC: How confident are you that the amounts are accurate?

Probe AssetsD: Specifically for R18, but applicable to all of these financial questions, do you think small business owners are likely to give us this information?

Probe AssetsE: If not, do you think they would be likely to tell us in general terms, whether they have assets, and then provide a range (e.g., more than \$10,000 but less than \$50,000, etc.)?

Probe AssetsF: [If YES to Probe AssetsE] Why do you think the use of ranges would increase the likelihood of responses to these questions?

Probe AssetsG: [If NO to Probe AssetsE] Why do you think they would not be willing to disclose the information even in this more general way?

Liabilities

The next questions are about liabilities the firm may have had as of 1997. If the firm is responsible for 50 percent or more of a liability, then please consider it a business liability and include it in your answers.

Please consider all applicable liability loans: lines of credit, leases, mortgages, motor vehicle, equipment, loans from stockholders or partners, and other loans.

For those of you who said earlier that, at the end of 1997, you had one or more of these types of loans, please consider this next question.

S2. As of year end 1997, what was the combined amount of any loans, mortgages, notes, or bonds, capital leases, or any loans from stockholders, [including any nonrecourse loans] that firm had? (w49)

[PROMPT: With nonrecourse loans, the partners are not personally liable should the firm not repay the debt. Usually, with nonrecourse loans the creditor can only repossess the collateral.]

R referred to: worksheet item # _____ financial records _____ no records _____

Problem (circle all that apply, explain below: repetition clarification other)

Now I'd like to discuss different types of liabilities, other than loans.

S5. What was the total amount of the firm's accounts payable? (w50)

R referred to: worksheet item # _____ financial records _____ no records _____

Problem (circle all that apply, explain below: repetition clarification other)

S7. What was the total amount of the firm's other current liabilities, such as accrued expenses, taxes payable, prepayments, deposits, or advances from customers? (w51)

PROMPT: Accrued expenses are expenses that have been incurred but not yet paid such as salaries, taxes, and interest.

Taxes payable are taxes that are owed but not yet paid such as property, payroll, or income tax.

Prepayments, deposits, and advances from customers are payments made in advance by customers as evidence that they intend to buy a particular product or service.

Other current liabilities are any other debts that are due within a year such as dividends declared but not yet paid.

R referred to: worksheet item # _____ financial records _____ no records _____

Problem (circle all that apply, explain below: repetition clarification other)

S9. As of year end 1997, how much did your firm owe on any other debts or liabilities not yet discussed? (w52)

PROMPT: Examples of other liabilities are security deposits received from others and deferred income taxes.

CALCULATE: SUBTOTAL LIABILITIES = S2 + S5 + S7

SKIP: IF 0.1*(SUBTOTAL LIABILITIES) < S9 GO TO QUESTION S12

R referred to: worksheet item # _____ financial records _____ no records _____

Problem (circle all that apply, explain below: repetition clarification other)

S10. Describe the three largest of these other liabilities. (w53, w54, w55)

LIABILITY NUMBER	S10. What were the three largest of these <u>other</u> liabilities?	S11. What was the book value of (LIABILITY) as of (DATE)?
1		\$
2		\$
3		\$

S12. As of year end 1997, what was the total dollar amount owed by the firm for all debts and liabilities? (w56)

PROMPT: Total liabilities equal the sum of

R referred to: worksheet item # _____ financial records _____ no records _____

Problem (circle all that apply, explain below: repetition clarification other)

Probe LiabilitiesA: Did you have any difficulty arriving at those answers? How did you go about answering those questions?

Probe LiabilitiesB: What information did you use to determine the amounts you reported? (Was the information easy to recall; did you refer to records or the worksheet?)

Probe LiabilitiesC: How confident are you that the amounts are accurate?

Probe LiabilitiesD: Specifically for S12, but applicable to all of these questions, do you think small business owners are likely to give us this information?

Probe LiabilitiesE: If not, do you think they would be likely to tell us in general terms, whether they have liabilities, and then provide a range (e.g., more than \$10,000 but less than \$50,000, etc.)?

Probe LiabilitiesF: [If YES to Probe LiabilitiesE] Why do you think the use of ranges would increase the likelihood of responses to these questions?

Probe LiabilitiesG: [If NO to Probe LiabilitiesE] Why do you think they would not be willing to disclose the information even in this more general way?

Equity

OK, now let's consider equity.

(For the focus group with owners of partnerships, the Probes will ask about partners' equity and for the focus group with s-corporations and corporations, the Probes will ask about shareholders' equity.)

S14. At the end of 1997, what was the total amount of all partners' equity in your firm?

(w57)

PROMPT: Partner's equity is sometimes referred to as the partners' capital accounts.

R referred to: worksheet item # _____ financial records _____ no records _____

Problem (circle all that apply, explain below: repetition clarification other)

Probe S14A: Could you explain in your own words what this question is asking for?

Probe S14B: What information did you use to determine the amount you reported? (Was the information easy to recall; did you refer to records or the worksheet?)

Probe S14C: How confident are you that this amount is accurate?

Probe S14D: Do you think small business owners are likely to give us this information? If not, do you think they would be likely to tell us in general terms, whether the equity was positive, negative or even? And then provide a range for the amount of equity (e.g., more than \$10,000 but less than \$50,000, etc.)? If not, why do you think they would not be willing to disclose the information in this more general way?

Worksheet

Please take a minute to think about the worksheet you referred to when answering these questions for us.

In general, how helpful was the worksheet?

Was there anything missing from the worksheet?

How could this worksheet have been more helpful to you?

Closure

- Thank participants for their time and their contributions to the questionnaire development and survey operations.
- Explain procedures for compensation.

Appendix 6
Informed Consent Form

Instructions to the Respondent

The National Opinion Research Center is a non-profit organization affiliated with the University of Chicago, which develops surveys for a number of agencies across the country. The process of survey development involves testing some of the items to see if the wording and format is easy to understand. In some instances, we may also need to try different ways of asking a particular question to see which will be the best as well as to explore questions which ask for complex or difficult to obtain information.

This session is designed to give us the opportunity to get some of the information we need to improve one of our surveys. We will be asking you some of the questions in the survey, and would like you to answer them as you would in an actual questionnaire study. Following some of the questions, we may be asking you additional questions about the wording of the question or about the response you gave. In other cases, your responses will allow us to make comparisons with other respondents who have been asked the questions in a different form.

This is not a test. There are no right or wrong answers. In this study, we are not so much focusing on the actual responses as we are on the process respondents go through to arrive at their answers and on the difficulties respondents may have in understanding the questions and formulating their answers. Your responses will be confidential and will not be released outside the research team in a form that will allow the identification of individual respondents.

We would like to tape record this interview to make sure we have an accurate record of the information you provide, and would like your permission to do so. Please read and sign the following.

This is to certify that I have read the above description of the study being conducted by the National Opinion Research Center of the University of Chicago, and that I agree to be a participant. I understand my responses will be confidential and that I will receive \$100.00 compensation for my participation in this study. I also give my permission for my responses to be tape recorded.

Name(printed): _____

Signature: _____

Date: _____