# Geoff’s Restaurant

I plan to open a burger restaurant. The first month it is open will be June, 2017.

## Sales

The first month the restaurant is open I expect to sell $8,000 worth of food. After that, I expect sales to increase 5% per month. (So sales in July will be 105% of $8,000 which is $8,400.)

## Expenses

I have three major expenses: rent, food purchases, and payroll. Ignore any other expenses.

### Rent

The rent will be $5,000 from June, 2017 to December, 2017. The rent will be $6,000 during the whole of 2018. The rent will be $7,000 during the whole of 2019.

### Food Purchases

In each month, food will cost 30% of total sales. (In June, when sales are $8,000, food will cost 30% of $8,000 which is $2,400.)

### Payroll

Payroll for the first four months will be $3,000. Payroll will increase to $4,000 in October, 2017. Payroll will increase to $4,500 in April, 2018. Payroll will increase to $5,000 in January, 2019.

## Working Capital

I have a line of credit at the bank so I can afford to lose money for up to two years. I am charged 1% interest per month. There is no interest if my bank balance is positive.

## Workbook

Build a worksheet that answers the following questions:

* How much do I lose in my first month?
* How much do I lose in my second month, excluding interest?
* How much do I lose in my second month, including interest?
* What is the maximum amount I will have to borrow from the bank?
* During what month does the cash flow turn positive? That means that sales are higher than expenses, ignoring the line of credit.
* During what month do I pay off the line of credit?
* What will be the total profit by the end of 2019?

How do these answers change if I start by borrowing $4,000 to decorate the restaurant?

***Hint – Use columns with headers from June, 2017 to December, 2019.***