

# Lending Report

ABC Company



To evaluate whether ABC Company is eligible for a short-term loan, the company's financial position is analysed through the examination of the provided 2021 Financial Statements and the current account movement for the year 2022.

## Financial Statements Insights

The following information constitutes the financial statements key insights as seen in *Table 1* and *Table 2*:

- The company has a total of **€225,168** in total assets of which **€145,786 are in the form of current assets. €54,891 are in liquid assets** which can be easily converted into cash and fund its working capital needs.
- With a **debt-to-assets ratio of 0.62**, the company is not considered highly leveraged.
- The year **loss of –€94,264** as stated in the profit & loss for the year 2021 is a cause for concern and may impact the company's future performance. However, it is important to note that this loss was for a specific year and may not be reflective of the company's current financial position.
- The costs of production are quite high, so if the company lowers the costs, then there is a higher chance of a profit for future years.

Balance Sheet			
ASSETS			
total property plant and equipment		2,765.00	
total intangible assets		74,819.00	
Total fixed assets			77,584.00
discounted assets			1,765.00
credits that become receivable within the next fiscal year	87,895.00		
total credits		87,895.00	
total liquid assets		54,891.00	
value of production, variation of residual product, work in progress, finished work		3,000.00	
total current assets			145,786.00
total credits owed to suppliers and others			33.00
<b>total assets</b>			<b>225,168.00</b>
LIABILITIES			
debts payable		139,241.00	
total debts			139,241.00
total net equity			85,927.00
<b>total liabilities</b>			<b>225,168.00</b>

**Table 1: ABC Company – Balance Sheet as of 31<sup>st</sup> of December 2021**

<b>P&amp;L</b>		
value produced from other revenues and profits from other sources	260.00	
value produced from other revenues and profits from contributions to the fiscal year	<u>4,000.00</u>	
total value produced from other revenues and profits		4,260.00
value produced from variations in production surplus from current processing, semi-finished and finished goods	<u>3,000.00</u>	
total remaining items / total income		3,000.00
value produced from sales and services	<u>111,055.00</u>	
Revenue		118,315.00
production costs and services	(136,179.00)	
diversified management costs	(939.00)	
Costs of primary goods	<u>(75,461.00)</u>	
total production costs		(212,579.00)
<b>Net Loss of year</b>		<u><b>(94,264.00)</b></u>

**Table 2:** ABC Company - Profit & Loss as of 31<sup>st</sup> of December 2021

## Current Account Insights

By analysing the current account movements, important insights into the company's financial ability to repay a probable short-term loan were identified.

Generally, throughout the entire year 2022, ABC Company had a total debit transactions of – €366,008.32 and total credit ones of €373,355.46, with average transaction values of –€3,182.68 and €3,248.12, respectively.

These transactions are separated into 7 main categories as seen in *Table 3*.

	debit	credit
categories		
Financing Disbursement	0.00	10000.00
Financing Repayment	-17900.00	0.00
Invoice Collection	0.00	363533.46
Invoice Payment	-40000.00	0.00
Salaries	-46000.00	0.00
Supplier Repayment	-253042.01	0.00
Utilities	-9066.31	0.00

**Table 3:** 2022 Transactions Sum

The lowest amount of net cash flow in the current account is observed in May 2022 at –€1,724.57 which led to the need of a new financial disbursement of €10,000, as seen in *Table 4*. As a result,

the balance at the end of May turned positive leading to positive end of month cash flow for the remaining months until year end, as seen in *Table 5*.

Table for Month 5:

	date	categories	debit	credit	cumsum_amount
35	2022-05-01	Invoice Collection	0.00	7466.67	8726.76
36	2022-05-01	Supplier Repayment	-5384.00	0.00	3342.76
37	2022-05-10	Invoice Collection	0.00	7666.67	11009.43
38	2022-05-10	Supplier Repayment	-5534.00	0.00	5475.43
39	2022-05-15	Salaries	-6000.00	0.00	-524.57
40	2022-05-15	Financing Repayment	-1200.00	0.00	-1724.57
41	2022-05-19	Invoice Collection	0.00	7866.67	6142.10
42	2022-05-19	Supplier Repayment	-5684.00	0.00	458.10
43	2022-05-26	Utilities	-808.45	0.00	-350.35
44	2022-05-28	Invoice Collection	0.00	8066.67	7716.32
45	2022-05-28	Supplier Repayment	-5834.00	0.00	1882.32
46	2022-05-30	Financing Disbursement	0.00	10000.00	11882.32
Debit Total: -30444.45					
Credit Total: 41066.68					
Total Transactions: 10622.23					
End Balance of Month 5: 11882.32					

**Table 4: May 2022 Transactions**

end of month balance	
January	8666.00
February	5826.18
March	3322.04
April	1260.09
May	11882.32
June	8371.77
July	7882.45
August	5380.46
September	3325.02
October	4804.85
November	3794.46
December	7525.14

**Table 5: 2022 End of Month Balances**

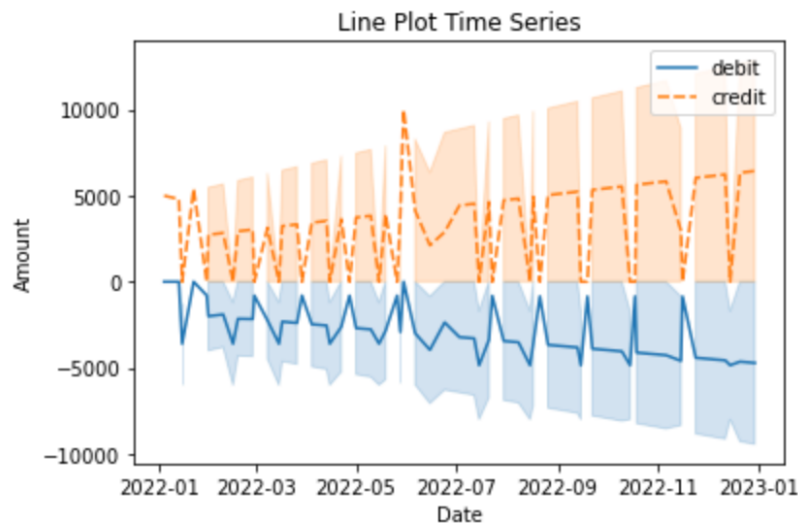
Due to the financial disbursement of €10,000 in May 2022, the monthly financial repayments of originally €1,200 per month increased to €1,700 after May, as seen in *Table 6*. By the end of the year 2022, the company had repaid 7 instalments of the new loan, therefore settled a total of

€3,500 vs the €10,000 loan. Considering that the closing balance of the year was €7,525.14 (Table 5), it is evident that the Company could have repaid the whole of the said loan at year end.

	date	categories	debit	credit	cumsum_amount
3	2022-01-15	Financing Repayment	-1200.0	0.0	2600.00
11	2022-02-15	Financing Repayment	-1200.0	0.0	3332.00
20	2022-03-15	Financing Repayment	-1200.0	0.0	408.85
31	2022-04-15	Financing Repayment	-1200.0	0.0	37.38
40	2022-05-15	Financing Repayment	-1200.0	0.0	-1724.57
52	2022-06-15	Financing Repayment	-1700.0	0.0	6797.66
61	2022-07-15	Financing Repayment	-1700.0	0.0	3587.11
70	2022-08-15	Financing Repayment	-1700.0	0.0	815.12
81	2022-09-15	Financing Repayment	-1700.0	0.0	1295.80
90	2022-10-15	Financing Repayment	-1700.0	0.0	-459.64
101	2022-11-15	Financing Repayment	-1700.0	0.0	1420.19
110	2022-12-15	Financing Repayment	-1700.0	0.0	709.80

**Table 6:** 2022 Financial Repayments – Monthly Instalments

Finally, the transactions evolution through time shows an upward trend, in both debit and credit. The credit peak at the end of May is the loan of €10,000.



**Graph 1:** Transactions Over Time

## Conclusion and Suggestion for a Credit Line

Taking into consideration the above analysis and assuming that for 2023 ABC Company shall have the same financial short-term needs, the following are the key conclusions:

- ABC Company is **not highly leveraged** and has the financial ability to repay short term loans.
- The loss for 2021 may have seem concerning, but the way that the current account has operated in 2022 shows a **better financial position and ability to repay debts**.
- The extra credit line of €10,000 was sufficient in 2022 for the Company to stay punctual with its creditors and monthly repayments.
- At the end of the year with its net cash position the company could have settled fully the extra loan of €10,000 and thus reduce the monthly instalment to the original €1,200.

**As a result, a short-term funding of max €10,000 could be justified.**