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**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.

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***Table 1:*** *ABC Company – Balance Sheet as of 31st of December 2021*

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***Table 2:*** *ABC Company - Profit & Loss as of 31st 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*.

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***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*.

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***Table 4:*** *May 2022* *Transactions*

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***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.

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***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.

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***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.**