**Lending Report**

**ABC Company**

Table of Contents

[Financial Statements Insights 3](#_Toc127114234)

[Total Current Assets 3](#_Toc127114235)

[Total Liquid Assets 3](#_Toc127114236)

[Total Fixed Assets 3](#_Toc127114237)

[Loss in the Profit & Loss 3](#_Toc127114238)

[Financial Statements as a Snapshot 4](#_Toc127114239)

[Current Account Insights 6](#_Toc127114240)

[Suggestions 7](#_Toc127114241)

# **Financial Statements Insights**

To understand whether ABC Company is suited for a short-term loan, we first needed to analyse the company’s financial position with the provided Financial Statements as of 2021. There were a few highlighted key factors that may impact its future performance and thus our decision.

## **Total Current Assets**

The financial statements of ABC Company reveal that the company has a total of €145,786 in current assets, which are assets that are expected to be converted into cash or used up in the normal course of business within one year. This is a strong indication that the company has the resources to repay the potential loan.

## **Total Liquid Assets**

In addition to the current assets, ABC Company also has a total of €54,891 in liquid assets, which are assets that can be easily converted into cash. This signalises that there is a significant amount that can be used to repay the loan at any point and in case of any shortage in the current account.

## **Total Fixed Assets**

The financial statements also show that ABC Company has a total of €77,584 in fixed assets, which are assets that are used in the long-term operations of the company. These assets can also be liquified in case of an emergency to repay the loan.

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

## **Debt-to-Assets Ratio**

This ratio measures the amount of debt a company has compared to its assets. A high debt to asset ratio (above 1) indicates that the company is highly leveraged, making it less likely to repay a loan. In the case of ABC Company, we clearly see that the assets are almost twice the value of the debts, with a ratio of 0.62. Hence the company seems to be in a good enough financial state for repaying a new loan.

## **Loss in the Profit & Loss**

However, it is important to note that ABC Company experienced a loss of –€94,264 as stated in the profit & loss for the year 2021. This may be a cause for concern and may impact the company's future performance. However, it is also important to understand that this loss was for a specific year and may not be reflective of the company's current position.

There could be a lot of assumptions on why the company did not perform well in the year 2021. For example, if the nature of the company is such that people need to be physically there, for example a restaurant, then Covid-19 could have made a huge impact in the company’s revenues.

Furthermore, we can see that 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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***Figure 2:*** *ABC Company - Profit & Loss as of 31st of December 2021*

## **Financial Statements as a Snapshot**

Finally, it is crucial to remember that financial statements are just a snapshot of the company's financial position at a specific point in time. Additionally, it is essential to keep in mind that the financial statements that we have used are as of the end of 2021, and thus may not reflect the current position of the company, and further analysis is required to understand the company's current financial position.

In conclusion, ABC Company has a strong financial position, with significant liquid and current assets that can be used to repay loans. The loss in the profit & loss for the year 2021 may be a cause for concern, but it is important to understand that it is referring to more than one year ago and may not be reflective of the company's current position.

*Notes:*

1. *Xml file was missing one essential line to be readable at the top, so I added it.*
2. *Figures in the statement didn’t balance, i.e. total assets and total liabilities did not match. Total assets showed €22,516,800 and total liabilities showed €225,168. Therefore, assumed that there was a typo and the two should have matched at €225,168.*

# **Current Account Insights**

We can also gain insights into a company's financial situation to determine the likelihood of loan repayment by analysing the current account of the company. The current account provides a time-series of a company's financial transactions, including its cash inflows and outflows, and the balances of its assets and liabilities.

When analysing the current account of the entire year of 2022 for ABC Company, we found some interesting insights on the critical transactions of the company.

# **Suggestions**