Business Problem

The Canterbury Real Estate company is a startup real estate company. The company seeks to grow financially stable, have economic relevance and have a major market share. As the year ends, all departments submit their budgets as usual for approval before they are included in the company's next year's budget. The marketing team presented a budget of $18,000,000 to be approved for the year 2023. At the beginning of the year, the company had retained earnings of $10,000 and common shares worth $600,000. The marketing team's proposal of new business opportunities in Nashville Site, lays out the acquisition of new lands, registered contractors and projections into the future sales of the company. They also proposed that the company increase advertisement and give a 10% discount off client's rent in the first quarter of the next year since the team can recover the difference in services rendered. They estimated that their new development project to purchase 150 units of a multifamily residence in Nashville and everything else has been factored into the budget. The investors are unhappy about the budget and hence called an immediate meeting to discuss the matter at the Executive meeting.

The company currently owns 300 apartments rented out at $5,000 per apartment and 188 acres of lands worth $2,145,460,000 to be developed or sold but the investors are not convinced that these sources of income can be easily liquefied. They are willing to further invest 5,400,000 but wonder if their investments will be worth it because the company is now in its 4th year since establishment and this is the 3rd time in the year 2022, the company will need to raise capital.

Mr. Randolph, the Marketing manager is very positive that if their budget is approved, revenue will increase for the company from the beginning of the 6th year. He explained that Nashville is growing in population and people will want to rent apartments or own their own homes. He proposed that the company acquire the newly built 150 units of a multifamily residence which currently has a market rent value of $15000 per unit so, if the team should own them and give a 10% discount, it will attract buyers. He added that their current population is 1,000,006 so let's assume that the population increases steadily by 100 in subsequent years.

Mr. Rushben, the Chief Marketing Officer raised concerns about the recent slowdowns in business highlighting the recent tax policies with a raise of 2% to be effective January 1st, 2023 property tax deterring potential buyers in the market to own a house. Property tax is currently $600 in Nashville. He was particularly concerned about the discounts proposed and thinks that no discounts on the rent should do the trick. He retorted that the population increase is no guarantee that they will buy/rent homes.

Mr. Christian, The Chief Finance Officer agreed with Mr. Rushben on the discounts proposed. The CFO added that the advertisement will have serious financial constraints on the company's finances since the company rolled-out a new technology, the administrative expenses increased by 20% of the next expected budget and currently has a bank loan of $45,000 to clear. He added that the company issued common shares in the 2nd quarter of the year worth $2,197,907,055.00 because of its financial state and plans not to pay dividends this year. The new technology is treated separately from the operating expenses in the current year and the 300 apartments are currently the company's major source of revenue. The company also disclosed the plans to increase wages and salaries by 5% the next year. The operating expenses recorded an alarming cost of $83,700 (property tax inclusive) for the current year so they have decided to cut down cost to $5000/month covering for operating expenses, all other things equal. He cautioned that the company's request for a bank loan of $12,600,000 will come at an interest rate of 5.25% over a 5-year term. They do not want to risk another investment trapped in inventory and an unnecessary financial burden. He advised that the marketing team focuses on marketing campaigns for the lands at Boston to sell rather than purchasing new assets and definitely no discounts on rent if approved.

Mr. Cornell, The Chief Technology Officer, agreed with the CFO and strongly advised strongly that the marketing team hold on with their budget and stick to the old one emphasizing how the new technology which was recently rolled out costs the company $67,000. Rolling out a new development venture during this period might cause not only a debt load but also affect the new technology and this can be another challenge for the entire company.

After several considerations, The Board decided to have an update from the finance team on the matter since the proposal sounds good but very risky. The Board will like to have the update at the next meeting. Since the company is about to draw up the income statement for the year ended, they prefer to have the statement first and then, a thorough analysis on the company's finances to see how the marketing team's proposal can fit into the company's budget. The Board will only approve of the marketing team's proposal if the finance team confirms it in their presentation at the next meeting. Until then, the marketing team should keep their fingers crossed.
Additional information includes: Depreciation on the company's building is 5% of the property value (book value).

The finance manager intends to handle the financial position but has asked you to analyze the below finance dataset shared with you for the previous three years. He asked you to use a potential rent amount of $15,000 for multifamily apartments and share your report at the Friday meeting. He also advised on the following:

1. vacancy loss of 5%
2. an annual net cash flow inflation rate of 3%
3. A corporate tax of 25%.

Dataset shared with you					
Year	**Gross Revenue**	**Net Income**	**Net Cash Flow**	**Total Expenses**	**Population**
1	183720	$21,252.05	$8,462.58	$162,467.95	600,543.00
2	188014.4	$21,927.09	$8,511.83	$166,087.31	690,895.00
3	191774.688	$10,000.00	$8,562.06	$181,774.69	998,511.00

You are already privileged to access only the financial data for the year. When you began inspecting the data, you discovered other information as at December 31,2022:

1. The company's property is worth $ 56,000,000.
2. Total wages payable of $347,700.
3. Wages expense of 30,000.
4. Fuel expense of 11,000 outside the operating expenses.
5. Equipment and plant worth $30,000
6. Other sources of income from parking and laundry accruing to 75,000.

7. An annual rent growth rate of 2%
8. Tenants have a length of ownership of 5 years.
9. An exit cap rate of 6%
10. new office chairs borrowed worth $6,500 yet to pay.
11. Office supplies of $1,300.
12. returned the newly purchased air-conditioner worth $25,000 yet to receive payment.
13. A plumber has fixed a resident's pipeline worth $45 to be paid next month.
14. The company has $200,000 at the bank.
15. Cost of Goods Sold amounted to $92,768

The Business Objective

Prepare an income statement for the year ended December 31, 2022.
Prepare a statement of changes in equity for the year ended December 31, 2022.
Prepare a balance sheet as at December 31, 2022.
Perform a financial analysis and share insights at the Friday meeting with the Finance team. Don't forget your data visualizations!!

Good Luck!