**Helen’s Future**

When Helen returned from her holiday, she felt that with her experience and contacts she could start a small business buying and selling bottles of orange juice.

She intends to:

* With her partner, form a small private company and invest £20,000 of equity as initial capital on the 1st of January.
* To borrow £8,000 from her parents on an interest only basis. The agreed interest rate is 10% pa to be paid half-yearly. Helen is going to use this loan to buy a van for £10,000 and this van is expected to depreciate by £2,000 in the first year.
* To sell 84,000 bottles in the first year to various outlets at £1 each. To try and gain a competitive advantage Helen will grant two months credit to her customers.
* Purchase 96,000 bottles in the first at a cost of 75p each. Helen is lucky enough to be able to obtain credit, but she will only manage to get one month’s credit initially as it is a new business.
* Rent a lock up unit at a cost of £6000 pa paid monthly and the utility bills are estimated to £2,000 pa and these will be paid quarterly.
* Carry on with her existing employment and her partner will also continue to work. They will employ someone on a part-time basis to deliver the orders. This person’s agreed wage is £9,000 pa in the first year and this will be paid monthly.
* For the purpose of this exercise assume that the purchases and sales were evenly spread throughout the year.