**New business loan assignment**

**Name of student**

**Name of teacher**

Morrison Consulting

To

Henry Banks

Assistant Vice President Business/Personal Loans

Fifth Third Bank

P.O. box 17800

**Subject: Request for Loan for Diner**

The reason behind choosing this business is that the only thing common in the different cultures is the meal. Secondly the food is the basic necessity of life. Thus if properly marketed and managed, the business will come out to be a huge success. However the consideration is more than the food itself. The company is supposed to sell the experience along with the food.

This letter is sent to you on behalf of our client Diner. The company will be in the seafood business with a profit generated over the last year. The company has also shown a positive cash flow over the same period of time. A ratio analysis has shown that the company would be able to pay off the short term debts. The profit generation ability of the company is good as the sales revenues are high. A cash flow of $ 2.4 M will mean that the company has enough amount of cash at disposal. The salaries take up a large percentage of the expenses.

The initial startup cost of the venture will be $ 39725. The major portion of this amount will be used to buy machinery and other accessories. The current funds with the company are $ 35000 thus showing a deficit of $ 4725.

Another important aspect is the breakup of sales by products. This is necessary because the sales of those products have to be increased that have inelastic demand so that revenues increase despite the decrease in the prices. This will also help the company to analyze which products are to be focused in the marketing strategy. The company will increase the sales gradually.

The following table shows the projected sales of the business for the first six months.

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  | Month 1 | Month 2 | Month 3 | Month 4 | Month 5 | Month 6 |
| Revenue: |  |  |  |  |  |  |
| Oysters | $15,246.00 | $15,634.77 | $16,033.46 | $16,442.31 | $16,861.59 | $17,291.56 |
| Fried Shrimp | $18,942.00 | $19,425.02 | $19,920.36 | $20,428.33 | $20,949.25 | $21,483.46 |
| Calamari | $9,147.60 | $9,380.86 | $9,620.08 | $9,865.39 | $10,116.96 | $10,374.94 |
| Catfish Sandwich | $21,991.20 | $22,551.98 | $23,127.05 | $23,716.79 | $24,321.57 | $24,941.77 |
| Salads | $24,948.00 | $25,584.17 | $26,236.57 | $26,905.60 | $27,591.70 | $28,295.28 |
| Fries | $9,240.00 | $9,475.62 | $9,717.25 | $9,965.04 | $10,219.15 | $10,479.73 |
| Sodas | $9,240.00 | $9,475.62 | $9,717.25 | $9,965.04 | $10,219.15 | $10,479.73 |
| Monthly Revenue | 108755 | 111528 | 114372 | 117288 | 120279 | 123346 |



The above table shows the monthly expected sales for the first six months of the operations. If assessed overall, the sales of the company are increasing. The product wise analysis shows that the sales will increase for all every passing month.

The loan amount will be used to purchase the kitchen equipment and accessories. Our client believes in provision of quality food to the customers and this will be possible with a set of modern equipment.

The following table will show the two most important financial statements proposed for the business.



**Conclusion**

The above information presented in the document is meant to generate the loan facility for one of our clients. Any further information required will be provided to you promptly.

**Diners**

**Proposed Income Statement**

|  |  |  |
| --- | --- | --- |
| Sales |  | 20000 |
| Less: Cost of Goods Sold |  | 8000 |
| Gross Profit |  | 12000 |
| Other Expenses |  |  |
| Salaries | 3500 |  |
| Advertising | 2700 |  |
| Administrative | 2400 |  |
| Total |  | 11400 |
| Net profit |  | 600 |

**Diners**

**Proposed Balance sheet**

|  |  |  |  |
| --- | --- | --- | --- |
| **Assets** | **$** | **Liabilities** | **$** |
| Cash | 10000 | Payables | 2275 |
| Inventory | 2000 | Loan (Required) | 4725 |
| Machinery | 15000 | Capital | 20000 |
|  | 27000 |  | 27000 |

The above balance sheet and income statement will be helpful to analyze the state of the business.

# References

Adamou, F. A. (2018). Bank loan financing decisions of small and medium sized Enterprises: The significance of Owenr/ manager's behaviors. *International journal of economic and Finance*, 231-241.

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