SEEBACHER-METHOD®

Balance Sheet and P/L

Loan, Increase, Interest

SEEBACHER-METHOD®

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ASSIGNMENT OF TASKS

In this example an enterprise increases the existing bank loan at the beginning of the business year. The additional credit amount is 250,000, the interest rate for the additional loan is 5% annually and is debited against the existing bank account.

On the next page the balance sheet and the profit and loss account (p/l) of the enterprise are presented before taking the described business activities into consideration.

Please, present how the increase of the credit amount and the rate of interest affect the balance sheet and the p/l of the enterprise.

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BASIC DATA

Balance Sheet			
Fixed assets	750.000	Equity	500.000
Inventories	500.000	Liabilities	500.000
Receivables	500.000	Bank loan	1.500.000
Bank account	750.000		
Assets	**2.500.000**	**Equity and Liabilities**	**2.500.000**

P / L			
Material expenses	2.500.000	Turnover / Sales	5.000.000
Personnel expenses	1.500.000		
Depreciation	150.000		
Other expenses	750.000		
Interest expenses	100.000		
Expenses	**5.000.000**	**Income**	**5.000.000**

ANSWER FORM

Balance Sheet	
Fixed assets Inventories Receivables Bank account	Equity Liabilities Bank loan
Assets	**Equity and Liabilities**

P / L	
Material expenses Personnel expenses Depreciation Other expenses Interest expenses	Turnover / Sales
Expenses	**Income**

ANSWER KEY STEP 1-3/3

Balance Sheet			
Fixed assets	750.000	Equity	500.000
Inventories	500.000	Liabilities	500.000
Receivables	500.000	Bank loan	1.500.000
Bank account	750.000		
Assets	**2.500.000**	**Equity and Liabilities**	**2.500.000**

P / L			
Material expenses	2.500.000	Turnover / Sales	5.000.000
Personnel expenses	1.500.000		
Depreciation	150.000		
Other expenses	750.000		
Interest expenses	100.000		
Expenses	**5.000.000**	**Income**	**5.000.000**

<u>**Data**</u>	
Bank loan	250.000
Interest rate	5%
Interest	12.500

	Complete Balance Sheet						
	Fixed assets	750.000		Equity	500.000		
	Inventories	500.000		Loss	-12.500	487.500	← 3
	Receivables	500.000		Liabilities	500.000		
	Bank account	750.000		Bank loan	1.500.000		
1 →	Bank loan	250.000		Bank loan	250.000	1.750.000	← 1
2 →	Interest	-12.500	987.500				
	Assets	**2.737.500**		**Equity and Liabilities**	**2.737.500**		

	Complete P / L					
	Material expenses	2.500.000		Turnover / Sales	5.000.000	
	Personnel expenses	1.500.000				
	Depreciation	150.000				
	Other expenses	750.000				
	Interest expenses	100.000				
2 →	Interest	12.500	112.500			
	Expenses	**5.012.500**		**Income**	**5.000.000**	
				Loss	12.500	← 3

ANNOTATION TO THE ANSWER KEY

The existing bank loan in the balance sheet is increased by 250,000. The additional amount of money of 250,000 which is available through the increase of the loan rises the existing credit balance on the bank account in the balance sheet. (step 1)

The interest rate for the additional credit amounts to 5% annually. 5% multiplied by the additional credit balance of 250,000 results in an additional interest expense of 12,500.

This additional interest expense of 12,500 increases the existing interest expense in the p/l and is at the same time debited against the bank account in the balance sheet. (step 2)

The p/l in the example given resulted in a profit or loss resp of 0. Due to the interest expense a loss of 12,500 is determined in the p/l. This loss from the p/l reduces the equity in the balance sheet. (step3)