

**Crusty Crayfish Business**

	May	June	July	August	September	October	November	December
<b>Cash Inflows</b>								
Sales (cash)	0	0	51,000	51,000	51,000	51,000	51,000	51,000
Accounts Receivable	0	0	0	20,000	20,000	20,000	20,000	20,000
Loan			100,000					
Capital Injection					15,000			
<b>Total Cash Inflow</b>	<b>0</b>	<b>0</b>	<b>151,000</b>	<b>71,000</b>	<b>86,000</b>	<b>71,000</b>	<b>71,000</b>	<b>71,000</b>
<b>Cash Outflows</b>								
Cray Fish Expenses	10,000	10,000	36,400	36,400	36,400	36,400	36,400	36,400
Accounts Payable		2,500	2,500	9,100	9,100	9,100	9,100	9,100
Quota			100,000					
Provisional Tax	8,000			8,000				
② Personal drawings	3,000	3,000	3,500	3,500	3,500	3,500	3,500	3,500
Wages - Employees	6,680	6,680	11,101	11,101	11,101	11,101	11,101	11,101
② Advertising	375	375	1,125	1,125	1,125	1,125	1,125	
Loan Repayment			1,000	1,000	1,000	1,000	1,000	1,000
① Installation of camera fee					50,000			
Overdraft fee					500	500	500	
<b>Total Cash Outflow</b>	<b>28,055</b>	<b>22,555</b>	<b>155,626</b>	<b>70,226</b>	<b>112,726</b>	<b>62,726</b>	<b>62,726</b>	<b>61,101</b>
Opening Bank Bal	55,000	26,945	4,390	-236	538	-26,188	-17,914	-9,640
Net Cash Flow	-28,055	-22,555	-4,626	774	-26,726	8,274	8,274	9,899
Closing Bank Bal	26,945	4,390	-236	538	-26,188	-17,914	-9,640	259

The possible responses for Crusty Crayfish business as a result of the Ministry of Fisheries camera installation and monitoring fee of \$50,000. ②

- Negotiate with the bank to change the terms of the loan from a 3-year loan with a floating interest rate at 5.25% to a 6-year loan with the first year being interest free. This will decrease the cost of the loan from \$3,000 per month to \$1,000 per month, overall saving \$12,000.
- Find cheaper methods and strategies of advertising. Currently he is paying \$500 in May and June and \$1,500 from July to December. I suggest they find a new method of advertising saving 25% of this cost. The business should cut advertising for the month of December as advertising has already taken place and people will know about the business. This action all together will save \$6,375
- Decrease the owner's drawings in May and June from \$4,500 to \$3,000 as he is not in the crayfish season during these months. In the months of July to December his drawings will increase from \$3,000 to \$3,500 as he may need more money during the crayfish season. Overall, this will save the business \$9,000 ②
- The owner should inject some capital into the business from his personal savings. A capital injection of \$15,000 in the month of September will help him keep the bank balance of his business out of the negative. This will increase the Crayfish business's cash flow by \$15,000.

Negotiating new terms with the bank will change the loan from a 3-year loan to a 6-year loan with no principal payments for the first year. This was calculated using the ASB Calculator.

The downside of this response is the business will have to deal with the loan for longer meaning that overtime they will eventually have paid more money to the bank as interest repayments will be paid for a longer period. ③

Finding a new method of advertising is a great strategy for the business. He can spend less money on advertising by doing more direct advertising, meaning he will use less money on general advertising, and instead target the specific audience he wants to attract to his crayfish business. It shouldn't affect his sales, and he can cut his advertising in December as he has advertised in all the months leading up to December. The downside could be the potential market he is targeting increases meaning he could lose potential customers who don't see his advertising and marketing. ③

Decreasing personal drawings will save the business \$9,000, a disadvantage is that with the decrease the owner would not be able to live the same life as before, maybe making him possibly more stressed and less happy with life. ③

Introducing a capital injection of \$15,000 will also increase the cash flow of the business by \$15,000 bringing Crusty Crayfish business out of overdraft and into positive figures. ③