**Amortization Schedule**

**Company Name**

|  |  |  |  |
| --- | --- | --- | --- |
| **Loan Amount** | **Interest Rate** | **Term** | **Start Date** |
| $ 400,000 | 8 % | 5 years | Jan 2020 |

|  |  |
| --- | --- |
| **Summary of Payments & Interest** | |
| Monthly Payment will be | $ 6,083 |
| Total Interest Paid over Life of Loan | $ 64,975 |
| Interest Paid in 2018 | $22,163 |
| Interest Paid in 2019 | $17,944 |
| Interest Paid in 2020 | $13,375 |

|  |  |  |  |
| --- | --- | --- | --- |
| **Payment Schedule for ATP Tuning, INC.** | | | |
| **Month** | **Principal Paid** | **Interest Paid** | **Loan Balance** |
| Begin | $0 | $0 | $400,000 |
| 2018 | $50,833 | $22,163 | $349,167 |
| 2019 | $55,052 | $17,944 | $294,115 |
| 2020 | $59,621 | $13,375 | $234,494 |
| 2021 | Example not finished | | |
| 2022 |
| 2023 |
| 2024 |
| 2025 |
| **Totals** |

You can generate an amortization schedule to get the data for the above summary table by going to <http://www.bankrate.com/brm/amortization-calculator.asp> and plug in the three variables (loan amount, term in years and interest rate). I suggest you use five years and 8%. The loan amount depends on your start up costs and cash flow, which we will discuss. You will NOT put the detailed internet generated amortization schedule in your paper, rather, just use it to create the above summary.

Below is the output for this example where I used a loan of $400,000 for 5 years at 8%. Notice that the payment remains fixed while the interest (cost of borrowing money, which is reflected on the income statement as “interest expense” declines each month and the principle (amount applied to pay off the loan, which is reflected on the balance sheet as a “reduction” to the long-term liability called loan from bank) increases by the same amount. Over time, the loan on the balance sheet becomes lower and lower until it is finally paid off while the income statement will show a decreasing interest expense every month until the loan is paid off. Of course cash (the third element of each month’s payment) will decrease by the payment amount (sum of principle and interest). The monthly transaction would look like this: