**MT480M1 Team Project: Denial Letter Outline**

First Bank and Trust

Bank Loan Review Committee

369 Peters Road

Stetson, MN 32905

June 18, 2018

Dear Mr. Smith,

Last week your loan request was presented to the bank’s loan committee. The outcome of the committee’s vote resulted in a non-renewal of the loan. The loan committee focused on positive and negative year to year cash flow trends. The more significant trends reviewed by the committee include:

1. Positive Trends

Explain how these three following accounts **increased year to year cash balances and what can be done to ensure the situation** continues in the upcoming year.

Also comment on the concept applicable to the accounts; as underlined.

* Decrease in Accounts Receivable and the impact on year to year changes in cash and **discussion on 2/10 net 30 payment terms**
* Increase in Accounts Payable and the impact on year to year changes in cash and **discussion on the filing of a mechanics lien**
* Increase in Wages Payable and the impact on year to year changes in cash and the **accounting concept of Expense Accruals**
1. Negative Trends

Explain how the three following accounts **reduced year to year cash balances and what can be done to correct the situation** in the upcoming year.

Also comment on the concept applicable to the accounts; as underlined.

* Build up of Inventory and the impact on year to year changes in cash and discussion on **Economic Order Quantity for Inventory management**
* Purchase of Plant Property and Equipment and the impact on year to year changes in cash **and Modified Accelerated Cost Recovery tax table**
* Pay down of Long Term Debt: Bank Note and the impact on year to year changes in cash **and explain collateral and purpose of UCC1 filings**

**Your Team will**…prepare a summary conclusion will briefly explain to Bob the two most important strategies he should employ to realize improved cash flow trends.

**Your Team will…**explain, in a most cordial manner, that you look forward to meeting again in six months in hopes of a loan approval.

Regards,

President, First Bank and Trust