FOUR THINGS EVERY BANKRUPTCY LAWYER SHOULD KNOW ABOUT NUMBERS



How does loan amortization work?

Is a debit a good thing or a bad thing?

What balances on a balance sheet?

What does an income statement show?

Amortization

- An amortization schedule reflects the application of payments between principal and interest.
- It shows the principal balance after the application of each payment.
- It calculates the next month's interest amount based on the new principal balance after application of the prior month's payment.

AMORTIZATION OF A ONE YEAR NOTE
WITH MONTHLY PRINCIPAL AND INTEREST PAYMENTS
ORIGINAL LOAN OF $100,000
INTEREST RATE OF 7%

Month	Beginning principal	Payment	Apply to Interest	Apply to Principal	Principal Balance
1	$100,000.00	$8,652.67	$583.33	$8,069.34	$91,930.66
2	$91,930.66	$8,652.67	$536.26	$8,116.41	$83,814.25
3	$83,814.25	$8,652.67	$488.92	$8,163.76	$75,650.49
4	$75,650.49	$8,652.67	$441.29	$8,211.38	$67,439.11
5	$67,439.11	$8,652.67	$393.39	$8,259.28	$59,179.83
6	$59,179.83	$8,652.67	$345.22	$8,307.46	$50,872.37
7	$50,872.37	$8,652.67	$296.76	$8,355.92	$42,516.45
8	$42,516.45	$8,652.67	$248.01	$8,404.66	$34,111.79
9	$34,111.79	$8,652.67	$198.99	$8,453.69	$25,658.10
10	$25,658.10	$8,652.67	$149.67	$8,503.00	$17,155.10
11	$17,155.10	$8,652.67	$100.07	$8,552.60	$8,602.49
12	$8,602.49	$8,652.67	$50.18	$8,602.49	$0.00

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"Accounting for Lawyers"