

A faint, stylized illustration of a balance scale is visible in the background of the top section, positioned on the right side. The scale has a horizontal beam with two pans hanging from it, and a central vertical post.

# 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?

A faint, stylized illustration of a balance scale is visible in the background of the bottom section, positioned on the right side. The scale has a horizontal beam with two pans hanging from it, and a central vertical post.

# 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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## Title search: Four Things Every Bankruptcy Lawyer Should Know About Numbers

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[2019 Consumer Bankruptcy eConference](#)

First appeared as part of the conference materials for the  
15<sup>th</sup> Annual Consumer Bankruptcy Practice session  
"Accounting for Lawyers"