

Johnny's Restaurant

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- Johnny pays all of his expenses out of income, and takes a salary of \$50,000 a year for himself.
 - Curiously, that is just what Johnny believes he could get working for a restaurant chain.

Johnny's Restaurant

- The cash flow from the restaurant, net of this salary, and net of the operating expenses -- food, waiters, lights, cooks, etc. -- is sufficient to justify a value of \$200,000 for the restaurant.

Alternatives

- People come to the restaurant because Johnny is a famous raconteur.

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 - If another restaurant opened on the same location, it would certainly not do as well.
 - If Johnny went to another restaurant across town, he would probably lose his faithful clientele.

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 - If a **Are these facts reasonable? It's my** same local well.
 - If J **lecture.** across town, he would probably lose his faithful clientele.

Liabilities

Due the 87 th National Bank on a mortgage on the building	\$50,000
Due the Internal Revenue Service	\$10,000
Due the Employees	\$30,000
Due miscellaneous creditors	\$30,000
Due Famous Dan's Pies, a specialty of the store	\$10,000
Due Acme Venture Capital	\$150,000

Other Factors

- Johnny's restaurant is incorporated and Johnny owns all the stock.

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- Part of the trouble comes from a lease Johnny signed next door for an annex.
 - He thought business was going to take off and it hasn't.
 - The space, rented from Draper and Kramer, Inc., is unused.

Other Factors

- Johnny's restaurant is incorporated and Johnny owns all the stock.
- Part of the trouble comes from a lease Johnny signed next door for an annex.
- Johnny's Restaurant, Inc. owns the main restaurant building, which could be sold for \$100,000.
 - No double counting.

Other Factors

- Johnny's restaurant is incorporated and Johnny owns all the stock.
- Part of the trouble comes from a lease Johnny signed next door for an annex.
- Johnny's Restaurant, Inc. owns the main restaurant building, which could be sold for \$100,000.
- There is also \$10,000 in cash and credit card receivables, etc.

Other Factors

- Johnny's restaurant is incorporated and Johnny owns all the stock.
- Part of the transaction is that Johnny signs a note for \$100,000. **This is a business bankruptcy; we talk about personal bankruptcies later.**
- Johnny's Restaurant buys the restaurant building for \$100,000.
- There is also \$10,000 in cash and credit card receivables, etc.

End

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