



# **Financial Analyst Team**

(150)

**REGIONAL 2025**

**Initial Case Study Topic:**

Ellie has always had a passion for gold jewelry and has decided to turn her hobby into a small business. For the past several years, Ellie has been selling her gold jewelry at trade shows and online. Ellie has received interest from several partners who want to place large orders and carry her products as part of their permanent collections. Ellie has been operating her business as a hobby but has decided that now is the time to create a small business and operate it full-time. Ellie does not know much about the different types of business organizations and would like your advice on what type of business she should start. Ellie will be investing \$100,000 of her own money into the business, in addition to contributing equipment worth \$400,000. Ellie estimates that this equipment still has 10 years of life left and estimates that she will be able to sell it for \$40,000 at the end of that time. Ellie has also secured a \$500,000 loan from First Bank with an annual interest rate of 5% for 10 years.

Based on last year's prices and her current orders, Ellie has created the following materials budget for the next six months. She normally marks up her jewelry at 32% of the price of the gold. Ellie does not keep any inventory of gold on hand since she is a made-to-order business.

Month 1	\$1,405
Month 2	1,240
Month 3	1,318
Month 4	1,390
Month 5	1,308
Month 6	1,230

Ellie estimates her other expenses to be as follows for each month for the next six months:

Accountant	\$2,500
Marketing	5,000
Packaging	2,000
Shipping	3,000
Insurance	12,000
Rent	12,000
Supplies	3,000
Utilities	4,000

Ellie is currently owed \$6,000 from previous orders; 10% of the amount owed to Ellie is over 30 days past due.

As Ellie embarks on this entrepreneurial journey, she seeks advice on several critical aspects of starting and managing her business: the type of business entity to form, the inventory valuation method to use, the depreciation method to adopt, and the accounting for accounts receivables. Ellie has asked you to prepare a recommendation for these questions, as well as others that she has not considered, as well as pro forma financials to help her get her business off the ground.