COURSE GUIDE

ENT 210

Course Team: Lawal, Kamaldeen A. A. Ph.D (Course Developer/writer) Department of Entrepreneurial Studies
Faculty of Management Sciences
National Open University of Nigeria

ABUDULAHI TAIWO
Department of Cooperative Economics and Management
Faculty of Management
Sciences NnamdiAzikiwe
University, Awka

Prof YUSUF, Babatunde. Ph.D (Course Editors)
Department ofCooperative Economics and
Management Faculty of Management Sciences
NnamdiAzikiwe University, Awka

Dr. Ibrahim Mohammed Gaddafi (HOD)
Department of Entrepreneurial
Studies Faculty of Management
Sciences National Open University
of Nigeria

Prof. Winfred Ugwannyi
(Dean) Faculty of
Management Sciences
National Open University of Nigeria

NATIONAL OPEN UNIVERSITY OF NIGERIA

National Open University of Nigeria
Headquarters
University Village
Plot 91 Cadastral
Zone

Nnamdi Azikiwe
Expressway Jabi, Abuja.

Lagos Office
14/16 Ahmadu Bello
Way Victoria Island,
Lagos

e-mail:
centralinfo@noun.edu.ng
URL: www.noun.edu.ng

Published by:
National Open University of

Nigeria ISBN:

Printed: 2018

Reviewed 2024

CONTENTS

1.1 Introduction

The course Start-up funding in entrepreneurship (ENT 210) is a core course, which carries two (2) credit units. It is compulsory for all students that intend to write their Bachelor's degree thesis in the session under consideration. It is prepared and made available to all undergraduate students in the Entrepreneurship Programme, in the Faculty of Management Sciences/Department of Entrepreneurial Studies. This course is useful material to you in your academic pursuit as well as in your workplace as managers and administrators.

1.2Learning Outcomes

The course is made up of Twelve (12) units, covering areas such as;

- The concept and definitions of Start-up funding.
- An overview of Business feasibility Report.
- Importance of Business feasibility Report.
- Business feasibility report writing.
- Difference between feasibility report and business plan.
- Techniques in preparing feasibility report.
- Analytical skills for bankable business plan writing.
- Common business plan errors.
- Writing business description.
- Marketing plan and strategy.
- Management team/ staffing.

- Financial projections.
- Feasibility report template.

The Course Guide is meant to provide you with the necessary information about the course, the nature of the materials you will be using and how to make the best use of them towards ensuring adequate success in your programme as well as writing a bankable feasibility report to access the needed funding for your business. Also included in this course guide is information on how to make use of your time and information on how to tackle the tutor-marked assignment (TMA). There will be tutorial sessions during which your facilitator will take you through your difficult areas and at the same time have meaningful interaction with your fellow learners.

3.0 Course Contents

The course consists of:

- Start-up funding, viable business plan writing, preparing feasibility report.
- Overview of start-up funding, challenges and prospect of start-up funding for small, medium and large scale enterprise.
- Overview of Business plan writing, the dos and don’ts of business plan writing, SWOT analysis, marketing mix, marketing strategy, product segmentation, business description, financial forecast and evaluation etc.
- Overview of viable feasibility report writing, market demand analysis, competitive analysis, competitive edge strategy, etc.

4.0 Course Aims

The main aim of this course is to arm you with adequate information on the concept and nature of start-up in entrepreneurship, its components and its roles in businesses and the society as a whole. The course also aims at making you have a greater understanding of the fundamentals of business plan writing, viable feasibility report writing and their application in the overall process of an enterprise.

5.0Course Objectives

After completing this course, you should be able to;

- Explain the concept of Start-up in entrepreneurship.
- Write a bankable business plan to access the needed fund for your business.
- Write a viable feasibility report for your business.

6.0Course Materials

Major components of the course are;

1. Course Guide
2. Study Units
3. Textbooks
4. Assignment Guide

7.0 Study Units

There are four modules of 11 units in this course, which should be studied carefully.

Module 1: Start-up Funding in Entrepreneurship

Unit 1: Overview

Unit 2: Importance of Start-up funding

Unit 3: Sources of funding available to Start-ups.

Unit 4: The process of start-up funding

Module 2: Introduction to business plan writing

Unit1: Overview of business plan writing

Unit2: Executive summary

Unit 3: Business vision, mission, objectives and SWOT Analysis

Module 3: Techniques in Business Plan Writing

Unit 1: Material Cost Analysis and Labour Cost Analysis

Unit 2: Financial Projection

Module 4: Feasibility Study

Unit 1: Overview of Feasibility Study

8.0 Assignment

There are many assignments in this course and you are expected to do all of them by following the schedule prescribed for them in terms of when to attempt them and submit it for grading to your Tutor.

9.0 Tutor-Marked Assignments (TMAs)

You are expected to submit all the TMAs to your Tutor for grading on or before the stated deadline. If for any reason you cannot complete your assignment on time, contact your tutor before the assignment is due, to discuss the possibility of extension. Extension may not be granted after the deadline, unless on exceptional cases. The TMAs usually constitute 30% of the total score for the course.

10.0 Final Examination and Grading

The course is 100%` practical which would be examined by a facilitator and a representative of the Department. The student is expected to make a presentation at the study centre.

11.0 Conclusion

This course Start-up funding in entrepreneurship (ENT 210) exposes you to issues and components involved in start-up finding, business plan writing, feasibility report writing to assess the funding required for your business. On the successful completion of the course, you will have been armed with materials, expertise and skills necessary to write a bankable business plan and feasibility report for your business idea.

MAIN CONTENT

Module 1: Start-up Funding in Entrepreneurship

Unit 1: Overview

Unit 2: Importance of Start-up funding

Unit 3: Sources of funding available to Start-ups.

Unit 4: The process of start-up funding

Module 2: Introduction to business plan writing

Unit1: Overview of business plan writing

Module 3: Techniques in Business Plan Writing

Module 4: Feasibility Study

MODULE 1: START-UP FUNDING IN ENTREPRENEURSHIP

UNIT 1: INTRODUCTION TO START-UP FUNDING

UNIT 2: FROMS OF START-UP FUNDING

UNIT 3: SOURCES OF FUNDING AVAILABLE TO START-UPS.

UNIT 1: **INTRODUCTION TO START-UP FUNDING**

CONTENTS:

Introduction

The days of receiving funding based only on a concept are long gone. You must demonstrate the viability of your proposal via careful planning and execution in order to obtain finance. You must have a minimal viable product or a prototype. In order to be eligible for funding, your company need also have proof of concept.

1.2 Learning outcomes

At the end of this unit, you should be able to;

i. state the meaning of start-up;

ii. explain the meaning of start-up funding;

iii. clearly analyze the importance of start-up funding.

1.3.0 Meaning of start-up funding

The money required to launch a new business is referred to as startup funding. Startups frequently receive funding from investors including banks, venture capital firms, and angel investors.

1.3.1 Overview of Start-up Funding

Obtaining funds to assist a company endeavor is known as startup finance. Regardless of the maturity of the firm, funding can take many different forms, but the vast majority of businesses participate in some form of fundraising to increase their potential for growth.

There are several ways for companies to get financing. Obtaining capital from outside investment, also referred to as fundraising rounds, is how you hear about funding most frequently in the news. In those circumstances, investors trade money for equity, which is akin to a portion of ownership in the company.

The majority of investors flock to high-potential businesses, but the funding comes with a catch: they frequently receive half ownership and participate actively in business decisions.

Small business loans are a way for founders to obtain funding if they don't want to involve outside investors. Although loans allow you to keep full ownership of your business, you must start paying them back right away, so they aren't the ideal choice for a startup with limited cash flow. You can hunt for loans from conventional financial institutions or even online lending providers if your business is profitable.

Founders that decide not to apply for startup funding typically decide to bootstrap, or self-fund, their companies. To start their businesses, they use money from family and friends or personal savings.

Bootstrapping is a contentious topic; however it does assist founders in maintaining control over their companies rather than selling ownership to investors and avoiding loan interest payments. The creator may lose their own savings or the savings of their friends and family if the firm fails.

Each founder must ultimately determine the best sort of finance for their firm. But how exactly does it operate? Let's go over an example of a normal funding process.

1.3.2 The fundamentals of startup financing

First of all, not every firm may receive money. To be eligible for funding, a company must meet a set of requirements. From the perspective of an investor, a company can only be funded if it has the ability to scale up and generate exponential returns.

Second, unlike what you would believe after reading the news and watching the media, funding is not a guarantee of success. Funding is merely a first step. Without any outside funding, several firms in our area have expanded. Therefore, while it may be necessary in some circumstances, money is not always required.

The company should be self-sufficient, which means that you’re paying clients should be your main source of funding. To grow and expand, your company should make enough money in sales and profits. You should only look for funding if this is not possible or if there is a definite need for additional finances.

1.3.3 Meaning of Start-up

A startup, also known as a start-up, is a business venture that an entrepreneur launches in order to find, create, and validate a scalable business model. Startups are new firms that plan to grow significantly beyond the single founder, whereas entrepreneurship refers to all new businesses, including self-employment and businesses that never intend to become registered. Startups suffer high levels of uncertainty and failure at first, but a small percentage of them go on to become successful and significant.

A founder (solo-founder) or co-founders who have a solution to a problem usually start a business. In order to develop and validate their business models, the founder of a startup will start by conducting issue and solution interviews and constructing a minimum viable product (MVP), or a prototype. It may take a while to get things going (up to three years, according to some estimates), so ongoing work is necessary. Given the high failure rates and ambiguous results, maintaining effort over the long term is particularly difficult. A business plan explains what should be done and how to plan for and realize an idea in the future. These plans typically describe the first three to five years of your company's strategy.

1.3.4 Importance of start-up funding.

1. It expands and realizes economies of scale by scaling up business activities.

This is one of the most common goals for receiving investment. For instance, your firm is currently operating smoothly after you launched it and successfully implemented your idea. You might now want to scale up your business or increase your presence. You should certainly think about financing this idea.

2. Its establishes a competitive advantage

The second reason is to fast increase your market share and get a competitive advantage over your rivals. Let's use an internet or app firm as an example. User traction and market penetration are essential. It could take a while to build up an organic user base, and your rivals might take advantage of the circumstance. So you would need cash if you wanted to swiftly increase your user base. You may have observed numerous startups offering bonuses, discounts, and promotions in the early stages of their operations. Gaining market share and a commanding position are the main goals here.

3. It creates funds for working capital or short-term operational needs

The third justification is to do just that. For instance, a small manufacturing company can unexpectedly get a sizable order. The rapid increase in output will necessitate funding for extra inventory and salaries. The cash can be returned once the order is completed and paid for.

4. For Research and development

In a very small number of instances, the business model may call for a lengthy gestation period or intensive research and development depending on the nature of the business. Obtaining capital at the outset is crucial for many firms since without it, they cannot get started. For instance, any custom-made Internet of Things device would need both software and hardware customization. They are both costly and time-consuming. Even just the first batch of products to test the market will be expensive, thus outside investment will undoubtedly be needed. This type of funding is only appropriate for innovative and distinctive products.

1.4 Self-Assessment Questions

1. State the meaning of start-up funding.
2. Briefly analyze the fundamental of startup funding.
3. Identify three reasons why start-up funding is important to an intending entrepreneur

1.5 Summary

- The money required to launch a new business is referred to as startup funding.
- A startup, also known as a start-up, is a business venture that an entrepreneur launches in order to find, create, and validate a scalable business model.
- Start-up capital is important because It expands and realizes economies of scale by scaling up business activities, it acts as a basis for research and development, it creates fund for working capital etc.

1.6 References/Further Readings/Web Resources

1. Rebecca B., Benjamin C., 2020. Start up and its associated components. What is start-up? Available at https://www.forbes.com/advisor/investing/what-is-a-startup/ assessed 3/8/2022.
2. The Startup Team, 2022. The fundamentals of startup funding. What is startup funding? Available at https://www.startups.com/library/expert-advice/what-is-startup-funding assessed 3/8/2022.
3. Cathy H., 2020. The importance of funding for business. Funding a business. Available at https://smallbusiness.chron.com/importance-funding-business-59.html assessed 3/8/2022.

1.7 Answers to self-assessment questions.

Self-Assessment Exercise 1

The money required to launch a new business is referred to as startup funding. Startups frequently receive funding from investors including banks, venture capital firms, and angel investors.

To be eligible for funding, a company must meet a set of requirements. From the perspective of an investor, a company can only be funded if it has the ability to scale up and generate exponential returns.

Second, unlike what you would believe after reading the news and watching the media, funding is not a guarantee of success. Funding is merely a first step. Without any outside funding, several firms in our area have expanded. Therefore, while it may be necessary in some circumstances, money is not always required.

The company should be self-sufficient, which means that you’re paying clients should be your main source of funding. To grow and expand, your company should make enough money in sales and profits. You should only look for funding if this is not possible or if there is a definite need for additional finances.

Self-Assessment Exercise 2

A startup, also known as a start-up, is a business venture that an entrepreneur launches in order to find, create, and validate a scalable business model.

Self-Assessment Exercise 3

It expands and realizes economies of scale by scaling up business activities.

This is one of the most common goals for receiving investment. For instance, your firm is currently operating smoothly after you launched it and successfully implemented your idea. You might now want to scale up your business or increase your presence. You should certainly think about financing this idea.

Its establishes a competitive advantage

The second reason is to fast increase your market share and get a competitive advantage over your rivals. Let's use an internet or app firm as an example. User traction and market penetration are essential. It could take a while to build up an organic user base, and your rivals might take advantage of the circumstance. So you would need cash if you wanted to swiftly increase your user base. You may have observed numerous startups offering bonuses, discounts, and promotions in the early stages of their operations. Gaining market share and a commanding position are the main goals here.

It creates funds for working capital or short-term operational needs

The third justification is to do just that. For instance, a small manufacturing company can unexpectedly get a sizable order. The rapid increase in output will necessitate funding for extra inventory and salaries. The cash can be returned once the order is completed and paid for.

UNIT 2: FORMS OF START-UP FUNDING

CONTENTS:

1.1Introduction

Startups require more than just a lot of labor. Every business needs capital, and startups are no exception. If a firm receives the proper early-stage finance, it may be able to hire a crucial person while passing up on other talent that is desperately required.

Finding venture capital may seem like an impossible undertaking. However, if you have the correct information, you may look in the right areas for the right kind of money and move your firm to the ideal location.

1.2 Learning outcomes :

At the end of this unit, you should be able to;

i. state the forms of startup funding;

ii. explain the forms of start-up funding;

1.3.0 Forms of Start-up Funding

1.3.1 Equity investment

This is unquestionably the most well-liked and frequently discussed kind of startup financing. These financial contributions are made in place of stock or equity in your startup. Either regular or preferred stocks may be distributed as shares.

1.3.2 Investment in Debt

This would be subject to interest charges and have a repayment schedule. The most common forms of debt investments are long-term (personal or business) loans and short-term (invoice debts and working capital loans) loans.

1.3.3 Royalty based Investment

Investments based on royalties present a particularly intriguing source of funding. You give the investors a structured royalty, which is a share of the sales, in place of financial investment. Depending on the investment agreement, the royalty may have a finite lifespan, a variable rate, or be paid in perpetuity.

1.3.4 Convertible securities

Another source of funding is convertible securities, such as bonds and shares. According to previously agreed-upon terms and timetables, the stakeholders in this model would have the opportunity to switch between debt and equity participation.

1.4 Self-Assessment Exercise

Identify any four forms of Start-up Funding and explain any two of them with proper application and examples.

1.5 Summary

- Startups require more than just a lot of labor. Every business needs capital, and startups are no exception. If a firm receives the proper early-stage finance, it may be able to hire a crucial person while passing up on other talent that is desperately required.
- Forms of startup funding include convertible receivables, Royalty based investment, investment debt, equity investment

1.6 References/Further Reading/web sources

Brex, 2020. Forms of startup funding. Startup business. Available at https://www.brex.com/blog/startup-funding/ assessed 4/8/2022.

1.7 Answers to Self-Assessment Exercise

1.3.1 Equity investment

This is unquestionably the most well-liked and frequently discussed kind of startup financing. These financial contributions are made in place of stock or equity in your startup. Either regular or preferred stocks may be distributed as shares.

1.3.2 Investment in Debt

This would be subject to interest charges and have a repayment schedule. The most common forms of debt investments are long-term (personal or business) loans and short-term (invoice debts and working capital loans) loans.

1.3.3 Royalty based Investment

Investments based on royalties present a particularly intriguing source of funding. You give the investors a structured royalty, which is a share of the sales, in place of financial investment. Depending on the investment agreement, the royalty may have a finite lifespan, a variable rate, or be paid in perpetuity.

1.3.4 Convertible securities

Another source of funding is convertible securities, such as bonds and shares. According to previously agreed-upon terms and timetables, the stakeholders in this model would have the opportunity to switch between debt and equity participation.

UNIT 3: SOURCES OF FUNDING AVAILABLE TO START-UPS.

CONTENTS:

1.1Introduction

To expand their business, companies constantly look for finance sources. The act of providing resources to finance a program, project, or necessity is referred to as funding, often known as financing. Financing can start for both short-term and long-term goals.

1.2Learning outcomes :

At the end of this unit, you should be able to;

ii. state the sources of startup funding;

i. explain the sources of start-up funding;

1.3.0 Sources of Start-up Funding

1.3.1 Bootstrapping

Bootstrapping is always a good place to start. Bootstrapping refers to starting a business using personal funds or borrowing from friends and family. Bootstrapping instills the financial responsibility and entrepreneurial discipline needed to manage a lean business.

1.3.2 Crowd funding

Crowd funding is an additional choice in which you can raise money through websites like Kick-starter.

1.3.3 Startup Competition

Entering and succeeding in startup competitions can assist you in raising money, establishing your credentials, and obtaining media attention.

1.3.4 Government Programmes

You should also look into the government initiatives, such as subsidies and grants, which are available for your industry of business, and make sure you are aware of the requirements to be eligible for them.

1.3.5 Debt investors

Typically banks and other financial institutions are the fourth source of finance. Credit card debt financing is the most basic type. I have interacted with many founders who did in fact use credit cards to pay for their initial startup expenses. Unless it is an absolute necessity, I would not recommend this. Because using credit cards typically has a very significant personal liability and interest rate. Personal loans are the second kind of debt financing. Without a business plan, you can obtain a personal loan. Personal loans would need a personal obligation to repay them, and their interest rates are generally greater than those of business loans.

1.4 Self-assessment exercise

1. List and explain any three sources of startup available to you as an entrepreneur

1.5 Summary

- Sources of start-up funding include bootstrapping, crowd funding, start-up competition, government programmes and debt investors.

1.6 References/Further Reading/web sources

The CFI Team, 2022. Sources of funding for Startup business. Available at https://corporatefinanceinstitute.com/resources/knowledge/finance/sources-of-funding/ assessed 4/8/2022.

1.6 Answers to Self-Assessment Exercise

Bootstrapping

Bootstrapping is always a good place to start. Bootstrapping refers to starting a business using personal funds or borrowing from friends and family. Bootstrapping instills the financial responsibility and

Crowd funding

Crowd funding is an additional choice in which you can raise money through websites like Kick-starter.

Startup Competition

Entering and succeeding in startup competitions can assist you in raising money, establishing your credentials, and obtaining media attention.

Government Programmes

You should also look into the government initiatives, such as subsidies and grants, which are available for your industry of business, and make sure you are aware of the requirements to be eligible for them.

MODULE 2: INTRODUCTION TO BUSINESS PLAN WRITING

UNIT1: OVERVIEW OF BUSINESS PLAN WRITING

UNIT2: EXECUTIVE SUMMARY

UNIT 3: BUSINESS VISION, MISSION, OBJECTIVES AND SWOT ANALYSIS

UNIT 1: OVERVIEW OF BUSINESS PLAN WRITING

CONTENTS:

1.1 Introduction

1.2 Learning outcomes

1.3 Main Content

- 1.3.0 Meaning of Business plan
- 1.3.1 Overview of Business plan writing.
- 1.3.2 Fundamentals of business plan writing.
- 1.3.3 Some business plan writing errors
- 1.3.4 Importance of business plan.

1.4 Self-Assessment Exercise

1.5 Summary

1.6 References/Further Reading/web sources

1.7 Possible Answers to Self-Assessment Exercise(s) within the content

1.1  INTRODUCTION

A business plan is a crucial road map for a successful enterprise. It outlines the course the business is pursuing, its objectives, the place it wants to be, and how it plans to get there. A business plan is also a written overview of a potential business venture, including operational and financial information, potential markets and marketing tactics, and managerial qualifications.

As an internal tool for organizing and streamlining the venture's activities, the business plan is very valuable to both the entrepreneur and the organization. Additionally, it is the most crucial tool for explaining the company's mission to outsiders. It is a necessary document that must be in good condition when speaking with prospective investors and partners. They are the group that business plans most frequently have as their target audience. The business plan consists of a narrative and several financial worksheets. The narrative template is the body of the business plan. It contains more than 150 questions divided into several sections. Work through the sections in any order that you like, except for the Executive Summary, which should be done last. Skip any questions that do not apply to your type of business. When you arc finished writing your first draft, you'll have a collection of small essays on the various topics of the business plan. Then you'll want to edit them into a smooth-flowing narrative.

The real value of creating a business plan is not in having the finished product in hand; rather, the value lies in the process of researching and thinking about your business in a systematic way. The act of planning helps you to think things through thoroughly, study and research if you are not sure of the facts, and look at your ideas critically. It takes time cow, but avoids costly, perhaps disastrous, mistakes later. It typically takes several weeks to complete a good plan. Most of that time is spent in research and re-thinking your ideas and assumptions. But then, that's the value of the process. So make time to do the job properly. And finally, be sure to keep detailed notes on your sources of information and on the assumptions underlying your financial data.

1.2Learning outcomes

At the end of this unit, you should be able to;

i. state the meaning of business plan;

ii. critically analyze some business plan writing errors;

iii. clearly analyze the importance of business plan.

1.3MEANING OF BUSINESS PLAN

A business plan is a crucial road map for a successful enterprise. It outlines the course the business is pursuing, its objectives, the place it wants to be, and how it plans to get there. As a result, it has enormous value both as an internal tool for the business and as a tool for communicating with potential partners and investors. A business plan needs to be edited with the target audience in mind, with clarity and concision, in a clear and consistent manner, and it should be revised by outside parties. Its content should include information on the business and its goods, as well as its market environment, marketing strategy, organizational structure, and capital plans.

1.3.1 OVERVIEW OF BUSINESS PLAN WRITING.

A business plan is a written document that outlines the Who, What, Where, When, Why, How, and How Much of your company and can be distributed to others. In a business plan, you outline your company's current situation as well as its future plans for a number of years.

Writing a business plan will come naturally to you if you have finished the other chapters in this training course.

Most of the difficult work and thought has already been done by you. If you have not yet finished all of the training series' prior chapters, you might want to do so now.

1.3.2 FUNDAMENTALS OF BUSINESS PLAN WRITING.

1. A few guidelines should be kept in mind while creating and updating a business plan. The target audience for the business plan should always be taken into account as a starting point. It's possible to address a potential investor differently than a potential joint-venture partner. The level of depth, disclosure, and technical expertise should be influenced by the intended audience.

2. A business plan should be concise and clear to the point. This means that the content of the business plan should be concise and to the point. An entrepreneur typically has extensive understanding of the industry, its surroundings, and its products, and may find it challenging to convey the key points. The ability to edit a business plan succinctly without omitting key details is crucial.

3. A business plan must also be easy to grasp for both insiders and outsiders of the specific industry. An entrepreneur typically has extensive in-depth understanding of both items and processes in addition to their broad commercial knowledge. For "ordinary people," it can be difficult to understand language and explanations that are extremely complicated, scientific, or industry-specific.

3. A business plan should be made sure to be a consistent document because it covers a wide range of issues and may be edited by numerous members of an organization. This includes the organization, substance, and writing style. The document's figures must be consistent throughout, and the level of detail needs to be reduced. For instance, if a series of customer events is planned in the marketing department, this must be recognized as charges in the financial management section. A business strategy must also be kept dynamic because it changes as you alter the various sections. Every time a new section is added, consistency checks with the previous sections should be performed.

4. The process should include external reviewers in addition to internal assessments of the business strategy. They could be non-experts who assess the draft business plan on, say, the aforementioned concerns, or they could be industry professionals in the relevant field. In any event, these should be reliable individuals as the business plan may contain private information about the venture.

1.3.3 SOME COMMON BUSINESS PLAN ERRORS

When writing your business plan, make sure you are careful of some common errors business startups make in writing their business plan.

1. Poor introduction

Make sure that your introduction is well written enough, to catch the attention of the reader. First impression last long…. Take your time to write and executive summary that will get an investor glued to your business idea.

2. Heterogeneity of Business plan and the entrepreneur.

Another pitfall to avoid is a business plan layout that does not reflect or poorly reflect the entrepreneur. When this happens, it simply shows that the entrepreneurs have now taken adequate time to understand his/her business vision and objectives.

3. Lack of focus on potential customers

Most startups, in the process of wooing their angelic investors, have neglected the consumer of their products, and this is a turn off for most investors. Make sure plans are in place on how to meet the needs of your target customers.

1.3.4 IMPORTANCE OF BUSINESS PLAN

1. To support you in making important decisions

The main benefit of a business strategy is that it aids in decision-making. Making decisions and handling crises is a constant practice in entrepreneurship. Small firms sometimes lack the resources to sit down and carefully weigh all the implications of a particular choice. A company plan can help with that.

Making a business plan enables you to decide in advance on some of the most important company decisions. A thorough business plan requires you to sit down and consider important aspects of your enterprise before you launch, such as your marketing approach and the products you'll sell. Many difficult questions are already answered by you. And contemplating your fundamental strategies in great detail can also aid in your understanding of how decisions will affect your overall approach.

2. To fix any issues.

Entrepreneurs must ask themselves a lot of challenging questions and take the time to develop thoughtful and well-researched responses before they can put up a company strategy. Even if the actual paper were to vanish as soon as it is finished, the act of drafting it makes it easier to express your vision in concrete terms and identify any gaps in your approach.

3. To stay away from major errors

Fewer than half of small firms will be around to commemorate their fifth anniversary. Despite the fact that there are several reasons why small businesses fail, business plans specifically address many of the more prevalent ones.

4. To demonstrate the business's viability

Passion is the driving force behind many enterprises, but it's not a very reliable indicator of success.

The most crucial stage between notion and reality is probably planning out exactly how you're going to turn that vision into a prosperous business. You can use business plans to confirm whether your big idea makes good business sense.

5. To better define goals and milestones

Without a company plan, goals can take on an arbitrary nature with little rhyme or reason. The intentionality and significance of such benchmarks can be increased with the use of a company plan. Additionally, they can assist you stay on track with your long-term goals and plan and gain understanding of how it is or is not working out over time.

6. To attract angelic investors.

Business plan, well written helps a startup to attract angelic investors for adequate funding.

1.4Self-Assessment Exercises

a. Clearly state the meaning of business plan

b. Identify some fundamentals of business plan

c. Identify some business plan errors and clearly state the way out.

1.5SUMMARY

- A business plan is a crucial road map for a successful enterprise.
- A business plan is a written document that outlines the Who, What, Where, When, Why, How, and How Much of your company and can be distributed to others.
- Before planning to write a business plan, there are fundamentals rules that must be followed, which include the understanding of the target audience, market plan among a host of others.
- Business plan is important because it allows organization to set better goal, ensure business visibility, and attract angelic investors to business.

1.6 REFERENCES/FURTHER READING/WEB SOURCES

Leonellia, B. 2020. Introduction to Business Plan Writing. Available online at https://sswm.info/step-nawatech/module-2-nawatech-business-development/business-plan-development/business-plan-introduction assessed 4/8/2022.

Waveapps, 2022. The Importance of Business Plan Writing. Available at https://www.waveapps.com/blog/importance-of-a-business-plan assessed 4/8/2022.

Hal S. The Secrets to writing a successful Business Plan. A Pro shares a step-by-step guide to creating a plan that gets results. *Book of Readings*. Pg. 19; 43-44.

1.7 ANSWERS TO SELF-ASSESSMENT EXERCISE

Self-Assessment Exercise 1a

A business plan is a crucial road map for a successful enterprise. It outlines the course the business is pursuing, its objectives, the place it wants to be, and how it plans to get there. As a result, it has enormous value both as an internal tool for the business and as a tool for communicating with potential partners and investors. A business plan needs to be edited with the target audience in mind, with clarity and concision, in a clear and consistent manner, and it should be revised by outside parties. Its content should include information on the business and its goods, as well as its market environment, marketing strategy, organizational structure, and capital plans.

1b

1. A few guidelines should be kept in mind while creating and updating a business plan. The target audience for the business plan should always be taken into account as a starting point. It's possible to address a potential investor differently than a potential joint-venture partner. The level of depth, disclosure, and technical expertise should be influenced by the intended audience.

2. A business plan should be concise and clear to the point. This means that the content of the business plan should be concise and to the point. An entrepreneur typically has extensive understanding of the industry, its surroundings, and its products, and may find it challenging to convey the key points. The ability to edit a business plan succinctly without omitting key details is crucial.

3. A business plan must also be easy to grasp for both insiders and outsiders of the specific industry. An entrepreneur typically has extensive in-depth understanding of both items and processes in addition to their broad commercial knowledge. For "ordinary people," it can be difficult to understand language and explanations that are extremely complicated, scientific, or industry-specific.

3. A business plan should be made sure to be a consistent document because it covers a wide range of issues and may be edited by numerous members of an organization. This includes the organization, substance, and writing style. The document's figures must be consistent throughout, and the level of detail needs to be reduced. For instance, if a series of customer events is planned in the marketing department, this must be recognized as charges in the financial management section. A business strategy must also be kept dynamic because it changes as you alter the various sections. Every time a new section is added, consistency checks with the previous sections should be performed.

4. The process should include external reviewers in addition to internal assessments of the business strategy. They could be non-experts who assess the draft business plan on, say, the aforementioned concerns, or they could be industry professionals in the relevant field. In any event, these should be reliable individuals as the business plan may contain private information about the venture.

Self-Assessment Exercise 1c

1. Poor introduction

Make sure that your introduction is well written enough, to catch the attention of the reader. First impression last long…. Take your time to write and executive summary that will get an investor glued to your business idea.

2. Heterogeneity of Business plan and the entrepreneur.

Another pitfall to avoid is a business plan layout that does not reflect or poorly reflect the entrepreneur. When this happens, it simply shows that the entrepreneurs have now taken adequate time to understand his/her business vision and objectives.

3. Lack of focus on potential customers

Most startups, in the process of wooing their angelic investors, have neglected the consumer of their products, and this is a turn off for most investors. Make sure plans are in place on how to meet the needs of your target customers.

UNIT 2: EXECUTIVE SUMMARY

CONTENTS:

1.1Introduction

Every company, whether new or established, should have a business plan that explains the specifics and objectives of its operation. The executive summary is likely the most crucial component of that business plan.

1.2Learning outcomes :

At the end of this unit, you should be able to;

i. state the meaning of executive summary;

ii. critically analyze how to write executive summary.

1.3Meaning of executive summary

The executive summary provides an overview of the content contained in the feasibility study documen Many people write this section after the rest of the document is completed. This section is important in that provides a higher level summary of the detail contained within the rest of the document.

An executive summary, which serves as an overview of your whole business plan, should simply point out t plan's key components. The audience for your business plan, usually busy executives and investors, may on read the executive summary; therefore, it must be more than just a basic explanation of your business strateg This is why you need it to succinctly and engagingly convey the entirety of the document's contents.

A business plan's executive summary is more than just a straightforward introduction. It should be thoughtful and thorough because it may be the only section of your business plan that your target audience reads. In order to determine how to write an executive summary and what to include in it, Business News Daily consulted with business professionals.

1.3.1 Component of executive summary.

Based on the goal of your business plan, your executive summary should contain significant information that is pertinent to your reader. If your company plan's objective is to attract investors, for instance, you should emphasize your financial needs and the way you plan to use the money. The terminology you should employ also relies on whether your audience is made up of novices or professionals in your field.

The specifics of your executive summary will vary, but according to Marius Thauland (2000), a business strategist at Leiekontor, every executive summary has to have the following components:

- Objective
- Market segment
- Services and goods
- Strategies for sales and marketing
- Competitive research
- Budgeting and funding for the procedures and operations
- Amount of personnel to be employed and involved
- How the strategy will be put into action

1.3.2How to write an executive summary

There are some common processes that every entrepreneur and business owner may follow when creating their executive summary for the first time, even though your executive summary will be specific to your organization and business plan.

1. First, draft a business plan. It is frequently advantageous to draft the whole business plan before the executive summary because it will serve as a summary of the key points covered in your business plan. Make sure your executive summary solely includes information from the business strategy.
2. Make your introduction interesting. Depending on your audience, "engaging" will mean different things. Whether it's a brief narrative or an unexpected industry fact, your introduction should be pertinent to your company and draw the interest of your audience. It's crucial to state your business plan's goal and what the reader can anticipate reading in the subsequent paper.
3. Draft the executive summary. Examine your business plan and note the key points you want to highlight in your executive summary. Be sure to briefly discuss each important section of your business plan so that the reader doesn't need to continue reading the rest of it. They should be able to understand your plan based solely on your summary, but it should be interesting enough to make them want to read more.
4. Organize and edit your document. Put the most crucial information at the start of your executive summary so that it flows with the rest of your business plan's contents. To highlight your important ideas, use a list with bullet points. Check the document again for precision and clarity. Eliminate jargon, buzzwords, facts that are repeated, qualifying terms, and statements that are not supported by evidence. Make sure your executive summary can function effectively on its own if necessary.
5. Look for outside help. The majority of business owners are not proficient writers, so it might be helpful to have a professional writer or editor review your paper to make sure it flows well and covers the points you want to make.

1.4 Self-Assessment Exercise

1. Explain the concept of executive summary
2. List the components of a professional executive summary.
3. Enumerate the silent points of executive summary

1.5 Summary

- The executive summary provides an overview of the content contained in the feasibility study document. Many people write this section after the rest of the document is completed.
- An executive summary should contain;

❖ Objective

❖ Market segment

❖ Services and goods

❖ Strategies for sales and marketing

❖ Competitive research

❖ Budgeting and funding for the procedures and operations

❖ Amount of personnel to be employed and involved

❖ How the strategy will be put into action

- An executive summary should be well organized and should be written last.

1.6 References/Further Reading/web sources

Marius T., 2000. Component of an executive summary. Entrepreneurship and Business plan. Available online at https://www.businessnewsdaily.com/15814-write-an-executive-summary.html assessed 4/8/2022.

Hal S. The Secrets to Writing a Successful Business Plan. A Pro shares a step-by-step guide to creating a plan that gets results. *Book of Readings*. Pg. 19; 43-44.

1.7 Answers to Self-assessment Exercise

Self-Assessment Exercise 1

The executive summary provides an overview of the content contained in the feasibility study document. Many people write this section after the rest of the document is completed. This section is important in that it provides a higher level summary of the detail contained within the rest of the document.

Self-Assessment Exercise 2

- Objective
- Market segment
- Services and goods
- Strategies for sales and marketing
- Competitive research
- Budgeting and funding for the procedures and operations

Self-Assessment Exercise 3.

1. First, draft a business plan. It is frequently advantageous to draft the whole business plan before the executive summary because it will serve as a summary of the key points covered in your business plan. Make sure your executive summary solely includes information from the business strategy.
2. Make your introduction interesting. Depending on your audience, "engaging" will mean different things. Whether it's a brief narrative or an unexpected industry fact, your introduction should be pertinent to your company and draw the interest of your audience. It's crucial to state your business plan's goal and what the reader can anticipate reading in the subsequent paper.
3. Draft the executive summary. Examine your business plan and note the key points you want to highlight in your executive summary. Be sure to briefly discuss each important section of your business plan so that the reader doesn't need to continue reading the rest of it. They should be able to understand your plan based solely on your summary, but it should be interesting enough to make them want to read more.
4. Organize and edit your document. Put the most crucial information at the start of your executive summary so that it flows with the rest of your business plan's contents. To highlight your important

ideas, use a list with bullet points. Check the document again for precision and clarity. Eliminate jargon, buzzwords, facts that are repeated, qualifying terms, and statements that are not supported by evidence. Make sure your executive summary can function effectively on its own if necessary.

5. Look for outside help. The majority of business owners are not proficient writers, so it might be helpful to have a professional writer or editor review your paper to make sure it flows well and covers the points you want to make.

UNIT 3: BUSINESS VISION, MISSION, OBJECTIVES AND SWOT ANALYSIS.

CONTENTS:

1.1 Introduction

A company's business, aims, and strategy for achieving those objectives are all outlined in the mission statement. The desired future position of the organization is outlined in the vision statement. The company's aims, ambitions, and values are frequently stated by combining elements from the mission and vision statements. The two names, however, are occasionally used synonymously.

1.1 **Learning outcomes** :

At the end of this unit, you should be able to;

i. state the vision of a business;

ii. state the mission of a business;

iii. state the objective of a business;

iv. analyze a business using the SWOT analytic tool.

1.2Vision of a Business

Based on your goals and aspirations, a vision is a clear mental picture of what you want your company to look like at some point in the future. Your company will have a clear focus if you have a vision, and it might prevent you from going in the incorrect way. Writing a vision statement is the greatest approach to formalize and convey the goal you have for your company.

A written vision statement encapsulates the core of where you want to take your company and can motivate you and your team to accomplish your objectives.

1.3.1 Component of a business vision

A vision statement should convey your desired long-term business goals and represent your perspective on the world and the role that your company plays in it.

The fundamental question, "Where are we going?," should also be addressed.

Typically, a goal statement or company plan addresses the how-to portion of the question. Some elements of your company may serve as inspiration for your vision statement, including: service quality, reputation, passion, focus, sustainable development goals.

1.3.2 Writing a business vision

It's time to draft your official vision statement after your vision workshop, at which you generated some suggestions. Ensure that your vision statement:

- has no jargon or "business talk," is clear, and is written in plain English.
- is intense, strong, and memorable.
- Its brief and realistically conveys a lot in few words (i.e. in terms of your resources, capabilities and growth potential)
- describes the optimal result (ideal state) for your organization doesn't rely on quantitative indicators of success aids in creating a mental image in the minds of readers.

1.3.3 Mission of a Business

A well-written mission statement concentrates the company's efforts on its target market and its personnel. It acts as a framework, providing a foundation for everyone concerned to build upon while developing the brand. It distinguishes the business from rivals in the eyes of customers without restricting its mission.

Despite being their initial claim to fame, running a search engine is not mentioned in Google's mission statement. Just enough space is left for the company to expand and become the conglomerate it is today.

1.3.3.1What a mission statement should accomplish

The purpose of the company's existence and what sets it apart should be explained in the mission statement. The purpose is to lessen and avoid human suffering in times of crisis. They distinguish themselves by utilizing the strength of volunteers and the generosity of contributors.

1.3.4 Objective of a business

A firm can be built on a strong client base and a professional, motivated team, but in order to expand, it must have specific goals. Setting goals for your business shows that you are dedicated to growing it in particular ways. A business objective is a quantifiable outcome that an organization wants to achieve. The SMART goal method, which stands for specific, measurable, achievable, relevant, and time-based, is used by many business professionals to create objectives.

As the company expands, it's critical to regularly create new business goals in order to effectively monitor employee performance and make sure the company is developing and getting better.

Business objectives are a great way to determine your strengths and potential areas for improvement for both you and the team members. Once you know what they are, you can put new plans into action to improve your own performance, which will ultimately increase organizational efficiency.

1.3.4.1 Importance of Business objectives

Your company should establish a compelling business aim since it:

- maintains workers' attention on growth
- bolsters essential components of the company inspires you and/or your team to achieve a goal
- helps to organize duties and tasks
- can help you gain market share
- encourages teamwork and collaboration
- creates more beneficial functional connections
- can encourage improved cost management and planning

1.3.5 SWOT Analysis of a business plan

To run a successful business, you should regularly analyze your processes to ensure you are operating as efficiently as possible. While there are many ways to evaluate your business, one of the best approaches is to perform a SWOT analysis.

An analysis of your company's strengths, weaknesses, opportunities, and threats, or SWOT, is a planning procedure that aids in overcoming obstacles and identifying potential new business opportunities.
A SWOT analysis' main goal is to assist enterprises in fully understanding all the variables that go into choosing a course of action. During a study to determine the reasons why business planning repeatedly failed, Albert Humphrey of the Stanford Research Institute developed this strategy in the 1960s. Since its inception, SWOT analysis has emerged as one of the most effective tools for business owners to launch and expand their enterprises.

"Without first thoroughly assessing it from all perspectives, which includes a thorough examination of both internal and external resources and risks, it is impossible to accurately map out a small business's future.

1.3.5.1 Characteristics of a SWOT Analysis

The four components of the acronym are the focus of a SWOT analysis, which enables businesses to pinpoint the factors impacting a strategy, action, or effort. Knowing these advantages and disadvantages can help businesses explain more clearly what aspects of a plan need to be acknowledged.
When writing a SWOT analysis, people typically make a table with four columns, listing each element that will have an impact side by side for comparison. Although they should correlate because opportunities and threats are ultimately connected, strengths and weaknesses rarely match opportunities and threats listed exactly.

internal variables

The terms "weaknesses" (W) and "strengths" (S) refer to internal elements, such as the knowledge and skills you have at your disposal.

Commonly regarded internal factors include the following:

financial capacity (funding, sources of income and investment opportunities)

Physical assets (location, facilities and equipment)

people resources (employees, volunteers and target audiences)

access to copyrights, patents, trademarks, and natural resources

current methods (employee programs, department hierarchies and software systems – like CRM Software and Accounting Software)

external variables

Every business, organization, and person is influenced and affected by external pressures. It is crucial to observe and record each of these characteristics, regardless of whether they are tied to an opportunity (O) or a threat (T) directly or indirectly.

Typically, external factors are things that neither you nor your business can control. Examples include the following:

commercial trends (new products, technology advancements and shifts in audience needs)

monetary patterns (local, national and international financial trends)

Funding (donations, legislature and other sources)

Demographics

relations with partners and suppliers

Regulations in politics, the environment, and the economy

1.3.5.2 SWOT Analysis example

Strength	Weakness
Here, talk about your business's internal strengths	Business internal weakness

Opportunity External opportunity	Threats External weakness

The goal is to leverage on your business strength and opportunity to tackle weakness and threats. If after the analysis, your strengths and opportunity outweighs weakness and threats, your business is feasible. If otherwise, your business might not stand the test of time.

1.3Self-Assessment Exercise

1 With your understanding of writing your business vision, write a vision for your business idea

1.5 Summary

- Based on your goals and aspirations, a vision is a clear mental picture of what you want your company to look like at some point in the future.
- A well-written mission statement concentrates the company's efforts on its target market and its personnel. It acts as a framework, providing a foundation for everyone concerned to build upon while developing the brand.
- A business objective is a quantifiable outcome that an organization wants to achieve.
- A SWOT analysis' main goal is to assist enterprises in fully understanding all the variables that go into choosing a course of action.

1.6 References/Further Reading/web sources

Careerguide, 2020. Business objective tips for 21st century businesses. Available at https://www.indeed.com/career-advice/career-development/business-objectives#:~:text=What%20is%20a%20business%20objective,%2C%20relevant%20and%20time%2Dbased. Assessed 22/8/2022.

Skye, S, 2022. Use a SWOT Analysis to grow your business. Available a https://www.businessnewsdaily.com/4245-swot-analysis.html assessed 22/8/2022.

1.7 Possible Answers to Self-Assessment Exercise(s) within the content

A firm can be built on a strong client base and a professional, motivated team, but in order to expand, it must have specific goals. Setting goals for your business shows that you are dedicated to growing it in particular ways. A business objective is a quantifiable outcome that an organization wants to achieve. The SMART goal method, which stands for specific, measurable, achievable, relevant, and time-based, is used by many business professionals to create objectives.

MODULE 3: TECHNIQUES IN BUSINESS PLAN WRITING

UNIT 1: MATERIAL COST ANALYSIS AND LABOUR COST ANALYSIS

UNIT 2: FINANCIAL PROJECTION

UNIT 1: MATERIAL COST ANALYSIS AND LABOUR COST ANALYSIS

1.1Introduction

Materials cost reports Analyzes are considered production analysis tools and are used by production- and plant managers to analyze monthly trends in the various material costs involved in their manufacturing process. Some of the main functionality in this type of analysis is that it is parameter driven and has charts on the top of the report and figures below that (not visible in screenshot below) (not visible in screenshot below). Four KPI charts with monthly cost trends are available: Inventory trends for raw materials, intermediate items, work in progress, and finished goods are listed in that order.

1.2Learning outcomes :

At the end of this unit, you should be able to;

i. state the meaning of material cost;

ii. State the component of material cost analyze it.

1.3Material cost Analysis

Materials Cost Analyzes are used by manufacturers to quickly track trends in the costs associated with producing products. An organization can increase its production efficiency and data collecting when employed as part of sound business practices in the production department. It can also lessen the likelihood that a lack of benchmarking and analysis would result in competitive disadvantages.

1.3.1 Component of material cost analysis

Here are the 5 main components of material cost:

1) Raw Materials Costs

Raw materials are the basic material that is used to create a product.

These can be plastics, metals, or even adhesives, for example. They need to have been transformed from their original state for them to become part of your product, and therefore they incur costs when they're being produced into something else.

2) Packaging and Container Charges

Packaging is an essential part of the production process, as it goes beyond protecting your product and helps to promote them.

The costs associated with packaging vary according to size and material used but could range from $0.25 for a small pouch up to $20+ for something like a gift box.

3) Freight & Storage Charges

Transportation costs are associated with moving goods from one place to another.

This could be transporting them by air, sea, or ground transportation. You must include this in your calculations as these charges can increase quickly depending on your suppliers' location.

Freight rates vary according to where they're being transported, so it's important that you find out what your supplier is charging.

These storage costs can quickly accumulate if you have a large inventory, so it's important to keep an eye on it.

4) Indirect Tax

Indirect tax, or taxes applied to all products equally, includes things like GST and VAT.

The cost of indirect taxes should be included in your calculation, but you need to ensure that it is consistent with the rate at which these taxes are charged within your country's legislation.

This will vary depending on where you're located, so it's important that you include this in your calculations.

5) Discounts

Discounts are applied to reduce the price of a product and can be taken as either an upfront discount or as a promotional offer.

These discounts should not include anything that is given over and above what would normally be expected, such as free shipping, but instead focus on asking if you've received any special offers from your supplier, which will help you reduce your costs. If you're working with a distributor, they may be offering discounts to get the product into retail stores, for example. This can also help you reduce your overall cost when calculating your direct materials price.

1.3.2 Example of material cost

Raw Materials	Buying Cost(₦)	Quantity Item	Cost Item(₦)
Office Space (Annual Rent)	450,000	1	450,000
Master photocopy machine	90,000	2	180,000
Printer	25,000	2	50,000
Roll-up banners	20,000	3	60,000
Plasma TV (32 inches) and DVD	45,000	1 each	45,000
Waiting chair	25,000	1	25,000
Office tables	25,000	3	75,000
Office chairs	23,000	3	69,000
Cabinet for printer	5,000	3	15,000
Generator	68,000	1	68,000
Tables and chairs	80,000	1	80,000
Water dispenser	20,000	1	20,000
Air conditioner	120,000	1	120,000
Cash register	2,500	1	2,500
Desktop computer	40,000	3	120,000
Furniture work	20,000	1	20,000
Office phone	45,000	1	45,000
Painting &Decorations	30,000		30,000
Total			1,244,500

1.3.3 Labour cost analysis

The overall expense incurred by employers to employ workers is represented by labor costs. They are sometimes referred to as salary costs since they indicate the cost of employing compensated labor.

The social contributions that the employer must make (social security, unemployment, pension, provident scheme, and severance pay), whether they are required, customary, or optionally, are included in labor costs in addition to gross wages. These contributions are net of exemptions, particularly reductions in social security contributions. They also cover taxes on wages and other employment-related taxes, net of employment-related subsidies received by the employer, such as the tax credit for competitiveness and employment (CICE), as well as the costs of vocational training (apprenticeship tax, employers' contributions to the financing of vocational training, etc.). They also include other expenditures associated with hiring staff, such as hiring charges.

1.3.3.1 Component of Labour cost of a business.

Direct labor cost.

Indirect labor cost.

Direct labor cost:

These are the labor costs incurred on the employees who are engaged directly in making the products; their work can be identified clearly in the process of converting the raw materials into a finished product.

Indirect labour cost:

These are the labour cost incurred on indirect employees who are not directly associated with the conversion process but assist in the process by way of supervision, maintenance, transportation of materials.

1.3.3.2 Sample of Labour cost of a business.

Direct	Hours	Labour cost/item (₦)	No. of person	Direct Labour Cost (₦)

Managing Function	8,640	100,000	1	100,000
Production Function	8,640	50,000	1	50,000
Accounting Function	8,640	50,000	1	50,000
Marketing Function (indirect staff cost)	8,640	50,000	2	100,000
Total	43,200			300,000

Direct Labour Cost = ₦ 200,000

Indirect Staff Cost = ₦ 100,000

Total Staff Cost = Direct Staff Cost + Indirect Staff Cost i.e₦ 200,000+ ₦100,000= ₦ 300,000

Direct Staff cost per hour = Direct Staff Cost / Total Hour in service per month i.e 300,000 /43,200 = ₦ 6.95

INDIRECT LABOUR COSTS

Indirect cost per month

Rent	₦ 8,333
License and Permit	₦5,000
Insurance	₦2,000
Promotion	₦4,000
Indirect Labour	₦ 4,167
Depreciation	₦2,000
Miscellaneous	₦20,000
TOTAL	₦ 45,500

1.4 Self-assessment Exercise.

What is labour cost analysis?

1.5 Summary

- Materials cost reports Analyzes are considered production analysis tools and are used by production-and plant managers to analyze monthly trends in the various material costs involved in their manufacturing process.
- The overall expense incurred by employers to employ workers is represented by labor costs. They are sometimes referred to as salary costs since they indicate the cost of employing compensated labor.

1.6 References/Further Reading/web sources

Insee, 2021. Depiction of labor cost, available at https://www.insee.fr/en/metadonnees/definition/c2219 assessed 22/8/2022.

Tamplin T., 2022. Material Cost Analysis of a business. Available at https://learn.financestrategists.com/finance-terms/direct-materials-cost/ assessed 22/8/2022.

Charles, I., 2022. Labour cost classification. Available at https://www.hstutorial.com/labour-cost-classification-of-labour-cost/ assessed 22/8/2022.

1.7 Possible Answers to Self-Assessment Exercise(s) within the content

1. The overall expense incurred by employers to employ workers is represented by labor costs. They are sometimes referred to as salary costs since they indicate the cost of employing compensated labor.

2. Materials cost reports Analyzes are considered production analysis tools and are used by production- and plant managers to analyze monthly trends in the various material costs involved in their manufacturing process.

UNIT 2: FINANCIAL PROJECTION

1.1 Introduction

1.2 Learning outcomes

1.3 Main Content

- 1.3.0 Financial projection
- 1.3.1 Component of financial projection of a business.
- 1.3.2 Some calculation examples.

1.4 Self-Assessment Exercise

1.5 Summary

1.6 References/Further Reading/web sources

1.7 Possible Answers to Self-Assessment Exercise(s) within the content

1.1Introduction

This section provides a description of the financial projections the new initiative is expected to yield versus additional costs. Financial projections are one key aspect of new project selection criteria. There are many ways to present these projections. Net present value (NPV), cost-benefit calculations, and balance sheets are just some examples of how financial projections may be illustrated. This section should also provide the assumptions on which the illustrated financial projections are based.

The financial projections for the addition of an online sales platform for ABC are highlighted in the table below. These figures account for projected online sales, additional staffing requirements, shipping, material, and insurance costs, contract support for IT and training needs, and web server and hosting costs.

1.2Learning outcomes :

At the end of this unit, you should be able to;

1. state the meaning of financial projection;
2. forecast the revenue of a business using different financial projection tools;

1.3Financial projection

A financial projection displays the anticipated earnings, costs, and cash flows of a company over a given time frame. This forecast may be provided to outside parties or used internally as the foundation for a more thorough budget. In the latter scenario, a financial forecast might be used to persuade a bank to lend money to a company or investors to purchase stock in the company. A financial projection is based on a mix of past performance, anticipated shifts in the relevant market, and other alterations in the business's environment, like an investment in a new product line.

1.3.1 Component of financial projection of a business.

There are many ways to present these projections. Net present value (NPV), cost-benefit calculations, and balance sheets are just some examples of how financial projections may be illustrated.

All financial projections should include 3 types of financial statements: the income statement, balance sheet, and cash flow projections.

1.3.1.1. Income statement

An income statement shows your revenues, expenses, and profit for a particular period. If you're developing these projections prior to starting your business, this is where you'll want to do the bulk of your forecasting. The key sections of an income statement are:

- Revenue: This is the money you will earn from whatever goods or services you provide.
- Expenses: Be sure to account for all of the expenses you will encounter, including direct costs (materials, equipment rentals, employee wages, your salary, etc.) and general and administrative

costs (accounting and legal fees, advertising, bank charges, insurance, office rent, telecommunications, etc.).

- Total income: Your revenue minus your expenses, before income taxes.
- Income taxes: Money your business pays to the government.
- Net income: Your total income after income taxes.

1.3.1. 2. Cash flow projections

A cash flow projection can help you decide if it's a good time to invest cash into your business, or if it's time to save. Cash flow can also demonstrate to a loan officer or investor that you are a good credit risk and can pay back a loan if it's granted. The 3 sections of a cash flow projection are:

- Cash revenues: This is an overview of your estimated sales for a given time period. Be sure that you only account for cash sales you will collect and not credit.
- Cash disbursements: Look through your ledger and list all of the cash expenditures that you expect to pay that month.
- Reconciliation of cash revenues to cash disbursements: This one is pretty easy—you just take the amount of cash disbursements and subtract it from your total cash revenue. If you have a balance from the previous month, you'll want to carry this amount over and add it to your cash revenue total.

Note: One of the key pitfalls of working on your cash flow projections is being overly optimistic about your future revenues. Be realistic in your estimates, and be prepared if they fall slightly short.

What is a cash flow projection example?

Cash is going to flow in and out of your business every month. Calculating how much money you expect to come in, versus how much money you expect to go out is a cash flow projection. This is calculated by totaling your accounts receivable and deducting it from your accounts payable, plus any cash on hand,

For example, if you have N2,000 in cash from the previous month and expect to spend N10,000 this month on expenses while earning N15,000, your cash flow for this month would be N7,000.

Cash flow projection = beginning cash + total accounts receivable - total accounts payable

1.3.1.3. Balance sheet

The balance sheet will present a picture of your business's net worth at a particular time. It is a summary of all your business's financial data in 3 categories: assets, liabilities, and equity.

- Assets: These are the tangible objects of financial value owned by your company. Assets can include anything from cash to real estate, all the way down to office furniture and supplies.
- Liabilities: These are any debts your business owes to a creditor. Liabilities can include upcoming payments for materials, bank loans, interest payments for a loan, payroll and payroll taxes, and mortgages.
- Equity: The net difference between your organization's total liabilities minus its total assets. If your business has ₦1 million in assets and ₦900,000 in liabilities, then the equity is ₦100,000.

1.3.1.4 others include NPV,IRR, Profitability Index, Payback period, Sensitivity Analysis.

1.3.2 Some calculation examples

This sample is for a fictional company. The financial projection is for a period of 3 years as shown below starting from year 1 through year 3.

S/N		1ST YEAR ₦	2ND YEAR ₦	3RD YEAR ₦
	Cash at the start of the year	1,544,500	1,339,000	1,504,000
	Cash in form sales	1, 680,000	1,568,000	1,555,000
	Any other cash in	-	-	-
	TOTAL CASH IN	3,224,500	2,907,000	3,059,000
	Cash out for direct material cost	1,244,500	865,000	850,000
	Cash out for direct Staff cost	200,000	200,000	200,000
	Cash out for indirect Staff cost	100,000	100,000	100,000
	Total Cost for Planned Investment	2,000	-	-
	Any other cash out	20,000	-	10,000
	Total Cash Out	1,566,5000	1,165,000	1,160,000
	CASH AT THE END OF THE YEAR	1,658,000	1,742,000	1,899,000

Note: The Service will generate ₦1, 680,000 at ₦ 140,000 per month. Cash at the end of the year = Total Cash in – Total Cash out.

₦3, 224,500– ₦1, 566, 5000= ₦1, 658,000

Hence, the first year's estimation sales and net profit is ₦1, 658,000

1. The second year's estimation sales and net profit will be ₦1,742,000
2. The third year's estimation sales and net profit will be ₦1,899,000

CALCULATION FOR NET PRESENT VALUE (NPV)

It is assumed that the business cost ₦1,600,000 and is expected to generate year end cash inflows of ₦1, 658,000, ₦1,742,000,₦1,899,000, in year 1 through year 3 respectively. The opportunity cost of capital is assumed to be 20%.

YEAR	CASH FLOWS	DF	PV ₦
0	(1,600,000)	1.000	(1,600,000)
1	₦1, 658,000	0.833	1,381,114
2	₦1,742,000	0.694	1,208,948
3	₦1,899,000	0.578	1,097,622
NPV			2,087,684

Note: NPV: Net Present Value; PV: Present Value

The NPV of cash inflows (₦) 2,087,684 is greater than that of the cash out flows ₦1, 600,000

Thus, it generated a positive NPV of ₦ 2,087,684. The business adds to the wealth of the owner. Therefore, the business proposal should be accepted.

SENSITIVITY ANALYSIS

This is the method of recalculating NPV or IRR by changing each forecast for example, let us assume that the cash inflows fall buy 25% while opportunity cost remains at 20%

YEAR	CASH FLOWS	DF	PV
0	(1,600,000)	1.000	(1,600,000)
1	₦1,243,500	0.833	1,035,834
2	₦1,306,500	0.694	906,711
3	₦1,424,250	0.578	823,217
NPV			1,165,762

Note: The NPV of cash inflows (₦) 1,165,762is greater than that of cash outflows (₦1, 600,000). Thus, it generates a positive NPV of ₦–1,165,762, implying that the business adds to the wealth of the owner and therefore, should be accepted.

INTERNAL RATE OF RETURNS CALCULATION

YEAR	CASH FLOWS	DF 20%	PV 20% ₦	DF30%	PV30% ₦
0	(1,600,000)	1.000	(1,600,000)	1.000	(1,600,000)
1	₦1, 658,000	0.833	1,381,114	0.769	1,275,002
2	₦1,742,000	0.694	1,208,948	0.591	1,029,522
3	₦1,899,000	0.578	1,097,622	0.454	862,146
NPV			2,087,684		1,566,670

IRR = PV Required –PV at lower Rate

PV at lower Rate – PV at higher Rate

= ₦ 1,600,000 – ₦ 2,087,684

₦ 2,087,684– ₦ 1,566,670

= -- ₦ 487,684

₦ 521,014

= -0.93

20% (PV Lower) - ~~₦~~ 0.93 = 19.07%

This 19.07% is the business IRR which equate the initial cash out lay of N1, 600,000 with constant annual cash inflows of ₦1, 658,000, ₦1,742,000, ₦1,899,000 for 3 years. Looking at the IRR, the business is profitable; hence the proposal should be accepted.

PROFITABILITY INDEX (PI)

This is the method of evaluating investment. It is also called Benefit – Cost Ratio (BCR)

The acceptance rule is a follows:-

Accept if Pl is greater than 1

Reject if Pl is lesser than 1

May accept if Pl = 1

By using 20% rate of discount, Pl is calculated thus;

YEAR	CASH FLOWS	DF	PV ₦
0	(1,600,000)	1.000	(1,600,000)
1	₦1, 658,000	0.833	1,381,114
2	₦1,742,000	0.694	1,208,948
3	₦1,899,000	0.578	1,097,622
NPV			2,087,684

Now, to calculate the PI or BCR

PV of Cash Inflows/Initial cash flow = 2,087,684/1,600,000 = ₦1.30

By the acceptance criteria, this business is profitable and should be accepted.

PAYBACK PERIOD (PB)

For business that generates constant annual cash inflows. The payback period can be calculated thus;

PB = Annual Cash flow / Initial Investment =

₦1, 658,000/ 1,544,500= 1.1 years

The acceptance rule is as follows:

If the PB is less than the maximum PB set by management, which is 3 years, it would be accepted and if not, it would be rejected.

As a method of ranking, it would accept project with the shortest Pay Back. Now, recall that for the first year, the PV of Cash inflow is calculated as ₦1, 658,000and the initial business outlay is ₦1, 600,000.

By the acceptance rule, the PB is less than the maximum PB set and therefore, it should be accepted. The businesses will payback all its debts, and realize it capital in 1 year and 1 month.

1.4 Self-assessment Exercise

1. Explain the concept of financial projection.

1.5Summary

- A financial projection displays the anticipated earnings, costs, and cash flows of a company over a given time frame.
- All financial projections should include 3 types of financial statements: the income statement, balance sheet, and cash flow projections. Others include NPV,IRR, Profitability Index, Payback period, Sensitivity Analysis.

1.6 References/Further Reading/web sources

American journal of Research Communication: *writing a bankable feasibility report.*

www.usa-journals.com

1.7 Possible Answers to Self-Assessment Exercise(s) within the content

1. A financial projection displays the anticipated earnings, costs, and cash flows of a company over a given time frame. This forecast may be provided to outside parties or used internally as the foundation for a more thorough budget. In the latter scenario, a financial forecast might be used to persuade a bank to lend money to a company or investors to purchase stock in the company.

2. There are many ways to present these projections. Net present value (NPV), cost-benefit calculations, and balance sheets are just some examples of how financial projections may be illustrated.

All financial projections should include 3 types of financial statements: the income statement, balance sheet, and cash flow projections.

1.3.1.1. Income statement

An income statement shows your revenues, expenses, and profit for a particular period. If you're developing these projections prior to starting your business, this is where you'll want to do the bulk of your forecasting. The key sections of an income statement are:

- Revenue: This is the money you will earn from whatever goods or services you provide.
- Expenses: Be sure to account for all of the expenses you will encounter, including direct costs (materials, equipment rentals, employee wages, your salary, etc.) and general and administrative costs (accounting and legal fees, advertising, bank charges, insurance, office rent, telecommunications, etc.).

- Total income: Your revenue minus your expenses, before income taxes.
- Income taxes: Money your business pays to the government.
- Net income: Your total income after income taxes.

1.3.1. 2. Cash flow projections

A cash flow projection can help you decide if it's a good time to invest cash into your business, or if it's time to save. Cash flow can also demonstrate to a loan officer or investor that you are a good credit risk and can pay back a loan if it's granted. The 3 sections of a cash flow projection are:

- Cash revenues: This is an overview of your estimated sales for a given time period. Be sure that you only account for cash sales you will collect and not credit.
- Cash disbursements: Look through your ledger and list all of the cash expenditures that you expect to pay that month.
- Reconciliation of cash revenues to cash disbursements: This one is pretty easy—you just take the amount of cash disbursements and subtract it from your total cash revenue. If you have a balance from the previous month, you'll want to carry this amount over and add it to your cash revenue total.

Note: One of the key pitfalls of working on your cash flow projections is being overly optimistic about your future revenues. Be realistic in your estimates, and be prepared if they fall slightly short.

What is a cash flow projection example?

Cash is going to flow in and out of your business every month. Calculating how much money you expect to come in, versus how much money you expect to go out is a cash flow projection. This is calculated by totaling your accounts receivable and deducting it from your accounts payable, plus any cash on hand, For example, if you have N2,000 in cash from the previous month and expect to spend N10,000 this month on expenses while earning N15,000, your cash flow for this month would be N7,000.

Cash flow projection = beginning cash + total accounts receivable - total accounts payable

1.3.1.3. Balance sheet

The balance sheet will present a picture of your business's net worth at a particular time. It is a summary of all your business's financial data in 3 categories: assets, liabilities, and equity.

- Assets: These are the tangible objects of financial value owned by your company. Assets can include anything from cash to real estate, all the way down to office furniture and supplies.
- Liabilities: These are any debts your business owes to a creditor. Liabilities can include upcoming payments for materials, bank loans, interest payments for a loan, payroll and payroll taxes, and mortgages.
- Equity: The net difference between your organization's total liabilities minus its total assets. If your business has ₦1 million in assets and ₦900,000 in liabilities, then the equity is ₦100,000.

1.3.1.4 Others include NPV,IRR, Profitability Index, Payback period, Sensitivity Analysis.

MODULE4: FEASIBILITY STUDY

UNIT 1: OVERVIEW OF FEASIBILITY STUDY

1.1 Introduction

1.2 Learning outcomes

1.3 Main Content

- 1.3.0 Feasibility study
- 1.3.1 Benefits of feasibility Study
- 1.3.2 How to conduct Feasibility Study.
- 1.3.3 Component of feasibility study.
- 1.3.4 Some template examples.

1.4 Self-Assessment Exercise

1.5 Summary

1.5 References/Further Reading/web sources

1.6 Possible Answers to Self-Assessment Exercise(s) within the content

1.1Introduction

A feasibility study is a thorough evaluation that takes into account all of the important factors of a proposed project to ascertain the chances of success.

Return on investment, which indicates that the project will produce enough profit to justify the investment, is one way to describe success in business. On the plus or negative side, many additional significant aspects, such as the impact on the surrounding neighborhood and the environment, can be found.

Although feasibility studies can assist project managers in assessing the risk and reward of continuing an action plan, there are still a number of factors to take into account before proceeding.

1.2Learning outcomes :

At the end of this unit, you should be able to;

i. state the meaning of feasibility study;

ii. analyze the feasibility of a business venture.

1.3Feasibility study

A feasibility study evaluates how feasible a proposed plan or project is. The viability of a project is examined in a feasibility study to ascertain its likelihood of success. The analysis is intended to uncover possible concerns and challenges that might develop when the project is being pursued. Project managers must decide if they have enough of the appropriate people, money, and technology as part of the feasibility study. The return on investment must also be determined, whether it is expressed as a monetary profit or as a benefit to society, as in the case of a nonprofit enterprise.

A cash flow analysis of the project's revenue generation and operating expenses may be part of the feasibility study. To ascertain whether the profit will be sufficient to balance off the danger of undertaking the enterprise, a risk assessment must also be done.

1.3.1 Benefits of Feasibility Study

Feasibility studies have a number of advantages, including assisting project managers in weighing the advantages and disadvantages of starting a project before devoting a considerable amount of time and money to it.

Feasibility studies can also give management of company vital information that might keep them from embarking on a risky business initiative.

Such research aids businesses in planning their future expansion. They will have better knowledge about the market, the competition, potential challenges, and how they will operate.

Feasibility studies also assist in persuading lenders and investors that funding a specific project or company is a smart move.

1.3.2 How to conduct a feasibility Study.

- Perform a preliminary analysis, which includes requesting input on the new idea from the relevant stakeholders.
- Make sure the data collected during the study's initial phase is reliable by analyzing it and asking questions about it.
- To determine the market opportunity and demand for the project or business, conduct a market study or market research.

- Write a business, operational, or organizational plan that includes details on the quantity, cost, and duration of labor required.
- Prepare a projected income statement, which includes revenue, operating costs, and profit
- Create a first-day balance sheet.
- Determine any challenges and potential weak points and how to cope with them.
- Decide whether the strategy should be carried out in the first place.

1.3.3 Component of feasibility study.

- A succinct summary Describe the project, product, service, plan, or business in detail in a narrative.
- Technology-related factors What will it require, inquire. Have you got it? Can you get it if not? What is the price?
- the current market Analyze the regional and global markets for the proposed product, service, business, or plan.
- Describe your marketing approach in detail.
- required personnel: What kind of human resources are required for this project? An organizational chart should be created.
- Timeline and schedule: Include key interim milestones when estimating the project's end date.
- finances for the project.
- Conclusions and suggestions: Divide technology, marketing, organization, and finances into smaller groups.

1.3.4 Feasibility study samples.

BUSINESS FEASIBILITY STUDY TEMPLATE

Name:

Address:

Phone: Mobile:

Proposed business:

YOUR BUSINESS IDEA

The following questions are designed to assist you in the development of your business idea, your vision for the future of the business and to detail the expertise that you bring to your new business venture. What are your reasons for wanting to start your own small business?

What are your objectives for your business over the next twelve months?

What are your objectives for your business over the following two years?

List all the products and/or services that you plan to provide at the commencement of the business -------

List all the products and/or services that you plan to provide in the future.

Who will operate the business?

Who else will be employed by the business immediately?

Who else will be employed by the business in the future?--

FINANCES

CAPITAL REQUIREMENTS

This section will help you to calculate the amount of money you need to get your business underway.

It also looks at your ability to gain finances and whom you will approach if finance is necessary.

List all the equipment that you will need for the business, e.g.: Plant and equipment fittings, tools, office furniture, and computer equipment.

Already Own	Approximate value
------------------------------	------------------------------------
--	---
------	---
--	---

--	

--	

--	

--	

--	

Total N--

Need to acquire Approximate value

Total N--

START UP EXPENSES

What are your Start Up Expenses?

Complete the following checklist of Business start up expenses.

Business Name	N--------------------------------
Registration	N--------------------------------
Insurance	N--------------------------------
Initial Stock	N--------------------------------
Licences and Permits	N--------------------------------
Advertising and Promotion	N--------------------------------
Printing and Stationery	N-------------------------------
Lease/Bond	N--------------------------------
Telephone (M o b i 1 e	N---------------------------------
Other	N--------------------------------
Other	N--------------------------------
TOTAL	N--------------------------------

What finance do you need to raise now? and how do you intend to raise the Finance?

- Personal Income
- Bank Loan
- Cooperative Society
- Family
- Friends
- Government & NGO grants

- Others

POTENTIAL INCOME/TURNOVER

Pricing Explain how you calculated the cost of producing your product/service -----------------------------

----

Turnover Expected turnover in the 1st year - how did you calculate this?-------------------------------------

----

WHAT EXPENSES WILL YOU INCUR OVER THE FIRST 12 MONTHS OF OPERATION

Complete the following checklists of projected business expenses for the first 12 months of operation of your business.

Accounting	N--------------------------------
Advertising	N--------------------------------
Bank Charges	N--------------------------------
Cleaning	N--------------------------------
Fuel, Light & Power	N--------------------------------
Insurance	N--------------------------------
Interest	N--------------------------------
Internet Service Provider	N--------------------------------
Lease	N--------------------------------
Legal	N--------------------------------
Motor Vehicle - Fuel and Oil	N--------------------------------
Repairs and Maintenance	N--------------------------------
Postage	N--------------------------------
Printing	N--------------------------------
Protective Clothing	N--------------------------------
Equipment	N--------------------------------

Stock	N--------------------------------
Raw materials	N--------------------------------
Rent/Bond	N--------------------------------
Stationery	N--------------------------------
TOTAL	N--------------------------------

What are your current monthly financial commitments?

Rent/Mortgage	N--------------------------------
Personal loans	N--------------------------------
Schooling	N--------------------------------
Petrol	N--------------------------------
Car running	N--------------------------------
Food	N--------------------------------
Clothing	N--------------------------------
Recreation	N--------------------------------
Medical	N--------------------------------
-Other	N--------------------------------
Other	N--------------------------------
Other	N--------------------------------
Other	N---------------------------------
TOTAL	N--------------------------------

MARKET RESEARCH

Market research involves collecting information about your market segment where they live, what their income is, what they spend their income on - anything about them that will help you ensure your product is attractive to them.

Market research will involve:

- Talking to people who are in similar fields jewellery
- Talking to your "target market" (i.e. people you believe will use/buy your product or service).
- Talking to people who have specialist knowledge of the industry you are entering.
- Sourcing written material specific to your area of interest.
- Gathering statistical data relevant to your area of interest.

Prepare your questions before you approach people. To find out about your target market you must be prepared to ask "hard questions" or exploratory questions that will give you a sound understanding of your target market, how they think and what will appeal to them. To ensure that the information gathered is relevant, select people who have detailed knowledge and experience in the industry sector you propose to enter. Ask targeted questions, designed to provide realistic feedback on your business idea. Accordingly questions should be framed to draw information on the positives and negatives of the industry sector you propose entering.

For a business to be successful there must be enough people who want to buy your product or service. You also need to ensure your product or service is accessible to the people who may want to buy it. It has to be available in the right places in the right quantities and presented in a way that will be attractive to your customer. The people you are aiming your product at are your "target market" or "market segment".

In the space below, write down the questions you will ask to identify your market segment e.g.

1. Why would you choose this product/service?

2. How would you describe most people who buy this product/service?

3. Where would you look to find this product/service?

4. What would you expect to pay for this product/service?

5. How often would you buy this product?

6. If you would like more information about this product, contact…---------------------------------------

----

Summarize the information collected during this consultation. --

----

Profile your prospective customer or "market segment" (i.e.:- where do they live? how much do they earn? how old are they? are they men? women? etc.) --

----

SALES &DISTRIBUTION

Why will your prospective clients use your product or service? ---

----

How will you sell your product or service? (e.g.: from home, production point, door to door,

wholesale, retail, mail order etc.)..

Will you sell your product to the wholesale or retail market? ---

----

Who will the wholesaler sell to?

Will you sell locally, regionally, statewide, nationally or internationally?

How will you deliver your product to the point of sale? ---

COMPETITION

Find out if other businesses are providing the same or a similar product or service. To do this, look at ads in the local paper, check the phone book and talk to people.

If there are other businesses providing your product or service, then you need to establish very clearly that there is an unsatisfied demand in the marketplace which your business will target.

It is important that you know your competition. Learn from what they do well, identify what you can do better.

Competition does not just come from businesses that are the same or similar to yours, you are competing for the dollars that people spend in that "market segment".

Report your findings.

Who is your competition? --

----

at dothey do well? --

What can you do better/differently? How does your business address unsatisfied market need? -----------

----

GETTING STARTED

Look in the phone book and/or local paper and talk to other people in the service or .industry to find out who provides the best service delivery or has the best equipment and follow up service. Consider terms, discounts, delivery time, maintenance contracts, second hand goods etc. Where will you obtain the equipment for your business?

- %Local suppliers.
- Interstate.
- A nearby town.
- Overseas

Do you intend to buy, lease, hire purchase or rent the equipment for your business?

STOCK

When considering which supplier you will obtain your stock from, you need to first find out the reliability of that supplier, the credit terms they provide, the type and quality of the stock they distribute, the consistency of supply, what follow up support and technical advice they provide.

What stock will you purchase on a regular basis?

What essential licences/permits do you need to operate your business?

Proposed Premises - Home based or Commercial Premises Location

Ownership Structure - Sole trader/ Partnership/Company

What Small Business experience do you have? ....

- -
- -

List the skills you need to operate this business.

What skills do you have now that will allow you to produce your proposed product or provide your service?

What skills do you need to gain to further develop your product or provide your service? -------------------

----

Tick areas that you currently hold business management skills in

- ☐ Bookkeeping
- ☐ Record Keeping
- ☐ Marketing
- ☐ Personnel Management
- ☐ Time Management
- ☐ Motivation
- ☐ Communication skills
- ☐ Planning and Goal Setting

- Insurance
- Business Licensing and regulation
- Customer Service
- Other

Source:*Extracted from* © *RMIT 2003* 15; *V5 March 2005 YOUR BUSINESS IDEA*

ABC NIGERIA LIMITED

872 Main Market Street Lagos, Nigeria

Okafor Mohamed Abayomi, President 724

Oroki Street Surulere, Lagos State.

Adedeji; Chinaza Aisha, Vice President No, 88

Gariki Avenue Abuja

Aminu Chukwudi Oluyemi, Secretary 423

Allen Avenue Lagos Nigeria

Nnamdi Hassan Temitope, Treasurer 21 Kano

Street Onitsha, Anambra state

Plan prepared September 2017 by Company Officers

Executive Summary

The statement of purpose is also called the executive summary. If your lender were to read only this information, he or she would know the name and nature of your business, its legal structure, the amount and purpose of your loan request and your plan for repayment. Use the key word approach mentioned earlier. Be concise and clear. The executive summary is contained on one page. Although it is positioned after the cover sheet, it is most effectively written after the plan has been completed. At that time, all the information and financial data needed are available.

If you are writing your plan for a lender, be specific about the use of funds. Support the amount requested with information such as purchase orders, estimates from suppliers, rate sheets and marketing results. Include this information in the supporting documents section. Address the question of loan repayment. You want to show the lender your company's ability to meet payments of interest as well as principal. Some investors like to see two ways out, i.e., two different sources of repayment. When you have answered the key word questions, you are ready to present that information in one or two concise paragraphs. A sample statement of purpose follows.

Mission Statement

ABC Nigeria Limited is a private limited liability company established in 2017. ABC Nig Ltd is a tool and equipment company that manufactures specialized parts for the aerospace industry and is located at 872 Main Market Street Lagos, Nigeria. The company is seeking growth capital in the amount of N500,000 for the purpose of purchasing new and more modern equipment and for training existing personnel in the use of that new equipment.

Funding is needed in time for the equipment to be delivered and in place by 11 January 2018.

There is a two-month period between order placement and delivery date.

The modernized equipment will result in a 35 percent increase in production and a 25 percent decrease in the unit cost. Repayment of the loan and interest can begin promptly within 30 days of receipt and can be further secured by real estate, which is owned by the company and which has a 2017 assessed valuation of N 185,000.

The Business

The first major section of your plan covers the details of your business. Begin this section with a one-page summary addressing the key elements of your business. The following text will expand on each area presented in the summary. Use the key word system to help you write concisely. Address all of the topics as they relate to your business in an order that seems logical to you. Include information about your industry in general, and your business in particular. Be prepared to back up statements and justify projections with data in the supporting documents section.

Legal Structure

State the reasons for your choice of legal structure. If you are a sole proprietor, you may include a copy of your business license. If you have formed a partnership, include a copy of your partnership agreement in the supporting documents section. Your agreement should include provisions for partners to exit and for the dissolution of the company. It must spell out the distribution of the profits and the financial responsibility for any losses. Explain the reasoning behind the terms of the agreement. If you have formed a corporation, explain why this legal form was chosen and how the company will operate within the corporate structure, and include a copy of the charter and articles In the supporting document section.

Description of the Business

This is the section of the plan in which you go into greater detail about your business. Answer the key word questions regarding the business's history and present status, and your future projections for research and development. Outline your current business assets and report your inventory in terms of size, value, rate of turnover and marketability. Include industry trends. Stress the uniqueness of your product or service and state how you can benefit the customer. Project a sense of what you expect to accomplish three to five years into the future.

Products or Services

Give a detailed description of your product from raw materials to finished item. What raw materials are used, how much do they cost, who are your suppliers, where are they located and why did you choose them? Include cost breakdowns and rate sheets to back up your statements. Although you may order from one main supplier, include information on alternate suppliers. Address how you could handle a sudden increase of orders or a loss of a major supplier.

You may hear a lender refer to the worst case scenario. This means that the lender wants you to be able to anticipate and solve potential problems. It is also to your advantage to think in terms of alternatives and to prepare for the unexpected so that your business can continue to run smoothly. Some businesses fail because they become too successful *too* soon. Therefore, it is also good to plan for the best case scenario. If you are inundated with orders, your business plan should contain information needed to hire staff and contact additional suppliers.

If you are providing a service, tell what your service is, why you are able to provide it, how it isprovided, who will be doing the work and where the service will be performed. Tell why your business is unique and what you have that is special to offer to your customers. If you have both a product and a service that work together to benefit your customer (such as warranty service for the products you sell) be sure to mention this in your plan. Again the key words come into use. List future services you plan to add to your business. Also, anticipate any potential problem areas and work out a plan for action.

You should state any proprietary rights, such as copyrights, patents or trademarks, in this section.

Location

If location is important to your marketing plan, you may focus on it in the marketing section. For example, if you are opening retail shop, your choice of location will be determined by your target market. If you are a manufacturer and ship by common carrier, your location is not directly tied to your target market so you can discuss location in the business section. You may begin this topic with a sentence such as "ABC ABC Nig Ltd is housed in 25,000 square feet of warehouse space located at 872 Main Market Street Lagos, Nigeria. This site was chosen because of accessibility to shipping facilities, good security provisions, low square footage costs and proximity to sources of supplies. "

Now expand on each reason for choosing that location and back up your statements with a physical description of the site and a copy of the lease agreement. Give background information on your site choice and list other possible locations. You may want to include copies of pictures, layouts or drawings of the location in the supporting document section.

Use the worksheet on as a guideline for writing a location (site) analysis. Cover only those topics that are relevant to your business.

Location Analysis Worksheet

1. Address:
2. Name of realtor/contact person:
3. Square footage/cost:
4. History of location:
5. Location in relation to target market:
6. Traffic patterns for customers:
7. Traffic patterns for suppliers:

8. Availability of parking: (include diagram)

9. Crime rate for area:

10. Quality of public services (e.g. police, fire protection)

11. Notes on walking tour of area:

12. Neighboring shops and local business climate:

13. Zoning regulations:

14. Adequacy of utilities (get information from utility company representatives):

15. Availability of raw materials/supplies:

16. Availability of labor force;

17. Labor rate of pay for the area:

18. Housing availability for employees:

19. Tax rates (state, county, income, payroll, special assessments):

20. Evaluation of site in relation to competition:

Management

This section describes who is behind the business. If you are a sole proprietor, tell about your abilities and include your resume. Be honest about areas in which you will need help and state how you will get that help. Will you take a marketing seminar, work with an accountant or seek the advice of someone in advertising?

If you have formed a partnership, explain why the partners were chosen, what they bring to the company and how their abilities complement each other's. Experience, background and qualifications will be covered in their resumes in the supporting documents section.

If your business is incorporated, give detailed information on the corporate structure and officers. Include a resume for each officer and describe each one by answering the following questions: Who are they? What are their skills? Why were they chosen? What will they bring to the organization?

Personnel

Who will be doing the work? Why are they qualified? How will they be hired? What is their wage? What will they be doing? Outline the duties and job descriptions for all personnel. Explain any employee benefits. If you are inundated with orders for your product or items to be serviced, do you have a plan for increasing personnel?

Methods of Record Keeping

Tell what accounting system will be used and why the system was chosen. What portion of your record keeping will be done internally? Who will be responsible for keeping those records? Will you be using an outside accountant to maximize your profits? If so, who within your company will be skilled at reading and analyzing financial statements provided by the accountant? It is important not only to show that your accounting will be taken care of, but that you will have some means of using your financial statements to implement changes to make your company more profitable. After reading this section, the lender should have confidence in your company's ability to keep and interpret a complete set of financial records.

Insurance

Insurance is an important consideration for every business. Product liability is a major consideration, especially in certain industries. Service businesses are concerned with personal liability, insuring customers' goods while on the premises or during the transporting of those goods. If a vehicle is used for business purposes, your insurance must reflect that use. If you own your business location, you will need property insurance. Some types of businesses require bonding. Partners may want life insurance naming each other as the beneficiary. Consider the types of coverage appropriate to your business. Tell what coverage you have, why you chose it, what time period it covers and who the carrier is. Keep your insurance information current.

Security

Address the issue of security as it relates to your business. Anticipate problem areas in your business, identify security measures you will put into practice, tell why you chose them and what you project they will accomplish. Discuss this area with your insurance agent. By installing security devices you may be able to lower certain insurance costs along with protecting your business.

Marketing

The second major section of your business plan covers the details of your marketing plan. A good marketing plan is essential to your business development and success. Include information about the total market with emphasis on your target market. You must take the time to identify- your customers and find the means to make your product or service available to them. The key here is time. It takes time to research and develop a marketing plan, but it is time well spent. Most of the information you need will be found in your public library and in the publications of the Central Bank of Nigeria (CBN), National Bureau of Statistics (NBS) etc. Remember that you need a clear understanding of who will purchase your product, who will make use of your service, why they will choose your company and how they will find out about it.

Begin this section with a one-page summary covering the key elements of your marketing plan. The following text will expand on each area presented in the summary. Back up statements and justify projections with data in the supporting documents section. Again, the key word approach will help you to thoroughly cover each area. The topics may be covered in any order that seems logical to you.

Target Market

The target market has been defined as that group of customers with a set of common characteristics that distinguish them from other customers. You want to identify that set of common characteristics that will make those customers yours. Tell how you did your market research. What were your resources and your results? What are the demographics of your target market? Where do your customers live, work and shop? Do they shop where they live or where they work? If you are in the business of video cassette recorder (VCR) repair, how many VCRs are owned within a certain radius of your shop? Would in-home service be cost-effective and a benefit to your customers? State how you feel you can serve this market in terms of your resources, strengths and weaknesses. Focus on reasonable, believable and obtainable projections regarding the size of your potential market.

Competition

Direct competition is a business offering the same product or service to the same market. Indirect competition is a company with the same product or service but with a different target market. Evaluate both types of competitors. You want to determine the competitors' images. To what part of the market are they trying to appeal? Can you appeal to the same market in a better way? Or can you find an untapped market?

Use the worksheet to compile, organize and evaluate information on your competition. Your analysis of this information will help you plan your market entry. What is the competition's current market share (what percent of the total customer base is theirs)? Can you tap into this share or will you need to carve out your own market niche?

Competitor Profile Worksheet

Competitors Item 1 2 . 3

1. Name of Competitor(s):
2. Location:
3. Products or services offered:

4. Methods of distribution (wholesale, retail, marketing reps, personal selling, and corporate sales):
5. Image Packaging:
6. Promotional materials:
7. Methods of advertising:
8. Positioning (customers' perception of quality of product or service):
9. Pricing structure:
10. Performance (past and present):
11. Market share (by number, type and location of customers):
12. Strengths (The strengths of the competition become your strengths):
13. Weaknesses (Looking at the weaknesses of the competition can help you find ways of being unique and of benefiting the customer.):

Methods of Distribution

Distribution is the manner in which products are physically transported to the consumer or the way services are made available to the customer. Distribution is closely related to your target market.

Establish the purchasing patterns of your customers. If you are selling a product, do your customers purchase by direct mail, buy through catalogues or make in-store purchases? Will you sell directly or through a manufacturer's representative? If you are shipping the product, who will absorb the shipping costs and what carrier will be used? Use the key words to answer questions regarding your distribution plan. Back up your decisions with statistical reports, rate sheets from shippers, contracts with manufacturer's representatives or any other supporting documents. If you are involved in a service business, will you provide in-shop service? Will you make service calls, and, if so, how will mileage costs be handled? What is your planned response time to fill your customers' needs?

List the pros and cons of the various methods of distribution and give reasons for your choices. Keep in mind the worst case scenarios mentioned above. Present alternatives. For example, if your major supplier, were to go on strike, how would you distribute your products? If your mobile service van were to break down, do you have a vehicle which could be used as backup? Provide for a smooth business flow.

Advertising

Advertising presents the message to your customer that your product or service is good and desirable. Tailor your advertising to your target market. Your marketing research will have spelled out which television and radio stations and which publications are of interest to your target market. Those are the ones you will use. Analyze your competitors' advertising in these publications. Be ready to back up your decisions. Include copies of your promotional materials, such as brochures, direct mail advertisements and flyers. Tell the lender where you will put your advertising money, why you chose those methods, how your message will reach your target market, when your advertising campaign will begin, how much your plan will cost and what format your advertising will take.

Pricing

Your pricing structure is critical to the success of your business and is determined through market research and analysis of financial considerations. Basic marketing strategy .s to price within the range between the price ceiling and the price floor. The price ceiling .s determined by the market; it is the highest cost a consumer will pay for a product or service and is based on perceived value. What is the competition charging? What is the quality of the product or service you are offering? What is the nature of the demand and what is the image you are projecting? The price floor is the lowest amount at which you can offer a product or service, meet all your costs and still make your desired profit. Consider all costs of raw materials, office overhead, shipping, vehicle expense, taxes, loan and interest payments and owner draws are a few. The profitable business operates between the price ceiling and the price floor. The difference allows for discounts, bad debt and returns. Be specific about how you arrived at your pricing structure and leave room for some flexibility.

Positioning - predetermining the perceived value in the eyes of the consumer can be accomplished through promotional activities. To be successful, you must decide what your product or service offers that your competitor's does not and promote it as the unique benefit. Very few items on the market have universal appeal your product or service cannot be all things to all people. However, if you position your product or service properly, prospective purchasers or users will immediately recognize its benefits to them.

Product Design

Packaging and product design can play a major role in the success of your business. It's what first catches the customer's eye. Consider the tastes of your target market in the ultimate design of your product and your package design. Decide what will be most appealing in terms of size. Shape color, material and wording. Packaging attracts a great deal of public attention. Be advised of the Fair Packaging and Labeling regulations, which established mandatory labeling requirements. The NAFDAC and SON have strict procedures for the labeling of items falling within its jurisdiction.

Use key words to answer questions regarding your product design and packaging. Include sketches or photographs. Also include information on any proprietary rights, such as copyrights, trademarks or patents.

Timing of Market Entry

The timing of your entry into the marketplace is critical and takes careful planning and research. Having your products and services available at the right time and the right place depends more on understanding consumer readiness than on your organizational schedule. The manner in which a new product is received by the consumer can be affected by the season, the weather and holidays. Early January and September are the best times to mail flyers and catalogs, as consumers seem to be more receptive to mail order purchasing in those months. The major gift shows are held in the summer months (June, July, and August) and again in January and February. Most wholesale buying takes place at these shows. November and December are not good months for introducing new service businesses unless they relate in some way to the holiday season. Spring is a better time to introduce a service. Trade journals and trade associations in your field can provide the information you need on the timing patterns of your industry. Tell the lender when you plan to enter the market and how you arrived at your decision.

Location

If your choice of location is related to your target market, cover it in this section of your business plan. List the reasons for your choice. What is the character of the neighborhood? Does the site project your business image? Where is the competition in the area? What is the traffic pattern? What are the terms of the lease? What services, if any, does the landlord provide? What is the occupancy history of your location? Did any companies in the area go out of business within the past few months? If so, try to find out if it was related to location. Is the area in which you plan to locate supported by a strong economic base? What alternate sites were considered? These are some of the questions to be considered. Refer to Location in the business section for additional information.

Industry Trends

Be alert for changes in your industry. New technology may bring new products into the market place that will generate new service businesses. Read trade journals and industry reports in your field. Project how your market may change and what you plan to do to keep up.

Financial Documents

You are now ready to develop the third area of your plan. Financial records are used to show past, current and projected finances. In this section we will cover the major documents you will want to include in your business plan. They will consist of both pro forma (projected) and actual financial statements. Your work will be easier if these are done in the order presented.

- Summary of Financial
- Needs Application of Loan Funds
- Cash Flow Statement (Budget) Three-
  year Projection Break-even Analysis
- Actual Performance Statements:
  - Balance Sheet
  - Income (Profit and Loss) Statement
  - Loan Application/Financial History.

Summary of Financial Needs

If you are applying for a loan, your lenders and investors will analyze the needs of your business. They will distinguish among the three types of capital to be used as follows:

Working capital -- Used to meet fluctuating needs that are to be repaid through cash during the business's next full operating cycle, generally one year.

Growth capital-- Used to meet needs that are to be repaid with profits over a period of a few years. If you seek growth capital, you will be expected to show how the capital will be used to increase your profits enough to be able to repay the loan within several years (usually not more than seven).

Equity capital -- Used to meet permanent needs. If you seek equity capital, it must be raised from investors who will take the risk in return for some combination of dividend returns, capital gains or a specific share of the business.

Keeping the above in mind, you must now prepare a summary of financial needs. This document is an outline telling why you are applying for a loan and how much you need.

Summary of Financial Needs

I. ABC Nig Ltd is seeking a loan to increase its growth capital in the following areas of production:

A. Equipment (new and more modem)

B. Training of personnel in operation of above.

II. Funds needed to accomplish above goal will be N50,000.

A. See "Use of Funds" for distribution of funds and backup statement.

Uses of Funds Statement

The potential lender will require a statement of how the money you intend to borrow will be used. It will be necessary for you to tell how you intend to disperse the loan funds. Back up your statement with supporting data.

You must be sure that your supporting data can be easily found by the loan officer who is examining your application. If you do not have your information well organized and retrievable, your application may be refused for the simple reason that the material cannot be found. It will be necessary to have a well written table of contents.

USES OF FINDS

1. Dispersal of Loan Funds

ABC Nig Ltd will use anticipated loan funds in the amount of N50,000 to modernize its production equipment. This will necessitate the purchase of two new pieces of equipment and the training of present personnel in the operation of this equipment.

2. Backup Statement

a. The equipment needed is as follows:

(1) High-speed F-34 Atlas Press (purchase price -- N32,900)

(2) S71 Jaworski Ebber (purchase price -- N2,800)

b. The training is available from the manufacturer as a three-week intensive program (cost: 10 employees @ N1 ,200 = S 12,000).

c. The remaining N2,300 will be used for the first monthly installment on loan repayment -- a period of low production due to employee training.

d. The equipment will result in a 35 percent increase in production, a 25 percent decrease in unit cost, and a net profit increase sufficient to repay the loan and interest within three years with a profit margin of 15 percent.

When writing your business plan be sure that your production plan includes a description of the equipment, how the work will be done, by whom and at what cost.

The market research will show projected needs for your product, and thus show how increased production will results in increased sales and ultimately in the capability to enable you to repay the loan.

Cash Flow Statement (Budget)

Cash flow statements are the documents that project what your business plan means in terms of dollars. They show cash inflow and outflow over a period of time and are used for internal planning. If you have been in business for some time, worksheets can be put together from the actual figures of income and expenses of previous years combined with projected changes for the next period. If you are starting a new business, you will have to project your financial needs and disbursements. Your profit at the end of the year will depend on the proper balance between cash inflow and outflow. The cash flow statement identifies

When cash is expected to be received? How much cash will be received?

When cash must be spent to pay bills and debts?

How much cash will be needed to pay expenses?

It also allows the manager to identify the source of necessary cash, i.e., will it come from sales and services rendered or must it be borrowed? Be sure that your projections take into account receivables and how long it will take your customer to pay. The cash flow statement deals only with actual cash transactions and not with depreciation and amortization of goodwill or other noncash expense items.

A cash flow statement can be prepared for any period of time. It is recommended that you match the fiscal year of your business. It should be prepared on a monthly basis for the next year and revised not less than quarterly to reflect actual performance in the preceding three months of operations.

In preparing your cash flow statement, it might be useful to compile several individual budgets.

They could be as follows:

1. Cost of sales budget.
2. Fixed expenses budget.
3. Variable expenses budget.

Two worksheets can be used in developing a cash flow statement:

Sources of cash worksheet -- Contains all the financing sources for the business.

Cash to be paid out worksheet -- Identifies how much cash is expected to be spent to pay expenses and obligations.

Note: Projections in the two worksheets must be made for the same time period (monthly, quarterly or annually).

Once you have completed the two worksheets, you are ready to transfer the information into your cash flow statement. You will need to think your way through each month, projecting what amount from each category of the worksheets will be appropriate to what month. For example, if your total sales amount to 5100,000, you will have to project the individual amounts that will probably occur in each month.

Sources of Cash Worksheet

(Cash Flowing Into Your Business)

Cash on Hand ____________________

Sales- Revenues

Sales___________________

Service Income

Deposits on sales or services ______________________

Collections on accounts receivable ______________________

Miscellaneous income

Interest income _______________________

Sale of long-term assets _______________________

Liabilities

Loans (banks, finance companies, MFB, etc)___________________

Equity

Owner investments (sole proprietor or partnership) ___________________

Contributed capital (corporation) _______________________

Venture capital ____________________

Total Cash Available

Cash to Be Paid Out Worksheet

(Cash Flowing Out of Your Business)

Start-up costs

Business license (annual expense) ________________________

Stamp duty filing fee (one time cost) ___________________________

Other start-up costs ____________________________

_________________________ _______________________

Inventory purchases

Cash out for items for resale or services ______________________

Variable expenses (controllable)

Advertising_______________________________

Freight___________________________________

Packaging costs ________________________

Pans and supplies _________________________

Sales salaries _________________________

Misc. direct expenses ________________________

Total direct expenses ________________________

Fixed expenses (overhead)

Insurance_______________

Licenses &permits____________

Office salaries_______________

Utilities _________________________

Misc. indirect expenses ______________________

Total indirect expenses ______________________

Assets (long-term purchases)

Cash to be paid in current period _ Owner equity

Cash to be withdrawn by owner _____________________

Total cash to be paid out ____________________

Completing Your Cash Flow Statement

The vertical columns of a cash flow statement represent the twelve months, preceded by a total column. Horizontal rows on the statement contain figures for the sources of cash and cash to be paid out copied from the two previous worksheets and from individual budgets.

The figures are projected for each month, reflecting the flow of cash in and out of your business for a one-year period. Begin with the first month of the business cycle and proceed as follows:

1. Project the beginning cash balance. Enter under the first month of the business cycle.
2. Project the cash receipts for the first month.
3. Add beginning cash balance and cash receipts to determine total cash available.
4. Project the direct, indirect and interest expenses for the first month.
5. Project monies due on taxes, long-term assets and loan repayments. Also project any amounts to be drawn by owners.
6. Total all expenses and draws. This is total cash paid out.
7. Subtract total cash paid out from total cash available. Enter the result under cash balance/deficiency. If the result is negative, be sure to bracket this figure.
8. Project loans to be received and equity deposits to be made. Add to cash balance/ deficiency to get ending cash balance.

9. Carry forward the ending cash balance for January as February's beginning cash balance.
10. Repeat the process through the last month of the business cycle.

To complete the total column, proceed as follows:

1. Enter the beginning cash balance for the first month in the first space of the total column.
2. Add the monthly figures for each category horizontally and enter the result in the corresponding total category.
3. Compute the total column in the same manner as each of the individual months. If you have been accurate in your computations, the December ending cash balance will be exactly the same as the total ending cash balance.

Note: If your business is new, you will have to base your projections solely on market research and industry trends. If you have an established business, you will also use your financial statements from the previous tax years.

A quarterly budget analysis should be used as a record to compare your cash flow statement (or budget) with your business's actual performance. Its purpose is to let you know whether or not you are operating within your projections and to help you maintain control of all phases of your business operations. If your analysis shows that you have gone over budget in some areas you will have to compensate by adjusting your cash flow statement with future cuts in those or other areas. If properly used, a cash flow statement can prove to be an invaluable tool to help you reach your financial goals.

Your cash flow statement can be compiled on a month-by-month basis and then 'compared with actual monthly performance. Prepared in this manner, your statement can provide an annual projection for your next fiscal year.

Three-year Income Projection

The three-year income projection is a pro forma income statement (profit and loss statement for more information, see Income Statement). The difference is that the three-year projection only includes income and deductible expenses while the cash flow statement includes all sources of cash and cash to be paid out.

There are various opinions as to what period of time should be covered in estimating income and expenses, i.e., whether it should be on an annual or monthly basis. If this income projection is for the purpose of obtaining a loan, talk to the lender about his or her specific requirements. If the projections are for your own use, a three-year projection is suggested with annual rather than monthly projections.

Sources of Information

Information for a three-year income projection can be found in your cash flow statement, sales forecast and individual budgets, and your business and marketing analyses if you are new in business. Again, if you are an established business, you will also be able to use past financial statements to help determine future projections for your business. Be sure to take into account fluctuations anticipated in costs, efficiency of operation, changes in the market and any other factors. Increases and decreases in income and expenses are only realistic. These changes should be reflected in any projections. Remember, too, that industry trends can cause decreases in both income and expenses. An example of this might be the computer industry, where competition has increased greatly and standardization of components has caused a decrease in both the cost and the sales price of certain items.

Break-Even Analysis (BEA)

The break-even point is the point at which a company's expenses exactly match its sales or service volume. It is the point at which the business will neither make a profit nor incur a loss. The break-even point can be calculated in either mathematical or graph form. It can be expressed in total dollars or revenue exactly offset by total expenses or in total units of production (cost of which equals exactly the income derived by sales).

To apply a break-even analysis to a business operation, two types of expenses must first be projected: fixed costs and variable costs. Fixed costs do not vary with sales or output. Variable costs vary in direct proportion to the output. The greater the volume of sales, the higher the cost. For purposes of the break-even analysis, make sure to include cost of sales in your variable costs figure.

Sources of Information for a Break-even Analysis

All of your figures can be derived from your three-year projection. In fact, by now you should be able to see that each financial document in your business plan builds on the ones done previously. It should be a simple matter to retrieve the figures to plug into the following formula.

Mathematically

An example of calculating the break-even point using a mathematical formula is shown below. Formula:

B-E point sales (at break-even point) = fixed costs + [1 - variable costs expressed as % of total sales]

Terms used:

B-E point sales = volume of sales at break-even point

Fixed costs = fixed expenses, depreciation, interest

Variable costs = cost of sales and variable expenses

Sales revenues = income from sales of goods/services over a specified period

Values used: B-E point sales (S) =?

Fixed costs = 525,000

Variable costs = N45,000

Sales revenues = N90,000

Composition:

S (at break-even point) = $\dfrac{\text{N25,000}}{1-(545,000/90,000}$

S= $\dfrac{525{,}000}{(1-0.50)}$

S= $\dfrac{N25{,}000}{(.50)}$

.50S = 525,000

S = N50,000 (break-even point in terms of revenue exactly offset by total expenses)

Graphically

A firm's sales at break-even point can be plotted as in the following break-even analysis graph.

Using the same figures as in the above formula, draw three lines in the graph: horizontal line at point representing Fixed costs (25); total expenses (TC = FC + VC) line from left end of fixed cost line sloping upward to point where total (fixed plus variable) costs on vertical scale (7) meet total sales revenues on the horizontal scale (9); total revenues (sales) line from zero through a point describing total revenues (sales) on both scales (9).

The point on the graph where the total expenses line intersects the total sales revenues line is the break-even point. This business estimates that it will break even when sales volume reaches N50,000. The triangular area below that point represents company losses. The triangular area above and to the right of the point represents potential profit.

Actual Performance Statements

Actual performance statements are those financial statements reflecting the activity of your business in the past. If you are a new business owner, you have no business history. Your financial section will end with the projected statements and a personal financial history. If you are an established business, you will include the following actual performance statements:

Balance sheet

Profit and loss (income) statement

Business financial history or loan application

Balance Sheet

The balance sheet is a financial statement, usually prepared at the close of an accounting period that shows the financial position of the business as of a fixed date. It is a picture of your firm's financial condition at a particular moment. By regularly preparing this statement, you will be able to identify and analyze trends in the financial strength of your business and thus implement timely modifications.

Categories

All balance sheets must contain three categories -- assets, liabilities and net worth -- that have been established by a system known as generally accepted accounting principles. The three are related in that at any given time a business's assets equal the total contributions by its creditors and owners.

Assets = , Anything your business owns that has monetary value.

Liabilities = Debts owed by the business to any of its creditors.

Net worth (capital) = An amount equal to the owner's equity.

The relationship between these terms is simply illustrated in the following accounting formula:

Assets = Liabilities + Net Worth

Examined as such, it becomes apparent that if a business possesses more assets than it owes to creditors, its net worth will be a positive value. Conversely, if a business owes more money to creditors than it possesses in assets, the net worth will be a negative value.

Format

The balance sheet also must follow an accepted format. By so doing, anyone reading the balance sheet can readily interpret it.

All assets are divided under three headings:

Current assets -- Assets that can be converted into cash within one year of the date on the balance sheet.

Long-term investments -- Stocks, bonds and special savings accounts to be kept for at least one year.

Fixed assets -- The resources a business owns and does not intend for resale (land, buildings, equipment, automobiles, etc.).

Liabilities are divided into Current and Long-term Liabilities:

Current liabilities -- Those obligations payable within one operating cycle.

Long-term liabilities -- Outstanding balance less current portion due (e.g., mortgage, vehicle).

Net worth is documented according to the legal structure of the business:

Proprietorship or Partnership -- Each owner's original investment plus earnings after withdrawals.

Corporation -- The sum of contributions by owners or stockholders plus earnings retained after paying dividends.

Company Name

As of______________________, 19 _______________

Assets	Liabilities
Current assets	Current Liabilities

Cash____________________

Payable_________________

Petty Cash _______________

Accounts Receivable_________________

Inventory___________________

Fed. Income tax ________________

Short-term Investments ____________________

Sales tax (SBE) ___________________

Prepaid expenses __________________

Long-term investments ________________

Fixed assets

Land_______________________

Buildings ___________________

Improvements __________________

Equipment_____________________

Furniture ______________________

____

Automobiles/vehicles_______________

(Name') equity ____________________

Other assets

Capital stock _____________________

1. __________________

2. __________________

Accounts

Notes Payable__________________

Interest Payable

Taxes Payable

State income tax _________________

Self-employment ___________________

Property tax ____________________

Payroll accrual___________________

Long-term liabilities _______________

Notes payable ____________________

Total liabilities ____________________

____

Net worth (Owner equity)

Proprietorship or Partnership

(name's) equity ________________

Corporation

Surplus paid in ______________

Retained earnings ______________

3. ________________

Total net worth ____

Total liabilities Total assets____________________and net worth __________________

(Total assets will always equal total liabilities and total net worth)

Income Statement

The income (profit and loss) statement shows your business financial activity over a period of time, usually your tax year. In contrast to the balance sheet, which shows a picture of your business at a given moment, this statement can be likened to a moving picture, which shows what has happened in your business over a period of time. The income statement is an excellent tool for assessing your business. You will be able to pick out weaknesses in your operation and plan ways to run your business more effectively and thereby increase your profits. For example, you may find that some heavy advertising you did in March did not effectively increase your sales. In following years, you may decide to use your advertising funds more effectively by using them at a time of increased customer spending. Along the same vein, you might examine your income statement to see what months have the heaviest sales volume and plan your inventory accordingly. Comparison of the income statements from several years will give you an even better picture of the trends in your business. Do not underestimate the value of this particular tool when planning your tactics.

Development

The income statement shows where your money has come from and where it was spent over a specific period of time. It should be prepared not only at the end of the fiscal year, but at the close of each business month. It is one of the two principal financial statements prepared from the ledgers and records of a business. All profit and loss statements contain income and expense account balances. The remaining asset, liability and capital information provides the figures for the balance sheet.

At the end of each month, the accounts in the general ledger are balanced and closed. Balances from the revenue accounts and the expense accounts must be transferred to your profit and loss statement.

Format

A profit and loss statement must also follow an accepted format and contain the following categories:

Income Net sales (gross sales returns and allowances). Cost of goods sold (see IRS Form 1040, Schedule C for computation). Gross profit (net sales cost of goods sold).

Expenses Selling expenses (direct, controllable, variable). Administrative expenses (indirect, fixed, office overhead).

Total expenses

Income from operations (gross profit total expenses) Other income (interest income)

Other expenses (interest expense)

Net profit (loss) before income taxes Income taxes (federal, state, self-employment) Net profit (loss) after income taxes

Two sample income statements are shown for your use. The first is divided into 12 months. Fill it in monthly after balancing your ledgers. At the end of the year, this form will provide an accurate picture of your financial activity. The second form can be used for your monthly and annual profit and loss statements.

INCOME STATEMENT (Also known as Profit and Loss Statement)

For the year ___________

INCOME

1. Net Sales ---------------------------------

2. Cost of Sales ----------------------------------

3. Gross profit (1 minus 2) ----------------------------------

EXPENSES

1. Variable exp. (controllable)

a. Advertising -----------------------------

b. Freight -----------------------------

c. Packaging costs -----------------------------

d. Parts &supplies ------------------------------

e. Sales salaries -------------------------------

f. Misc. direct expenses -------------------------------

g. Legal fees --------------------------------

2. Fixed expenses (overhead)

a. Insurance

b. Licenses &permits

c. Office salaries

d. Rent

e. Utilities

f. Misc. indirect expenses Total Expenses

Income from Operations (Gross Sales Minus Expenses)

Other Incomes (Interest) ______________________

Other Expenses (Interest) ______________________

Income before Taxes Income Taxes

Net Income

INCOME STATEMENT

For the period beginning_______________and ending ______________

Income

1. Net Sales (Gross-Returns @ Allowance) ______________________

2. Cost of Sales

a. Inventory (J an. 1) ______________________

b. Purchases ______________________

c. Cost of goods available for sale [(a)+(b)] ______________________

d. Deduct inventory (Dec.31) ______________________

3. Gross profit on sales ________________________

Expenses

1. Variable expenses (control-label) (selling)

a. Advertising ______________________

b. Freight ______________________

c. Packaging costs ______________________

d. Parts &supplies ______________________

e. Sales salaries ______________________

f. Misc. direct expenses ______________________

2. Fixed expenses (overhead) (administrative)

a. Insurance ______________________

b. Licenses &permits ______________________

c. Office salaries

____

d. Rent expense ______________________

e. Utilities ______________________

f. Misc. indirect expenses ______________________

Total expenses ______________________

Income from operations (gross profit less expenses) ______________________

Other income ______________________

1. Interest income ____________________

Other expenses ______________________

1. Interest expenses ______________________

Net profit (loss) before taxes ______________________

Income taxes ______________________

Net profit (loss) after income taxes ______________________

Business Financial History

The financial history is the last of the financial statements required in your business plan. It is a summary of financial information about your company from its start to the present.

If you are a new business, you will have only projections for your business. If you are applying for a loan, the lender will require a personal balance sheet. This will be of benefit in that it will show the lender the manner in which you have conducted your personal business and be an indication as to the probability of succeeding in your new business.

If you are using your business plan to apply for a loan, your business financial history and the loan application are the same. This document should be completed last, but placed first in the financial section of your plan. When you indicate that you are interested in obtaining a business loan, the institution considering the loan will supply you with an application. The format may vary slightly. When you receive your loan application, be sure to review it and think about how you are going to answer each item. Answer all questions and, by all means, be certain that your information is accurate and that it can be verified if the need should arise.

Information Needed and Sources

As you complete your business financial history or loan application, it should become immediately evident why this is the last financial document to be completed. All of the information needed will have been compiled in earlier parts of your plan and in the completed financials. To help you with your financial history, the following is a list of information usually included and the source you will refer to for that information:

Assets, liabilities and net worth -- You should be able to recognize these three as balance sheet terms. Go back to your balance sheet and bring these figures forward.

Contingent liabilities -- These are debts you may come to owe in the future (e.g., default on cosigned note or settlement of a pending lawsuit).

Inventory details -- Information about inventory is derived from your inventory record. Also, the business section should have a summary of your current policies and methods of evaluation.

Income statement -- This is revenue and expense information. Depending on the period of time to be covered, you will transfer the information from your most recent annual profit and loss statement or from a compilation of several if required by the lender.

Real estate holdings, stocks and bonds -- Refer back to the business portion of your plan. You may also have to go through your investment records for more comprehensive information.

Sole proprietorship, partnership or corporation information -- There are generally three separate schedules on the financial history one for each form of legal structure. You will be required to fill out the one that is appropriate to yours. In the business section, you will have covered two areas that will serve as the source of this information -- legal structure and management. Your supporting documents may also contain some of the information that you will need.

Audit information -- Refer back to your business section under record keeping. You may also be asked questions about other prospective lenders, whether you are seeking credit, who audits your books and when they were last audited.

Insurance coverage -- You will be asked to provide detailed information on the amounts of different types of coverage (i.e., merchandise, equipment, public liability, earthquake, automobile, etc.). Your business section contains coverage information that can be brought forth to the financial history.

Summary

The financial documents covered in this section will probably be sufficient for both your own use and that of potential lenders. Some lenders may not require all documents and other lenders may require additional documents. The important thing to note in compiling any financial statements is that the information must be correct and that you must have records to support your figures.

Remember, you can use the information in your business plan not only to aid you in dealing with a lender, but also to assist you on an on-going basis. If you have done your homework, the financial documents you have prepared will be invaluable to you in the assessment of your operation and may very well be the determining factor in whether or not you succeed in your business.

SUPPORTING DOCUMENTS

Now that you have completed the main body of your business plan, you will need to include a separate section for any additional records that should be included to support your plan. Supporting documents are the records that back up the statements and decisions made in the three main parts of your plan. As you are compiling the first three sections, it is a good idea to keep a separate list of the supporting documents that you mention or that come to mind. For instance, discussion of your business location might indicate a need for demographic studies, location maps, area studies, leases, etc. If you are considering applying for a loan to purchase equipment, your supporting documents might be existing equipment purchase agreements or lease contracts. By listing these items as you think of them, you will have a fairly complete list of all of your supporting documents by the time you reach this part of your task. You will be ready to sort them into a logical sequence and add any new ones that come to mind

SAMPLE OF BUSINESS PLAN

1.0 The Company

AfriWest Restaurant was founded on the 10th of March 2011 by three members namely; Ibrahim, Sunusi and Usman. The restaurant is located at Jalan Tabuan, 93350 Kuching, Sarawak. Our core business is to provide services in foods and drinks industry. Venturing into providing services in foods and beverages industry are the choices of our partners to experience the cuisine and beverages businesses meanwhile generating profit and satisfying consumer demands.

AfriWest is a restaurant which serves varieties of Asian, African, Middle-eastern and Western cuisine and beverages from different countries. AfriWest serves quality choices of dishes and beverages. Quality control of our cuisine and beverages promise our consumers that we only serve the most delicious and fresh dishes and beverages. We also focus in providing attractive and comfortable surrounding environments and services in our restaurant for the convenient of our customers. We promise our customers that having a breakfast, lunch or dinner at our restaurant will enjoy the dishes and feel comfortable with our services through our quality control and profession services from our waiters and waitress.

Our concept: is a combination of both modern-creative and traditional cultured styles of cooking, which comes with the highest standards of quality and freshness.

Slogan: "You will always come back for more"

1.1 Company Vision

- AfriWest vision is to be the best restaurant in Malaysia that provides and serves variety of cuisines and beverages from different cultures.

1.2 Company Mission

- AfirWest mission is to provide a wholesome dining experience with top quality food with affordable price and staff that will exceed the customers' expectations.

1.3 Objectives

- Providing quality foods and drinks for customers.
- Providing customers satisfaction through experience.
- Achieving net profit sales 15% per annum.
- To provide a unique international and local cuisine, prepared with the finest available ingredients to enhance the fine dining experience.
- To provide employees with friendly, cooperative and rewarding environment for long-term satisfaction.

1.4 Current Status

AfriWest is a new restaurant in the market, as our restaurant is new in the market; we have to face a lot of challenges in competing with our current competitors like Westwood, Sidewalk, and Junk etc. Currently, we are developing business strategies to differentiate our products and services in order to gain competitive advantage through our marketing and promotion mix strategies. We also have weakness, because we are new restaurant in Kuching and many people may not know about our restaurant. This will be our first challenge as a new restaurant.

1.5 Future Goal

AfriWest's future goal is to become the first class African/Western restaurant in Asia before year 2020. We plan to enter Asian market by expanding our branches all around Asia. The Asia countries that we are currently targeting are Thailand, Singapore and Brunei. To ensure we achieve our future goal, we need to create a good reputation and image around Malaysians and foreign tourists. Quality control of our kitchen and management need to meet international standard in order to prepare ourselves to entering new market in Asia. Attending training courses and seminars for both kitchen and management is necessary to obtain certificates and awards from the authorised parties. By winning awards from foods and drinks magazines and business magazines are very important for us to establish our AfriWest image around the world.

1.6 Co-operate strategies

- We will maintain the standard of ingredients that we are going to use to prepare the foods and to make sure everyone comfortable with our restaurant environment.
- To continuously develop and maintain well trained and skilled employees through non-monetary motivational activities.
- To introduce new varieties of cuisine using the freshest ingredients and strong promotions to influence our customers to buy more.
- Been able to produce timely and accurate financial statements.

1.7 Organizational Chart

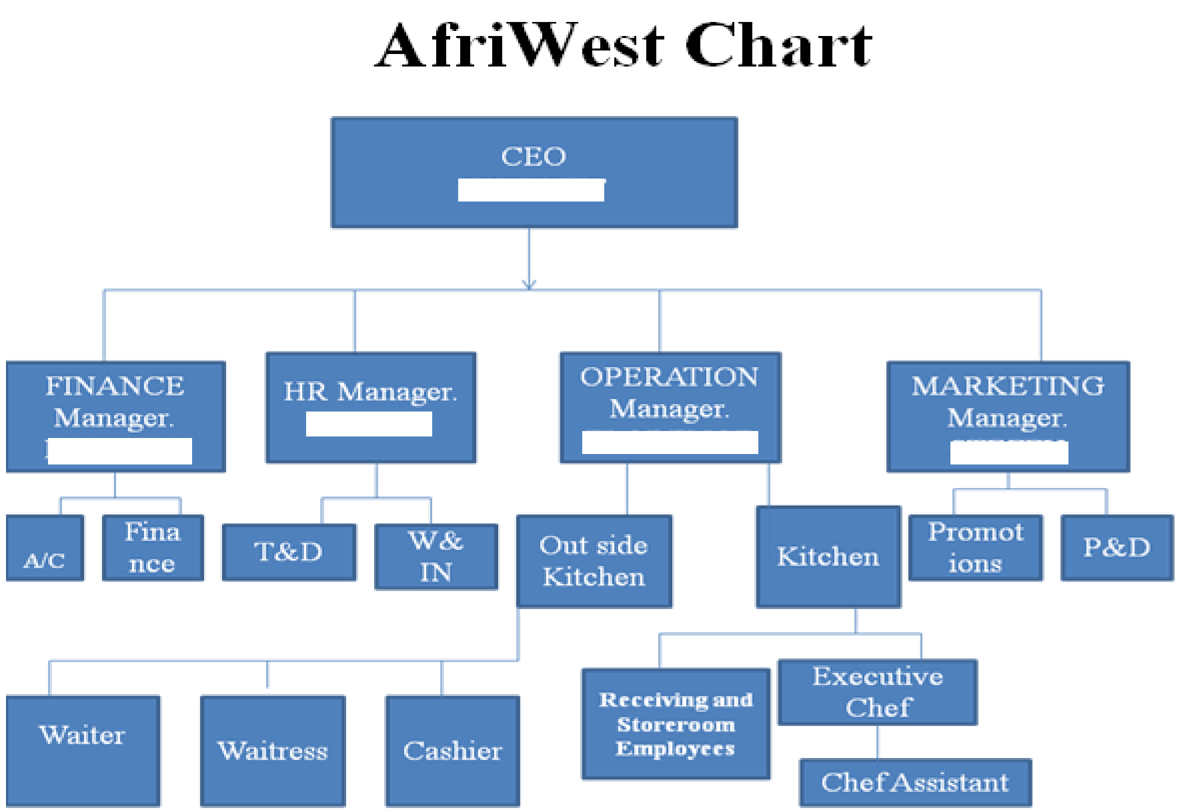


Figure 1: Description of AfriWest organization chart

General Manager

The general manager is responsible of making important decisions and designing strong strategies for AfriWest. The manager is responsible to manage the activities in the restaurant, and controls the operation of the staffs at the same time.

Finance Manager

The finance manager will be responsible for all the finance and the accounting work, and also he/she will make sure that the cash flow is running smoothly in the restaurant.

Human Resources Manager

The HR manager will be responsible for the management of the workforce includes hiring, wages, welfare, and the benefits. Moreover, he/she will be in charge of the quality of the services by staff.

Operation Manager

The operation manager is responsible to make sure that the storage of ingredients inside the kitchen room maintains fresh and hygiene. He/she will have the full authority in kitchen room to manage chefs and staffs.

Marketing Manager

The marketing manager is the person to deal with marketing activities in AfriWest and he/she is responsible of attracting more customers and also responsible to create new recipes of dishes and drinks for AfriWest.

2.0 Situation Analysis

2.1 Key Success Factors

According Marketing.about.com (2011), the factors that are a critical condition for success in a particular market, it is considered as an element in which any organisation or SBU must have, which is necessary for the organisation to achieve its mission. Therefore, key success factors are those elements which must be available and on the right track for the business to ensure success for its managers and organisation at large, which might represent most managerial areas that must be given special and continual attention to bring high performance in the organisation or strategic business unit (SBU).

The critical success factors of AfriWest will be broken down into two parts, which is considered as an important factor not just for the success of the shareholders, but for the survival in the restaurant industry. The two parts are as follows

- Sales
- Controlling: internal control of food process.

2.1.1 Sales

According to Wiki.answers.com (2011) a sale is the considered to be an element of a business that keep it going, make it survive and withstand market pressure. The control of revenue, inventory is important to make a restaurant survive, and this is why location is considered to be an important factor in revenue generation. It is the reason why we choose a suitable "location" for our restaurant to attract customers to increase sales and revenue as it is the utmost true and important in site selection for a business like an industry.

2.1.2 Controlling

Quality of food

AfriWest management is going to control the quality of cuisines and beverages. The customer expects the food to be what is promised on the menu, to be cooked and prepared properly, to be clean and to have the correct flavor that is considered quality food. AfriWest management is going to make sure that the quality of AfriWest cuisine and beverages is consistent. E.g. when customers eat at a McDonald's Restaurant, they can be assured that the quality of the food will be consistent in any McDonald's that they visit. It is what they expect and is considered quality food.

Quality of service

Customers are not only buying a meal in a restaurant, but they are also paying for a certain level of service. Quality service is typically that which is punctual and polite. That is what customers expect. Exceed customer's expectations with extra service. Friendly service providing by Waiter and Waitress impress customer.

Controlling through Supervising

The AfriWest Management is going to supervise manager's communication between kitchen and waiter and waitress, restaurant appearance, safety, restaurant responsibility and cleanliness and the standard of service in the restaurant. Also supervising Team Members to ensure they perform their job responsibilities so that the AfriWest achieves customer satisfaction thereby increasing profitability. The supervision will be carried out each month.

Controlling through Observation

AfriWest management is going to observe all the employees every day to make sure they arrive early before the opening restaurant. Also the AfriWest management is going to check the operation manager every day whether she orders the fresh vegetables and fruits as promised to the customers. GM will make sure that all the employees are performing their work effectively and efficiently to the optimal standard.

Controlling through Survey

AfriWest management are going to use the information gathered from customers through our market research tools which include questionnaires, interviews and suggestion box, to encourage customers to post their suggestions through our suggestion box, to write complains about cuisine, beverages and services and make suggestion for the improvement and replacement where possible and also make suggestion on new cuisines that they want.

2.2 Environmental Analysis

2.2.1 Legal Description

AfriWest is registered under partnership act govern by Malaysia rules. Under the act, partners are agreeing with the terms and conditions inside the act before registering the company. The partners started this business by the written commitment among them to avoid future misunderstanding. The purpose for us to choose partnership for AfriWest is because we have a limited capital in setting up the business and different knowledge background. More than that, the risk of the business is diversified among the partners. Knowledge sharing among different expertise partners will help to make a better decision making. Profit of each partners are divided equally according to the agreement when forming up the partnership.

2.2.2 Environment

With the nature of restaurant business, it is important that owners of AfriWest keep an open eye at all times in order to know the trend of the environment. It is important that every few months, an environmental analysis should be conducted which looks at the general and nearby conditions and which will be evaluated to determine which external and internal factors could influence the nature of the business. Taking a consideration of the geographical barriers is also important, which customers will have to travel farther get around a lake or road block, this is just to signify the importance of drawing boundaries of the trade area, which considers not just how the crow flies but the real distance travelled.

It is important to take a look at the surrounding of the intended area to set up the trade, its visibility, and availability of parking area, traffic (low or higher traffic, in terms of business activities) all these are important for consideration making of setting up such restaurant. Taking a look at the propose location of the business, it is situated around a higher flow of movement of people due to the nature of the environment, which has shopping mall and also other business activities setting. Also another important factor is the awareness and consideration of halal products which the restaurant is fully going to use to market its products.

2.2.3 Social Environment

Restaurant is a service which is highly accepted by kids and adults. Nowadays, people are trying to be more unique when it comes to social gatherings e.g. weddings, birthday parties, dinners, casual outings etc. The usage of trying to taste a new food different from what is normally eaten at home makes it much easier because it is already cooked and also can customise to region taste of food. That's why AfriWest will cease this opportunity to provide not only African food, but drinks, western cuisine, and Asian food which is listed in the menu below. Health consciousness is a growing factor in today's population; people are more concerned about obesity and diabetes. Due to the research and observation carried out, it has come to light that not just the increase in health awareness but increasing change of eating habits towards healthier food has been noticed among individuals of different age group, who are shifting from fast food such as KFC and McDonald to more of Natural foods. Also there is the change of attitude from Diet products to more healthy products. And this has been champion by media attention and incentives towards healthy living from the governments and organisation. The ministry of health in Malaysia have been passing out awareness on good diet eating, and have went further to monitor food outlet, to checkmate the use of healthy products being use in the cooking process and made mention of hygiene as a criteria for setting up a food industry.

Another social factor is the present participation of women in the workforce, which now tends to reduce home cooking, since women are now mostly working to earn livelihood, and this has been on the increase, which now makes the food restaurant industry to witness a high patronage from families as well.

2.2.4 Technological Environment

The advancement of technological equipment's can be used to produce more products in a shorter period of time at less cost. In the light of marketing also, social networking websites e.g. Facebook, twitter, MySpace etc. are now considered as a faster way of marketing a product without spending much on advertisement. AfriWest would create a websites in which our customers can view and make enquiries about our products and services and also provide order and pick up services.

2.2.5 Industry Analysis

Foods and drinks industry have a good perspective in Kuching. We can find many western restaurants around the city such as The Junk, Bla Bla Bla, Memories, Wishing Well, Sidewalk etc. Most of the western restaurants in Kuching are located at Pandungan, BDC, Bintawa and Satok areas because these are the areas that get a lot of attention from the city people especially the youngsters.

By the increasing number of restaurants that had been established, we believe that this industry still have a possibility and opportunities in the future to come because of the continuous population growth in Kuching. We believe that this industry still have a bright future as the trend of the restaurants will be more focus on the life styles and living standard in the society. Consumers are now exposed to international cuisine. Though there are many restaurants which serve western, and there are quite a number of Thai restaurants, Japanese restaurants and Korea restaurant in the city and they are also quite competitive in terms of pricing, service, and quality.

Foods and drinks is one of the human basic needs to survive. Through the changing of living standard and time, more consumers prefer Western and African dishes than local dishes. This is one of the opportunities for us to set up our business now in order to make the profit in the long run by establishment of good image and reputation in consumers mind.

In this industry, there are many suppliers which are available in the market with reasonable pricing. We can easy source for different suppliers in order to select the most reliable suppliers like CKK Freshmart regarding the raw material such as meat, vegetable, or seafood. The easy accesses of distribution channel allow us to choose the most reliable suppliers in order to ensure that our raw material is fresh and free from diseases. The supplier will bear the transportation cost. So, the business budget does not include the transportation cost for raw materials. This shop will deliver the raw materials in everyday basis. They will offer the price lower than the market price.

For noodles, Rice, Liquor and other raw materials such as needed spices will be supplied by **F&D, AH SEN**; they are the whole and retailer for food stuffs and drinks. They will also supply us with free transportation charge. They are situated in Jalan Club, 95000, Sri-aman, and Sarawak.

For ice cubes, the restaurant will sign the contract with **ATLAS** to supply ice-cubes every day to the restaurant. Besides, for the company will contact with **Coca-Cola** Company to make a deal of supplying drinks to the restaurant both fountain and tin.

However, there are some barriers for us to enter this industry. In setting up a new restaurant, a large capital is needed. We need to find our financial assessments from bank and financial agency to obtain enough cash to set up our restaurant. Heavy promotion is needed to make the consumer know about our restaurant. This also will lead us to the high cost in our marketing expenses.

2.3 Porters 5 Forces Analysis

Every company in an industry faces some pressures from the competitive forces in the industry which includes the rivals within the industry, substitute products, buyers, suppliers, and new entries in the industry (Porter, 1979). This analysis adopted by PORTER 5 forces will enable the company to determine what it is position is in the industry within the Kuching Metropolis hence modelling the market & industry. In recent years, the need of good and low cholesterol and low fatty food has been on demand by the citizen, due to health condition in relation to fast food consumption. According to Zurlinden (2010), fast food outlets like McDonald, KFC are major causes of diabetes, overweight, in which has shine light on the industry and its customers, where a more healthy food is in need.

2.3.1 Degree of Rivalry

The food industry is highly competitive with a lot of food providers within the Kuching metropolis, ranging from pure Chinese food, to Indian restaurant, Indonesia restaurant and so on. This intense competition usually a result in low profit because most companies compete with price hence the cost of competition is high. Therefore, with many restaurant or fast food providers in the market fighting to capture a significant amount of market share, the degree of rivalry becomes intense in the market. Such rivalry are noticeable not just from McDonald, KFC, but from other restaurant, just like the “Korean Food” which is situated along jalan jelong 3, which has another Indian restaurant “Indiana” oppose it, which also compete for the same market of customers With many products available in the market fighting to become the market leader, the degree of rivalry becomes more intense.

Therefore, in relation to the amount or degree of rivalry, AfriWest is considered to have high degree of rivalry due to the present of other competitors such as “The Spring Food Bazaar, Beef Noodle”, “and Grandma’s”, “Min Kuan (aka. Min Joo), Kolo Mee” and so on possess threat to AfriWest restaurant in the region

2.3.2 Suppliers Power

Suppliers are those who provide resources to the business. It might be suppliers of raw materials or products in the case of restaurant, they can be consider the suppliers of fresh fruit, and other resources of important for use in the food processing and complementary items as well. Also the provision of human resources for a business to run in the restaurant industry is also considered as suppliers as well, such employee according to the organisation chat, can be waitress, cleaners and so on.

Businesses determine the "force" that suppliers have by compiling all the variables of the supplier market and rank each for impact on the business. Taking a look at the business of opening a restaurant, the management will look at suppliers of food noting their reliability, quality, pricing and whether they offer credit terms. Next he/she will find out if there are multiple potential suppliers or a single supplier. Multiple suppliers compete for business and typically offer better service, whereas a single supplier can hold a business hostage. Next the management will look at real estate resources, including potential landlords. Establishing a business at one location is an investment because there will be significant "switching costs" to move. It will be important for the businessman to note whether multiple businesses have left this location and the reasons. Finally, the management will review the labour market in the area. What skills are necessary for this restaurant business? Are there enough skilled workers? What are the typical wages offered for similar jobs?

taking a look at the above analysis of supplier power, it can be considered that in terms of human resources, the resources available do not possess a high degree of bargaining power, for suppliers of local food materials, the availability of an open market in Kuching, makes the bargaining power of such suppliers to be low.

2.3.3 Buyers Power

Customers are simply potential buyers, and using Porter's Five Forces framework businesses can determine how much control they will exert on the industry. For the fast food industry such as the restaurant, the buyers or consumers are considered to have high bargaining power in relation to either patronise the restaurant or not, due to the fact that the availability of competitors is high, which signifies that, there is a low switching cost, which the consumer can decide to patronise AfriWest's competitors at no cost to the consumers. The switching cost to other restaurants is low; hence there is a high power on the side of the buyers.

2.3.4 Potential Entrants

The potential entry in to the industry is considered to what degree new investors can invest in an industry. Taking a look at the food industry in Kuching, there is an increase in the opening of restaurant by several business minded people, ranging from Indian restaurant and so on. The industry possesses a low barrier in its entry. The requirement of opening a food outlet in Kuching does not pose a significant barrier threat to investors, so therefore, the barrier to entry is considered to be low in the restaurant business, which poses threat to not just the AfriWest but to the entire industry players of the restaurant business in the Kuching metropolis.

Once the barriers are identified, a business must determine the strength of each barrier against potential entrants. Doing so makes it easy to develop tactics, such as branding, to leverage barriers against others and also the uniqueness of the food items provided with a wide range of item that can attend to different taste of its customers different age groups, tourist, and workers within the region.

2.3.5 Threats of Substitutes

Substitutes are similar to competitors in that they may compete for customers. For example, frozen pizza is a substitute for pizza delivery. The degree of substitute to AfriWest restaurant is not its competitors, but a substitute product such as McDonald which provide a different range of meal items, and also a substitute could be the availability of the prospective customers to decide to make their food in house without going outside to purchase a meal. Due to this fact, the threat of substitute is relatively high, if the customers now decide to eat in-house; this will constantly affect the business and its existence in the business environment.

2.4 Competitive Analysis

In this section, we have analysed the competition between the other established restaurants in the city. As everybody knows, there are a lot of restaurants in the Kuching which provide similar services to the customers and they all have their own specialities in the market. The most established outlet is the Chinese restaurant which serves Chinese cuisine and Western cuisine. They have been in the business for a quite some time and they are very popular among the Chinese and the local people of Sarawak. They also serve a different menus and different dining package to the customers. For now, they are the most prominent restaurant in town. Despite the food, they have a very good management and employees that become the backbone of their success.

Another restaurant is a seafood restaurant located in the heart of the city centre. Their specialities are in serving the best seafood in the city and the foods are all very fresh. Their main target is the tourist and the people from West Malaysia that visit the city. They also have a very good networking with the travel agencies and this had help to promote their restaurant.

Moreover, there are also some small restaurants which come out with so many themes and these restaurants have their own loyal customers based on their preference on the concepts and styles. This has become the incoming trends of the industry where they have a marketing niche based on their expertise. For our restaurant, we tend to be more diverse and we serve Halal food. This means that everybody can have a taste of our food. We also try to be more family oriented where parents can bring their children to eat. But, we also try to attract the youngsters such as the couples and students to have a good eating experience. This also means that our restaurant is for everyone, every culture, and it is very affordable at the same time. Besides that, we have an extra service for the customers by providing them with a party hall where they can organize their events.

As a new comer in the industry, we will focus on the service and quality. For us, that is the most important factor to sustain and maintain in the business. We want to provide a conducive environment for the customers so that they will feel secure whenever they eat in the restaurant. We also believe that quality is the best policy because it reflects the whole management, employees, service, and the restaurant itself.

2.5 Swot Analysis

The SWOT analysis summarizes the key issues from the business environment. It is one of the tools popularly used to analyze the strength of a company, its weaknesses, opportunity and threats on the business. The table below is the SWOT analysis of AfriWest;

Strengths	**Weaknesses**
• Offering a unique African and Western cuisine. • Excellent staffs who are highly trained and very customer oriented. • The affordable prices for all customers. • Friendly and experienced food	• A limited marketing budget to develop brand awareness. • Restaurant is not established. • There is no home delivery service channels

service team. • Located in a popular tourist region • Free internet wireless	
Opportunities • Potential market to open new branches in Malaysian and entry into Asian market like China, Singapore etc. • AfriWest can sell its name as franchises in the future to people that are interested to run the restaurant business. • Reducing restaurant tax by the Malaysian government. • Local event such as Chinese New Year, Gawai, Hari Raya, and others activities.	**Threats** • Economic recession may affect our sales. • Opening of new restaurants by other competitors. • Price war with other restaurants. E.g. spring shopping mall food section, Boulevard, etc. • Product substitution. E.g. Snacks, biscuits, etc. • Changing consumer habits, people eating at home more often. • Fluctuation of food and beverages prices. • Additional taxes on the supplies coming from abroad e.g. African ingredients that need to be imported.

Figure 2: SWOT Analysis of AfriWest restaurant

SWOT	Rating In Percentage (%)
Strengths	50.5

Opportunities	30.5
Threats	14.0
Weaknesses	5.0

Figure 3: SWOT analysis ratings table

The table above is the strengths, opportunities, weaknesses and threats of the restaurant given in percentage. From the table above it could be seen that the **strengths** of the restaurant have the highest percentage of 50.5 because the restaurant is introducing unique African and Western cuisine. Another advantage of the restaurant is the quality the staffs that are going to be providing services to the customers (manners of the staff). Customers want to be served well and at a lower price; so therefore the restaurant has come up with a low cost strategy for the services they are providing. The location of the restaurant is also very good. It is situated at a tourist attraction location. The restaurant could attract both local and international customers from different parts of the world and especially for the growing number of African students studying in Kuching.

Opportunities in the above table have the second highest percentage of 30.5. The restaurant can open and expand its services nationwide and even in countries like china and Singapore because of the good international business they have with other countries. Malaysia as a country has many cultures and traditions, the restaurant can cater during events like Depavali, Chinese New Year, Hari raya and other activities like business meetings, wedding parties, birthday parties etc.

Threats of the restaurant was rated 14.0 percent. This is because the restaurant might face a lot of potential problems resulting from economic recession that hit most of the countries in the world. People have now try to cut back on their expenses (stay back and eat at home). Another threat of the restaurant is high competition from the region; opening of other restaurant by other competitors. Fluctuation of prices of services can also affect the restaurant.

Weaknesses are the least with a rating of 5.0 percent because the restaurant has no enough funding to create awareness of the brand. The restaurant is starting new so it won’t be able to provide home delivery services and last but not the least the restaurant has not been established.

SWOT Analysis Overall Average Ranking Table

Strengths	Overall Average/ Ranking
• Offering a unique African and Western cuisine. • Excellent staffs who are highly trained and very customer oriented. • The affordable prices for all customers. • Friendly and experienced food service team. • Located in a popular tourist region • Free internet wireless	5 5 4.5 5 5 5
Note on Strength: the average and rating was gotten through a number of phone calls to some individuals ranging about 10 just to get the opinion, and the above rating was generated. From the conversation, a unique product with excellent staffing gives a restaurant an upper edge to competitors and the feel its importance in the existence of such business, which is accompanied by its location and friendly organisation team. The reason for the free internet service is just to act as complementary to the customers to feel relax and not to be in a hurry.	
Weaknesses • A limited marketing budget to develop brand awareness. • Restaurant is not established. • There is no home delivery service.	 4 1 3.5
Note on Weakness: The reason for the identification of such weaknesses above such as the limited budget was considered too important in order to pass out the awareness of the restaurant, but due to the conversation, it was noticed that the proposed location was okay to pass out the existence of the business in the area, due to high traffic noticeable in the area. For the weakness on restaurant	

<table>
<tr><td>establishment was due to the long term plan by the investors to sell the name in a new market, but from observation, it is believed that such plan will have to take time to achieve or possible difficult in achieving. And for the issue of home delivery, it was considered moderate because even though some people may want to order from their homes, it would not stop the business from operating in the absence of ordering service.</td><td></td></tr>
<tr><td><u>Opportunities</u>
• Potential market to open new branches in Malaysia and entry into Asian market like China, Singapore etc.
• AfriWest can sell its name as franchises in the future to people that are interested to run the restaurant business.
• Reducing restaurant tax by the Malaysian government.
• Local event such as Chinese New Year, Gawai, Hari Raya, and others activities e.g. Birthday parties, business meetings etc.</td><td>3
2
-
5</td></tr>
<tr><td colspan="2"><u>Note on Opportunities:</u>
The selling of brand name or franchising received the lowest rating due to the fact the business is not yet established and the future cannot be predicted from the conversation made with the audience, and opening of new branch in new market receive also a low rating which the respondents believe it’s not easy to enter a new market with the restaurant idea. But the biggest opportunity with the highest rating was associated to events listed above which serve as an opportunity, which the business could tap into and generate more profit in the industry.</td></tr>
<tr><td><u>Threats</u>
• Economic recession may affect our sales.
• Opening of new restaurants by other competitors.
• Price war with other restaurants. E.g. spring shopping mall food section, Boulevard, etc.
• Product substitution. E.g. Snacks, biscuits, etc.
• Changing consumer habits, people eating at home more often.
• Fluctuation of food and beverages price.</td><td>3
5
5
5
5
3
3</td></tr>
</table>

• Increasing in restaurant tax. • Additional taxes on the supplies coming from abroad.	5
Notes on threat: The highest rating was gotten from new entrants, price war, and product substitution, this is due to the fact that, new entrants poses threat to the business due to the low entry barrier of the industry and the environment at large, and for price war, this happen in a restaurant that reduces its commodity price in order to get more customers and also retain existing customers as well. For other point raised by respondents, such as recession, fluctuation of food and beverage price and increase tax got an average rating for several reason, but the most stated reason was due to the fact that, the point rate do not actually pose much threat to the business existence.	

3.0 Marketing Objective

We have set a 1 year objective plan which is: ***Achieving a net profit of 15% per annum.***

3.1 Product Profile

Basically at the heart of every successful business is the brand name, the more people get to know AfriWest brand name due to its quality, uniqueness the more the customers will in turn increase sales, reputation of the restaurant, AfriWest Management will work hand in hand with all stakeholders etc. to constantly improve and provide good quality cuisine, beverages and services through getting feedback on the cuisine and beverages taste, and customer's suggestions on how to improve our products and services ,thus creating good perception on the mind of AfriWest customers, AfriWest management will adopt the following so as to improve and create more awareness on the brand name.

3.1.1 The brand promise

In this step the Management will work together to make sure all the cuisine and beverages that will be served is up to standard as promised or described in the menu, also to deliver food to customers as promised to them to avoid customer dissatisfaction.

- ❖ These are the daily food menu of AfriWest and price lists:

Food Menu

MENU	**PRICE (RM)**
African:	
1. Pounded yam	RM 15.50
2. Tuwo and vegetables soup	RM 5.50
3. White rice and stew	RM 5.50
4. Gurasa and soup	RM 6.00
5. Stick meat	RM 5.50
6. Jollof rice	RM 6.50
7. Pepper soup chicken + rice	RM 5.50
8. Pepper soup fish or beef + rice	RM 6.50
9. Masa with pumpkin soup	RM 6.50

Western:	
1. Fisherman basket	RM 35.00
2. Grilled lamb with sweet potato and green beans	RM 15.50
3. Beefy macaroni and cheese	RM 12.50
4. Baked pasta original, cheese, and seafood	RM 9.50
5. Baked potatoes	RM 8.00
6. Cheddar burger veggie	RM 6.00
7. Grilled lamb and mushroom	RM 15.00
8. Smoked salmon	RM 15.00
9. Lamb shank with mushroom or black pepper sauce	RM 20.50
10. Mixed grill (Chicken chop, Beef chop, Lamb chop, Fish fillet, French fries and mash potatoes)	RM 35.00
11. Hot plate (chicken, beef, and fish) + rice/noodle	RM 15.00

Buffet:	
1. Mushroom and chicken soup	RM 5.00/bowl
2. Fried chicken with Arabian style	RM 5.00 (2pieces) RM 9.00 (4pieces)
3. Potatoes salad	RM 5.00
4. Fruits and coleslaw	RM 5.00
5. Cucumber/yoghurt salad	RM 12.50

Snacks:	
1. Sandwiches (chicken, tuna, ham)	RM 5.00
2. Roti canai:	
* Plain	RM 1.50
* Banana + milk	RM 2.00
* Cheese + milk	RM 2.00
* Kaya	RM 1.80
* Milo	RM 1.80
* Sardine	RM 2.50
3. French fries	RM3.00
4. Mix planet (nuggets, sausage, fish balls, fish cake, beancurd, potato balls, etc)	RM 6.00
5. Moi moi	RM 5.00 (4pieces)
6. Plantian	RM 5.00
7. Samosa	RM 6.00 (4pieces)

Drinks Menu

MENU	**PRICE (RM)**
Juices:	
1. Apple	RM 4
2. Orange	RM 4
3. Tomato	RM 4
4. Cucumber	RM 4
5. Carrot	RM 4
6. Honey dew	RM 4

7. Dragon Fruit 8. Watermelon 9. Mango 10. 1 Malaysia juice * Additional milk = RM 1	RM 4 RM 4 RM 4 RM 6.50
Soft drinks: 1. Coca cola 2. Pepsi 3. 7up 4. Sprite 5. 100 plus 6. Soya bean 7. Chrysantimum tea 8. Green tea 9. Cincau jelly 10. Ice lemon tea	 RM 2.00 RM 2.00 RM 2.00 RM 2.00 RM 2.00 RM 2.00 RM 2.00 RM 2.00 RM 2.00 RM 2.00
Others: 1. Chinese tea 2. Tea hot/ice 3. Coffee hot/ice 4. Milo hot/ice 5. Horlick hot/ice 6. Mineral water	 RM 6.00 RM 2.00 / RM 2.50 RM 2.00 / RM 2.50 RM 2.00 / RM2.50 RM 2.00 / RM 2.50 RM 2.00
Dessert: 1. Banana split 2. Mango pudding 3. Mix fruit ice cream	 RM 4.50 RM 3.00 RM 5.00
Ice blended: 1. Milo ice blended 2. Snow vanilla ice blended 3. Snow chocolate ice blended	 RM 6.00 RM 6.00 RM 6.00

4. Macadamia ice blended 5. Vanilla Oreo ice blended	RM 6.00 RM 6.00
Milk shake + pearl: 1. Tiramisu shake 2. Chocolate shake 3. Vanilla shake	 RM 7.50 RM 7.50 RM 7.50

3.2 Target Market

A market research is important in other to get the insight of both needs and values of customers in relation to product and services. The research technique use by the prospective investor was an observation of trend in the Kuching metropolis due to market study on the environment which was enable and facilitated due to the knowledge of the environment by the investors for three years; And understanding gotten from personal interviews gotten from a handful of number of people within the Kuching metropolis.

The potential customers would be from 4 major segments:

3.2.1 Working adults

Most of the adults in Kuching city are business and working graduates. Most of them spend their lifetime in their business areas or place of work. The restaurant is going to provide an environment where they can still have a good time with their colleagues after working hours. This group of market usually take their meals in the restaurants rather than taking them at home in other to save time and give them time go back to their respective places of work. They spend their money most on drinks, appetizers and meals. During their leisure time and weekends, this group of market usually likes to form reunion with their colleagues or friends. By targeting this group of market, AfriWest will be able to attract them with its restaurant designs and comfortable environments that help them to release their stress after the whole day work. The restaurant is also a going to provide a conducive atmosphere for them to feel at home with their families, friends, colleagues and relatives.

3.2.2 Tourists

Kuching (Cat City) is a medium-sized town on Eastern Island of Borneo, in the State Sarawak, Malaysia. The population of Kuching City South is approximately 133,600 thousand, with the total of half a million of overall Sarawak population. The city is tourist attraction area due to its long time history. The region is nature's paradise; it has many natural parks scattered all over, beach, museums, zoos and a nice weather. They are ten and thousands of tourists coming in each year to share the lovely experience of the region. Kuching is going to be the most suitable city for to open a restaurant. Moreover, Kuching is one of the most loveable and people-friendly cities in the region having all the modern facilities without losing its old world attraction.

3.2.3 Teenagers

In this century, most of the teenagers are more independent and tend to spend less time with their families. They prefer to have their meals at the restaurant where they can meet with friends, chat and have a good time. Furthermore young couples prefer high class and attractive place to spend their valued time. The restaurant is aimed at providing comfortable, lovely and peaceful environments for its customers in other to make them enjoy their meal.

3.2.4 Families

AfriWest will be a suitable place for family members to reunite and share their time together. From our survey, most of the family members in Kuching usually spend their time together during weekend. Some of the suitable places for them are shopping malls, recreation parks, restaurants and etc. the restaurant will target this group because they will bring lots of profit to the business since most family members in Kuching are large. With our designs and decorations similar to traditional and home types, we will be able to attract and target this group of market to enjoy their time with us during their weekend.

3.3 Target Volume in Dollars and/or Units

The general manager and the marketing manager of AfriWest will put extra effort towards achieving sales increase by offering more services i.e. new dishes will be added to the available ones, promotions during the month of Ramadan, Christmas, Chinese New Year, Depavali and Gawai festivals will be given. AfriWest will offer discount to existing customers and as well as the new customer so as to gain more profit and build good relationship for example, free discount voucher coupons if they purchase the products above RM30 and for the next time they come they will get a 5% discount. This will also take place with the help of existing customers as word mouth is very important for AfriWest. By increasing sales we should be expecting more revenue.

The AfriWest management are going to work hard with HR manager and operation manager to increase revenue of AfriWest by:

Make helpful suggestions.

Let our staff know just how much we depend on their ideas to help our restaurant improve. In order to get the more profit we must be open to their suggestions, be appreciative of their concerns, and put into action ideas that are reasonable.

Follow recipes.

Recipes have two purposes: a) to ensure consistency, b) to control costs.

Teach our staff members these two basic principles, follow up to make sure they understand and reward them when they consistently meet or exceed the standards. In other to adhere to portion standards, we can easily blow our food cost budget if employees serve incorrect portions. Test our staff on a regular basis on their knowledge of portion standards. The management is also going to make sure that the correct utensils are being used and observed as employees prepare cuisine and beverages. Alert staff members can avoid most costly errors. The key is to create an environment whereby the staffs believe their observations will be appreciated and promptly acted upon by management. Encourage our staff to step forward with their observations, and show our sincere appreciation when they do.

Participate in teamwork.

When employees work together as a team they can accomplish more in less time. This will cut our labour costs. Talk to our staff about the advantages of teamwork.

Take action.

Empower our staff to take charge in circumstances in which common sense dictates they should get involved. Then, support their efforts when they do. It is not always possible for employees to go through the chain of command. A situation may require that they assume control and take action on their own. A few employees will feel comfortable in this position, while others may not.

4.0 Marketing Strategy

The marketing strategy emphasizes the strength of the product offered by the restaurant. AfriWest will position itself as innovative food providers who consider the wide variety of people within its target area, in which the management will also stress the important of providing a more healthy food menu to conscious market.

As it is widely known, it cost an organisation more to attract a customer than to retain one, therefore, one of the important strategy which will be use is to please the customers and make them feel at home. Due to the large amount of competition in the market, the management intend to acquire a reputable business outfit which will help to market itself in the near future.

Mission

AfriWest restaurant mission is to be able to be the leading restaurant within the Kuching metropolis by providing healthy food to its customers, which will be achieved by creating close contacts relationship with its customers. Customer relationship can be established by attending and satisfying the needs of our customers. This will play an important role in helping to reach the desired aim and objectives of the business.

- Sustain a positive and stable growth each of month of operation;
- Achieve a payback period in our second year of operation; and
- Achieve a stable increase in market penetration.

Financial Objectives

- Achieving a double digit in the first year of operation is important
- Get sales revenue of at least RM60,000 in the first year of operation
- Steadily decrease our variable expenses as we gain more experience in the business
- Reduce our customer acquisition expenses by .5% every year.

4.1 Marketing Mix

We will be using the marketing mix strategy, the 8Ps to achieve the above objective.

4.1.1 Product

AfriWest restaurant offers many famous cuisines which are also offered in many famous restaurants. We choose *differentiation strategy* as our position in market place. Differentiation strategy is providing the values to the customer through the unique features and characteristics of company's product rather than lower price. The uniqueness of AfriWest is on the interior design and menus. Our design is adjusted with the theme that chooses as mixture of different culture Western and African. Basically our restaurant provides a dish which is new and it is very rare to be found. By implying this concept, it will become extra values compared to other restaurant.

For the product decision, we use "*product quality*" means that quality has to consistent with other elements. We ensure that the ingredients are high quality and fresh. We believe by doing this, our customers will feel satisfied.

These are signature menu of AfriWest:

CUISINE	MENU
African	Pounded yam
Western	Fisherman basket

In term of service, all the waiters will be trained before the operation of the restaurant and they will be directed and guided during their work. In order to satisfy customers, the training program will include some of important modules, such as improper manners, dealing with difficult customers, ordering concern etc.

4.1.2 Price

Penetration Pricing

The newly developed mixture of food will be priced using first *"penetration pricing"* strategy whereby we will be setting of lower prices rather than higher prices in order to increase sales and market share. We will charge the food starting from RM 5.00 and above (depending on the dish). This pricing strategy itself will last for only 4 months, upon which we will analyse and see if the product is accepted by our target market.

Promotional pricing

If the response is well received, we will switch to *"promotional pricing"* strategies whereby a short-term discounted price will be offered to stimulate sales. This pricing strategy will be starting on December 2010 to February 2011. During this time, there are festive events such as

Christmas, New Year, Chinese New Year and Valentine's Day. We are going to set some special menu with just the right combination of quality and good service at a fair price. After promotion for 3 months, we will change the price of some menus which will still be affordable.

4.1.3 Promotion

It includes the various ways of communicating to the customers of what the company has to offer. The method which we are going to use is *advertisement and sales promotion.* Advertising covers any communication that is paid for, from cinema commercials, radio, and internet adverts through print media such as banners, brochures, newspapers, radio, and billboards. Sales promotion includes several communication activities that attempt to provide value to customers. Those ways of promotion is considered as the best strategy to introduce AfriWest restaurant publicly.

Advertisement

The main objective will be to inform or tell the target market about our new product which is offering the unique type of cuisine.

Advertising medium to be used includes:

- **Banner –** design the banner that can attract people. We will put up the banner in front of the restaurant.

- **Brochures –** design the brochures and the staff will help distribute it. We are going to distribute it in 1 month before opening (June 2011) because this will make customer notice. In addition, also we are going to distribute it in June 2011. The location to distribute will be in The Spring Shopping Mall, Boulevard Shopping Mall, waterfront (town), and some shopping complex in the town area.

- **Newspaper -** advertise on newspaper such as Borneo Post and Sarawak Tribune weekly (on Sunday) on June 2011. In addition, we will also advertise on newspaper on July 2011.

- **Radio –** advertise on radio such as Hitz.FM on July 2011 and May 2011 in weekly (on Saturday).

Sales promotion

- **Sample:** during opening day on 3rd of July 2011, we will give guest to try some of the dishes that we are going to sell. It will give a good impression of the restaurant to the people.
- **Coupon:** consumer will be given a free discount voucher coupons if they purchase the products above RM30 and for the next time they come they will get a 5% discount. This promotion will be starting August 2011 which aims to increase sales. This will be the right time to do promotion because during this period there are some events which are Christmas, New Year, Chinese New Year, and Valentine's Day. Most of people would prefer to celebrate it in places like restaurants. This is seen as opportunity for AfriWest beside to increase sales but also to gain profit.

By constantly doing this type of promotions, it will enable to attract more customers to buy our foods and constantly go to our outlet. It helps the consumers to memorize and to keep in their mind all the time.

Promotional Budget for Planned Activities

ACTIVITIES	DETAILS	COST (RM)
Design and logo (May 2011)	Restaurant name board and menu book	RM 3000
Name card	• Material & size: Art card 260gsm + 2 side full colour + 2 side Matt lamination • Quantity: 500pcs	RM 75
• 1st Banner (May 2011 – July 2011) • 2nd Banner (December 2011 – February 2012) • Permit fee from MBKS	• Size: (550 x 500 px) • Size: (550 x 500 px) • RM 75 per month x 2 times	RM 200 RM 200 RM 150
• 1st Radio: Hitz.FM (July 2011) • 2nd Radio: Hitz.FM (November 2011)	• RM 1100 per month in weekly (Saturday) • RM 1100 per month in weekly (Saturday)	RM 1100 RM 1100
• 1st Newspaper: Borneo	• RM200 per day x 4 days (Sunday)	RM 800

Post (June 2011) • 2nd Newspaper: Sarawak Tribune (August 2011)	• RM200 per day x 4 days (Saturday)	RM 800
Brochures (June 2011) Brochure (August 2011)	• Material: Simili paper 80 gsm • **Size: A5 [**210x148(mm)] • Printed side: double • Quantity: 500pcs • Material: Simili paper 80 gsm • **Size: A3 [**420x297(mm)] • Printed side: single • Quantity: 20pcs • Material: Simili paper 80 gsm • **Size: A5 [**210x148(mm)] • Printed side: double • Quantity: 500pcs	RM 370 RM 50 RM 370
Sample Food for Opening (July 2011)	Provide free foods for the guests. The signature dishes will be one of them	RM 2000
Coupon (December 2011 – February 2012)	• Material: Art card 260gsm • Size: length: 6" to 3", width: 2 1/2" to 2 1/16" ➢ Quantity: 500pcs	RM 155
TOTAL		RM 10370

Figure 4 Promotional Budget for Planned Activities

4.1.4 Place

The place chosen is one of an important areas concern. The AfriWest restaurant is to be located at Green Hills shop lot, town which has many parking place. Besides, the restaurant is near to hotels, motels, bank, offices, local attraction and the surrounding. Transportation is available which means a highly accessibility for customers to dine there. Furthermore, the Green Hills shop lot is a small business centre. There are many shopping complex there but there is none of mixture and unique food restaurants there which will help AfriWest restaurant establish a favourable growing environment and be prevented from competition.

4.1.5 People

In term of service, all the waiters will be trained before the operation of the restaurant and they will be directed and guided during their work. In order to satisfy customers, the training program will include some of important modules, such as improper manners, dealing with difficult customers, ordering concern etc. The cooks will be carefully recruited by considering their qualification on cooking skills, because it is required to cook many kind of cuisine, and also experience, efficiency and whether they are hard working or not. If the cooks have good cooking skills, hardworking and at least have 2 years working experience, these cooks are still satisfying.

Organizing People

In the business world, management is an important matter even for a small business. Therefore, the organizing of job responsibilities and allocation of tasks is one of the critical factors for the success of a business. So in AfriWest, the positions created are a Restaurant General Manager, operation manager, a Financial Manager, a marketing manager, a HR manger, a Cashier, Waiters etc. Each of these positions will have its own responsibility and role and the general manager will make sure that all the managers and employees perform their responsibilities effectively and efficiently in order to attain synergy and positive working environment.

Organizing through team building

AfriWest's general manager will organize a really unique team building event, one of which no team has likely ever participated in before, and one that addresses issues like communication, creativity, idea sharing, and much more.

During this team building event, AfriWest staff will be challenged with presenting a concept for the restaurant but will only be provided with limited resources, supplies, and time. A challenge much like those they face daily at the place of work.

To achieve these goals, every team will need to be creative and resourceful as well as develop ways to effectively work together to make the most of their limited time. Within our plan they'll need to focus on key points including marketing, customer service, operational systems, staff roles, and profit forecasts. Then when the time is up, they'll present their concepts to the judges for evaluation. The team building activities will be carryout once a month.

Organizing through meeting

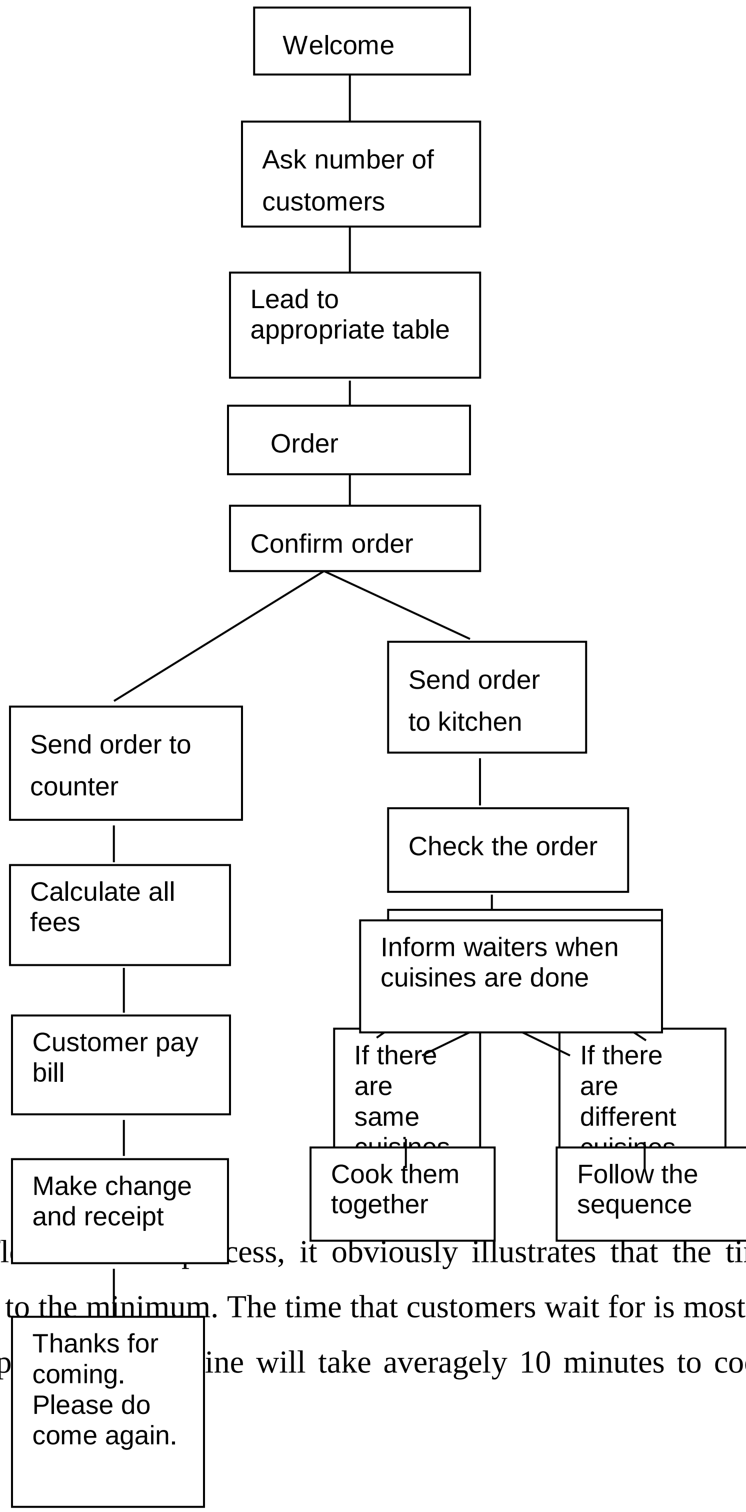
Officials of AfriWest are going to conduct meetings by introducing discussion topics, and encouraging participation through questions and role play exercises. Meetings are going to help hold the staff's together, work together in other to deliver desired results to improve AfriWest's service. The meeting is going to be carried out once in a month.

AfriWest discussion ideas are:

- Testing menu knowledge, recommending menu items.
- Discussing customer care, such as handling complaints or telephone etiquette.
- Review helpful promotions or advertisements.
- Staff can suggest marketing ideas, sales goals or review averages spend.
- Reduce food costs. Etc.

4.1.6 Process

The following is the process of the operation of restaurant.



From this fl… cess, it obviously illustrates that the time consumption has been compressed to the minimum. The time that customers wait for is mostly spending on the cooking process. Sup… ine will take averagely 10 minutes to cook, then the customer will receive his / her first cuisine in about 11 minutes. The restaurant will also accept the reservation through telephone. The phone receiver will jot down the number of customers, the cuisines they order, and the time to dine. If the reservation cannot be made because of any reasons the phone receiver will politely inform the customers. The restaurant also considers the outsider delivery service to expand its sale revenue. But the total value of the cuisines to be delivered should reach a target concerning about its delivery cost and availability of workers as well as the geographically distance of the delivery.

The restaurant is also using the process of JIT system, which means Just-In-Time process. It will not sell the product which is not fresh. The restaurant will have contract with the suppliers to send raw materials every day. It will have its own storage to keep the raw materials so that it can serve its customers whenever its customers demand.

4.1.7 Productivity and Quality

The total area of the restaurant will be big enough to occupy about 80 (eighty) people at a given time. There will tables for four per sitting. In order to maximize the capacity, the number of cooks, waiters and assistances and preparation of the half-finished materials will be specifically arranged. Moreover, the restaurant will also estimate the number of customer in the following days by collection of reservation a day before and by checking whether the following day is public holiday or festive or not. By estimating the number of customers, the restaurant will respectively estimate the food materials to be used and ask the suppliers to send in the early morning of the following day. Beside the productivity aspect, we are concern on the quality aspect as well. As our concern, we provide customers with a friendly worker that willing to help customer if there are any problems. The image of friendly worker could give great influence on creating friendly environment. For instance, we will smile and greet the customers when they enter and go out from our restaurant, politely asking for order, etc.

4.1.8 Physical Evidence

In order to attract customers to a service industry, it is very important to have good physical evidence. At this point, physical evidence refers to the infrastructure of the restaurant, furniture that the restaurant will use and the surroundings. The restaurant will rent one big shops of the building on first and the second floor. First floor will be used for normal customers and the second floor of the restaurant will be offered for the family and the occasional parties. There will be a small bar in the corner of the first floor, where the customers can get the buffet dishes of their choice.

The restaurant is targeting at middle and high income customers; hence the decoration of the restaurant will present the harmony, peace, and cleanliness. The decoration will also provide a conducive atmosphere which aims to make customers feel comfortable and relax while eating in the restaurant. An internal design company has agreed to design the atmosphere of the restaurant if the restaurant is confirmed to run. Besides that, the company logo is one of the image of the company which telling customer that the restaurant is registered under the legislation.

4.2 Marketing Strategy Projection

The marketing strategy projection of AfriWest restaurant is to continue to meet the needs of the above target market continuously in other to have recurring customers who will patronise the restaurant and also pass the information of the restaurant through the word of mouth to other prospective customers. The marketing strategy is not just all about selling to the same market segment, but will develop a new kind of product in the aspect of food and other relative event that can be undertaken by the management of the restaurant.

4.3 Financial Plan

4.3.1 Profit and Loss Account

PROFIT AND LOSS ACCOUNT FOR YEAR 1														
Months	Start-up	July	Aug	Sept	Oct	Nov	Dec	Jan	Feb	March	April	May	June	Total
Sales		33000	34000	36000	39000	43000	48600	54600	61600	70000	79000	89000	100000	687800
Cost of goods sold		3000	3500	4500	4600	5000	5600	6000	6500	7000	7500	8100	8600	69900
Gross profit		30000	30500	31500	34400	38000	43000	48600	55100	63000	71500	80900	91400	617,900
Less Expenses														
Salaries		17750	17750	17750	17750	17750	17750	17750	17750	17750	17750	17750	17750	
Rent		2000	2000	2000	2000	2000	2000	2000	2000	2000	2000	2000	2000	
Electricity		500	500	500	500	500	500	500	500	500	500	500	500	
Water		100	100	100	100	100	100	100	100	100	100	100	100	
Promotion	4570	3100		0	0	1900	800	0	0	0	0	0	0	
Insurance	4500	0	0	0	0	0	0	0	0	0	0	0	0	
Telephone/Internet		250	250	250	250	250	250	250	250	250	250	250	250	
Bank Loan	100,000	1670	1670	1670	1670	1670	1670	1670	1670	1670	1670	1670	1670	
Training employee	6400	0	0	0	0	0	1430	0	0	0	0	0	0	
Other Expenses	750	200	300	200	200	200	200	200	300	200	300	200	200	
Total Expenses		25570	22570	22470	22470	24370	24700	22470	22570	22470	22570	22470	22470	277,170
Net profit before tax		4430	7930	9030	11930	13630	18300	26130	33530	40530	48930	58430	68930	340730
Net after tax (10%)		3987	7137	8127	10737	12267	16470	23517	30177	36477	44037	52587	62037	307,557

Figure 5 Profit and Loss Account for First Year

PROFIT AND LOSS ACCOUNT FOR 2 YEAR						
		1ST QUARTER	2ND QUARTER	3RD QUARTER	4TH QUARTER	Total
		July-Sept.	Oct-Dec.	Jan-Mar.	April-Jun	
Sales		108,150	137,130	195,510	281,400	722190
Cost of goods sold		11,550	15,960	20475	25410	73395
Gross profit		96600	121170	175035	255990	648,795
Less Expenses						
Salaries		53250	53250	53250	53250	
Rent		6000	6000	6000	6000	
Electricity		1500	1500	1500	1500	
Water		300	300	300	300	
Promotion		0	2700	0	0	
Insurance		4500	0	0	0	
Telephone/Internet		750	750	750	750	
Banl Loan		5010	5010	5010	5010	
Training employee		800	1430	800	1930	
Other Expenses		800	700	700	700	
Total Expenses		72,110	71,640	68,310	69,440	281,500
Net profit before tax		24,490	49,530	106,725	186,550	367,295
Net profit after tax (10%)		22,041	44,577.00	96,053	167,895	330,566

Figure 6 Profit and Loss Account for Second Year

PROFIT AND LOSS ACCOUNT FOR YEAR 3		
SALES		866,628
COST OF GOOD SOLD		88074
GROSS PROFIT		778,554
Less Expenses		
Salaries		243,000
Rent		24000
Electricity		6000
Water		1200
Promotion		2700
Insurance		4500
Telephone/Internet		3000
Bank Loan		20,040
Training employees		4960
Other Expenses		2800
Total Expenses		312,200
Net profit before tax		466,354
Net after tax (10%)		419,719

Figure 7 Profit and Loss Account for Third Year

5.0 Conclusion: Control

5.1 Implementation

The main reason for the strategic management planning is to enable it serve as a guide to the management of the restaurant which will aide in achieving the stipulated goals and objectives of the restaurant and organisation at large. The business is to carry on its activities based on monthly and annual revenue generated from the business activities. The restaurant expenditure will likewise focus on satisfying the needs and wants of customers who tend to patronise the restaurant which is an important factor for the survival the restaurant business and an important consideration as stated above to be the key aspect of the organisation. Taking a look at the promotional table above, which incorporate the advertising and promotion activities of the organisation, will be fully monitored by the shareholders of the restaurant.

5.2 Contingency Planning

- **Difficulties and Risks**

  One of the difficulties the restaurant will face is in the aspect of penetrating into the market and convincing the target audience on patronising the food product and services rendered by AfriWest. While some difficulties might arise from the importation of some materials which will be used in preparing the African local food, such difficulties will arise due to tax rate on importation and how frequent such product can be gotten from the international market.

- **Worst Case Risk May Include:**

  in a business, it is important for an exit strategy which is to rely on in terms of difficulties where the business cannot longer finance itself adequately from revenue generated, an exit strategy is important to help sort out such problem, and the management of AfriWest have device the exit strategy to be selling off of inventories and fixed asset in the organisation to cover up the liabilities that will arise due to the lack of adequate revenue generation.

- The business should determine its activities by looking into both variable and fix cost, which will help to see what aspect of the production cost, can be cut down, in other to cut down production expenses.

- In a long term of incurring expense and low revenue and sales, where the management could not continue to finance the business, it will be important to take note that, a future bail out in the aspect of selling of the business idea and infrastructure within the organisation to other investors will be consider, but considered as last resort.

References

Bahera, M., (2010). The 7Ps of Marketing Mix. [Online]. Available at: http://ezinearticles.com/?The-7Ps-of-Marketing-Mix&id=1486721 [Accessed on 5th February, 2011].

Javed, Doctor T., (n.d.). Pricing Strategy. [Online]. Available at: http://www.scribd.com/doc/14888810/Pricing-strategy-for-marketing- [Accessed on 15th February, 2011].

John. S., (2010), Restaurant Developing Objectives, Strategies & Tactics. [Online]. Available from: http://www.starchefs.com/business_tools/learning_materials/html/developing.shtml (Accessed on 15th February 2011)

Kotler P, 2006. Principle of Marketing, 3rd Edition. Australia: Prentice Hall.

Lake, L., (2010). Market Segmentation for the Small Business. [Online]. Available at: http://marketing.about.com/cs/sbmarketing/a/smbizmrktseg.htm [Accessed on 15th February 2011].

Marketing.about.com (2011) Key Success Factors (Online) Available at: http://marketing.about.com/od/marketingglossary/g/keysuccessdef.htm (Accessed on 18th February 2011)

Marketing.about.com (2011) Sales (Online) Available at: http://wiki.answers.com/Q/What_is_sales_and_marketing (Accessed on 20th February 2011)

Mywisewife.com (n.d). Restaurant Design. [Online]. Available at: http://www.mywisewife.com/vintage-bulgaria-bar-and-restaurant-first-bulgarian-cuisine-in-penang.html [Accessed 27 February 2011]

Mealey, L., (2010). Creating a Restaurant Business Plan. [Online]. Available at: http://restaurants.about.com/od/finances/a/Restaurant_plan.htm [Accessed On 5th March].

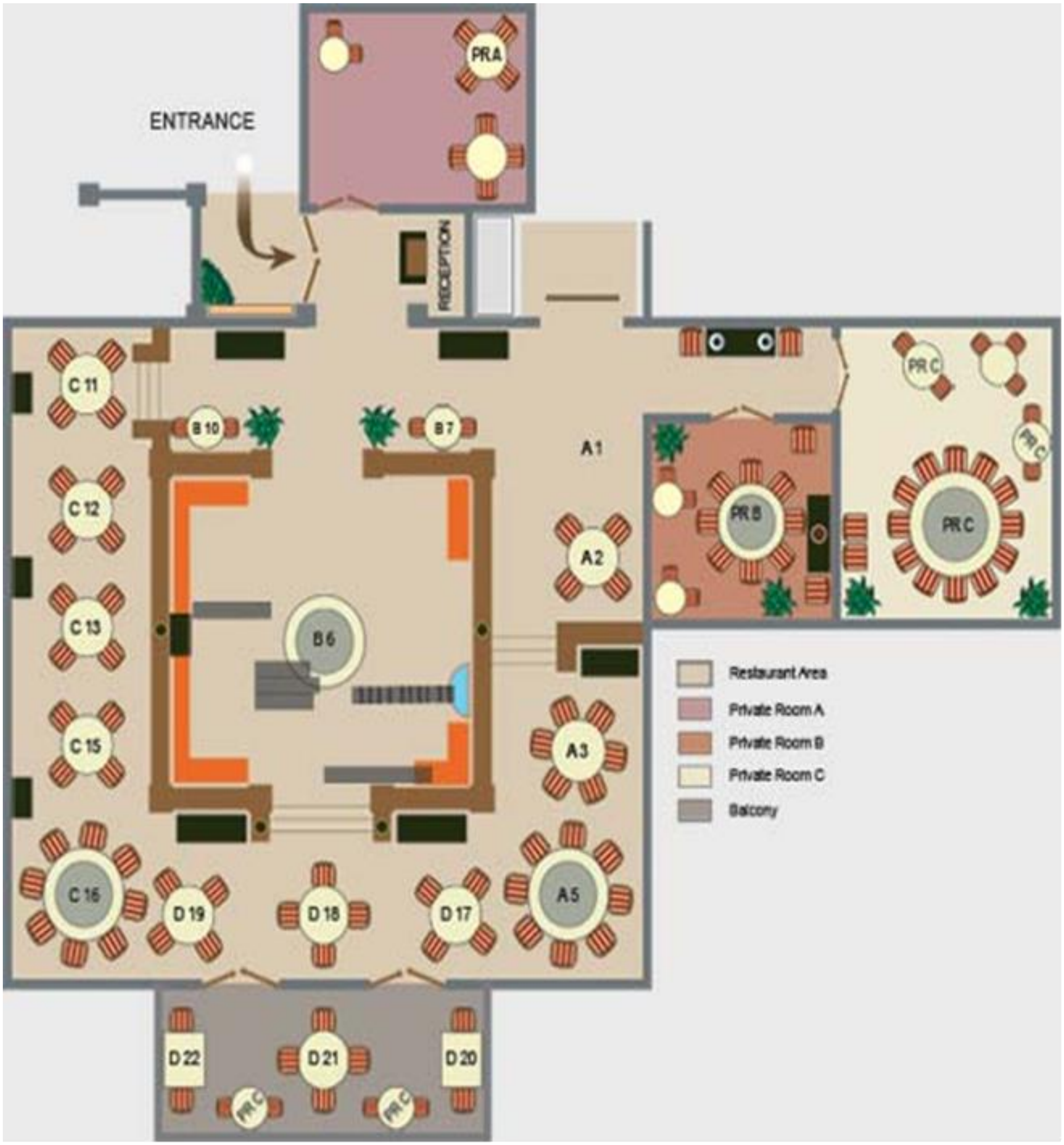
Porter, M.E. (1980) Competitive Strategy, Free Press, New York, 1980.

Porter, M.E. (1979) "How Competitive Forces Shape Strategy", Harvard Business Review, March/April 1979

W. Marian Burk, 2004. Marketing Plan- Principal into Practice, England: Prentice Hall.

Appendix

Layout of the Restaurant



Sample of Interior Decoration

Minutes of Meeting

M08BUS Marketing Management
Minute of Meeting

Project: Marketing Plan
Date: 24th January, 2011**.**
Time: 2pm
Attendees: Sunusi Ismaila Abdurrahman, Ibrahim Mohammed Gaddafi, Usman Hassan Sunusi Dantata.
Items discussed:
The first meeting was held on the 24th of January, 2011. The first issue highlighted was assigning positions to group members. Ibrahim Mohammed Gaddafi was assigned the group leader, Sunusi Ismaila Abdurrahman minute secretary and Usman Hassan Sunusi Dantata as the co-ordinator. Date and time of meeting was set to Monday 2pm every week. Area of research was also picked. The team decided to work on restaurant. The meeting lasted for 1 hour.
Date for next meeting:
31st January, 2011.
Signed: Minute Secretary:

Marketing Management
Minute of Meeting

Project: Marketing Plan
Date: 31st January, 2011.
Time: 2pm
Attendees: Sunusi Ismaila Abdurrahman, Ibrahim Mohammed Gaddafi, Usman Hassan Sunusi Dantata.
Items discussed:
The team is going to be working on the situation analysis of the environment the restaurant is going to opened. That involves PESTEL analysis, SWOT analysis and Porters five forces analysis. Those analysis mentioned above are going to determine some strengths, weaknesses, opportunities and threats. It is also going to show in what type of environment the business is going to run. The minute lasted for about 2hours.
Date for next meeting:
7th February, 2011.
Signed: Minute Secretary:

Marketing Management
Minute of Meeting

Project: Marketing Plan
Date: 14th February, 2011.
Time: 2pm
Attendees: Sunusi Ismaila Abdurrahman, Ibrahim Mohammed Gaddafi, Usman Hassan Sunusi Dantata.
Items discussed:
Issues discussed in the previous meeting were discussed again. Another topic of discussion was determining the market target. Market target will help determine the population the restaurant is going be targeting. Another issue discussed is the target volume in dollars. That will help determine the quantity of food the restaurant is going to be producing based on the number of people estimated. Meeting lasted for 3 hours 30 minutes.
Date for next meeting:
21th February, 2011.
Signed: Minute Secretary:

Marketing Management
Minute of Meeting

Project: Marketing Plan
Date: 28th February, 2011.
Time: 2pm
Attendees: Sunusi Ismaila Abdurrahman, Ibrahim Mohammed Gaddafi, Usman Hassan Sunusi Dantata.
Items discussed:
The team discussed the type of strategies they are going to come up with in interest of the business and their customers. The strategies can be base of the price, product, promotions to be offered etc. The lasted for about 3 hours.
Date for next meeting:
7th March, 2011.
Signed: Minute Secretary:

Marketing Management
Minute of Meeting

Project: Marketing Plan
Date: 7th March, 2011.
Time: 2pm
Attendees: Sunusi Ismaila Abdurrahman, Ibrahim Mohammed Gaddafi, Usman Hassan Sunusi Dantata.
Items discussed:
The team is reviewing the work done in coming up with the marketing plan. Some corrections where made on the work done previously. Meeting lasted for about 4 hours.
Date for next meeting:
14th March, 2011.
Signed: Minute Secretary:

Marketing Management
Minute of Meeting

Project: Marketing Plan
Date: 14th March, 2011.
Time: 2pm
Attendees: Sunusi Ismaila Abdurrahman, Ibrahim Mohammed Gaddafi, Usman Hassan Sunusi Dantata.
Items discussed:
The team is working of compilation of the document into one big copy.
Date for next meeting:
Last day of meeting.
Signed: Minute Secretary:

Executive Summary

"AfriWest Restaurant" was founded on the 10th of March, 2011 by three friends namely; Ibrahim, Sunusi and Usman. The three partners established the business by contributing equal amount to run the business. The restaurant is located at Jalan Tabuan, 93350 Kuching, Sarawak. The aim of the establishing this restaurant is to provide its customers with the taste of other cultures from some part of the world. As the name implies "AfriWest"; the restaurant is going to producing and selling foreign cuisines which are mostly from Africa and the West. The partners hope the restaurant brings satisfaction to its customers. As time pass by, the restaurant is going develop new foods and drinks in other to enlarge the varieties.

The restaurant has plans of expanding its business across the country and the globe. The environment, location, marketing and demographic changes may lead to the accomplishment of the business objectives. The partners will take the management position and employ waiters, chefs, kitchen helpers to run the business. The restaurant with a slogan "You will always come back for more" prompt the management to employ well trained staffs to run the business. The restaurant is targeting all type of population ranging from working adults, couples, families, friends, individuals, old or young etc. The food served will be Halal in other to target all those concerned.

The purpose of this Marketing Plan is to give an opportunity to those interested in financing and investing in the business. The Plan can also be used to seek for loan from financial institutions. Financing the business is very important because such a business need enough capital injection to run through the first few years. Good financing can also be used to cover expenses like the process of kitchen design, menu, recipe books, rents and also covering operating expenses in the first year of the business. Proper financing and implementation of the Marketing Plan will lead to a great success of the business.

Table of Contents