Business Plan for Import & Export of Engine.

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# Background Information

This business operates in the import and export industry of boat engines.

The purchase of boat engines from countries where cost of manufacturing is lower (like China) and export to countries where purchasing power is higher (Local market, Europe, Australia, and New Zealand). The goals of the business is to become a leader in the boat engine import & export industry and provide the best quality boat engines to customers in order create value and the best customer experience.

In this presentation, I would like to present product information, regulation of import and export, supply & demand analysis, competition, target markets, logistics, prices, promotional activities, financial aspects and sources of product information.

# Journal Entries, T-Accounts & Trial Balance

## Journal Entries

|  |  |  |  |
| --- | --- | --- | --- |
|  |  | ,000 | ,000 |
| **Date** | **Particulars** | **Debt** | **Credit** |
| 1- | Cash | 20000 |  |
|  | Common Stock |  | 20000 |
|  |  |  |  |
| 2- | Rent expense | 1000 |  |
|  | Cash |  | 1000 |
|  |  |  |  |
| 3- | Engine | 7000 |  |
|  | Accounts Payable |  | 7000 |
|  |  |  |  |
| 4- | Accounts Receivable | 250 |  |
|  | Sales Revenue |  | 250 |
|  |  |  |  |
| 5- | Inventory | 1200 |  |
|  | Cash |  | 1200 |
|  |  |  |  |
| 6- | Cash | 600 |  |
|  | Service Revenue |  | 600 |
|  |  |  |  |
| 7- | Marketing expense | 500 |  |
|  | Cash |  | 500 |
|  |  |  |  |
| 8- | Prepaid insurance | 1200 |  |
|  | Cash |  | 1200 |
|  |  |  |  |
| 9- | Accounts receivable | 400 |  |
|  | Sales Revenue |  | 400 |
|  |  |  |  |
| 10- | Marketing Expense | 250 |  |
|  | CASh |  | 250 |
|  |  |  |  |
| 11- | Cash | 5000 |  |
|  | Common Stock |  | 5000 |
|  |  |  |  |
| 12- | Engines | 2200 |  |
|  | Cash |  | 2200 |
|  |  |  |  |
| 13- | Utility expense | 120 |  |
|  | Cash |  | 120 |
|  |  |  |  |
| 14- | Accounts Receivable | 1000 |  |
|  | Service Revenue |  | 1000 |
|  |  |  |  |
| 15- | Office supplies expense | 685 |  |
|  | cash |  | 685 |
|  |  |  |  |
| 16- | Charity contribution | 100 |  |
|  | Cash |  | 100 |
|  |  |  |  |
| 17- | Cash | 500 |  |
|  | Rent Income |  | 500 |
|  |  |  |  |
| 18- | License & Tax Expense | 200 |  |
|  | Cash |  | 200 |
|  |  |  |  |
| 19- | Cash | 500 |  |
|  | Accounts receivable |  | 500 |
|  |  |  |  |
| 20- | No Entry Required |  |  |
|  |  |  |  |
|  |  |  |  |
| 21- | Salaries Expense | 200 |  |
|  | Cash |  | 200 |
|  |  |  |  |
| 22- | Maintenance Expense | 145 |  |
|  | Cash |  | 145 |
|  |  |  |  |
| 23- | Banking Expense | 85 |  |
|  | Cash |  | 85 |
|  |  |  |  |
| 24- | Utilities expense | 87 |  |
|  | Cash |  | 87 |
|  |  |  |  |
|  | Adjusting Entries |  |  |
|  |  |  |  |
| 25- | insurance Expense | 100 |  |
|  | Prepaid Insurance |  | 100 |
|  |  |  |  |
| 26- | Banking Expense | 3 |  |
|  | Bank Payable |  | 3 |
|  |  |  |  |
| 27- | Dividends | 125 |  |
|  | Dividends Payable |  | 125 |

## T-Accounts

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Cash | | | |  | Accounts Receivable | | | |
| Date | Debit | Credit | Balance |  | Date | Debit | Credit | Balance |
| 1- | 20000 |  | 20000 |  | 4- | 250 |  | 250 |
| 2- |  | 1000 | 19000 |  | 9- | 400 |  | 650 |
| 5- |  | 1200 | 17800 |  | 14- | 1000 |  | 1650 |
| 6- | 600 |  | 18400 |  | 19- |  | 500 | 1150 |
| 7- |  | 500 | 17900 |  |  |  |  |  |
| 8- |  | 1200 | 16700 |  | Prepaid Insurance | | | |
| 10- |  | 250 | 16450 |  | Date | Debit | Credit | Balance |
| 11- | 5000 |  | 21450 |  | 8- | 1200 |  | 1200 |
| 12- |  | 2200 | 19250 |  | 25- |  | 100 | 1100 |
| 13- |  | 120 | 19130 |  |  |  |  |  |
| 15- |  | 685 | 18445 |  |  |  |  |  |
| 16- |  | 100 | 18345 |  | Auto Mobile Engines | | | |
| 17- | 500 |  | 18845 |  | Date | Debit | Credit | Balance |
| 18- |  | 200 | 18645 |  | 3- | 7000 |  | 7000 |
| 19- | 500 |  | 19145 |  | 12- | 2200 |  | 9200 |
| 21- |  | 200 | 18945 |  |  |  |  |  |
| 22- |  | 145 | 18800 |  | Boat Engines | | | |
| 23- |  | 85 | 18715 |  | Date | Debit | Credit | Balance |
| 24- |  | 87 | 18628 |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Inventory | | | |  | Leasehold improvements | | | |
| Date | Debit | Credit | Balance |  | Date | Debit | Credit | Balance |
| 5- | 1200 |  | 1200 |  |  |  |  |  |
|  |  |  | 1200 |  |  |  |  |  |
|  |  |  | 1200 |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |
| Bank Payable | | | |  | Dividends Payable | | | |
| Date | Debit | Credit | Balance |  | Date | Debit | Credit | Balance |
| 26- |  | 3 | 3 |  | 27- |  | 125 | 125 |
|  |  |  | 3 |  |  |  |  | 125 |
|  |  |  | 3 |  |  |  |  | 125 |
|  |  |  |  |  |  |  |  |  |
| Accounts Payable | | | |  | Common Stock | | | |
| Date | Debit | Credit | Balance |  | Date | Debit | Credit | Balance |
| 3- |  | 7000 | 7000 |  | 1- |  | 20000 | 20000 |
|  |  |  | 7000 |  | 11- |  | 5000 | 25000 |
|  |  |  | 7000 |  |  |  |  | 25000 |
| Dividends | | | |  | Retained Earnings | | | |
| Date | Debit | Credit | Balance |  | Date | Debit | Credit | Balance |
| 27- | 125 |  | 125 |  |  |  | 0 | 0 |
|  |  |  | 125 |  |  |  | 0 | 0 |
|  |  |  | 125 |  |  |  |  | 0 |
|  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |
| Sales Revenue | | | |  | Service Revenue | | | |
| Date | Debit | Credit | Balance |  | Date | Debit | Credit | Balance |
| 4- |  | 250 | 250 |  | 6- |  | 600 | 600 |
| 9- |  | 400 | 650 |  | 14- |  | 1000 | 1600 |
| 17- |  | 500 | 1150 |  |  |  |  | 1600 |
|  |  |  | 1150 |  |  |  |  | 1600 |
|  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |
| Marketing Expense | | | |  | Rent Expense | | | |
| Date | Debit | Credit | Balance |  | Date | Debit | Credit | Balance |
| 7- | 500 |  | 500 |  | 2- | 1000 |  | 1000 |
| 10- | 250 |  | 750 |  |  |  |  | 1000 |
|  |  |  | 750 |  |  |  |  | 1000 |
|  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |
| Office Supplies expense | | | |  | Insurance Expense | | | |
| Date | Debit | Credit | Balance |  | Date | Debit | Credit | Balance |
| 15- | 685 |  | 685 |  | 25- | 100 |  | 100 |
|  |  |  | 685 |  |  |  |  | 100 |
|  |  |  | 685 |  |  |  |  | 100 |
|  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Salaries Expense | | | |  | License & Tax expense | | | |
| Date | Debit | Credit | Balance |  | Date | Debit | Credit | Balance |
| 21- | 200 |  | 200 |  | 18- | 200 |  | 200 |
|  |  |  | 200 |  |  |  |  | 200 |
|  |  |  | 200 |  |  |  |  | 200 |
|  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |
| Banking Expense | | | |  | Maintenance Expense | | | |
| Date | Debit | Credit | Balance |  | Date | Debit | Credit | Balance |
| 23- | 85 |  | 85 |  | 22- | 145 |  | 145 |
| 26- | 3 |  | 88 |  |  |  |  | 145 |
|  |  |  | 88 |  |  |  |  | 145 |
|  |  |  |  |  |  |  |  |  |
| Utility Expense | | | |  | Charitable Expense | | | |
| Date | Debit | Credit | Balance |  | Date | Debit | Credit | Balance |
| 13- | 120 |  | 120 |  | 16- | 100 |  | 100 |
| 24- | 87 |  | 207 |  |  |  |  | 100 |
|  |  |  | 207 |  |  |  |  | 100 |

## Trial Balance

|  |  |  |
| --- | --- | --- |
| **Star Engine Pvt. Ltd** | | |
| **Trial balance** | | |
| **For the Year ended 31 Mar 2019** | | |
| **Account Name** | **Debit** | **Credit** |
| Assets |  |  |
| Cash | $ 18,628 |  |
| Accounts Receivable | $ 1,150 |  |
| Prepaid insurance | $ 1,100 |  |
| Auto Mobile Engines | $ 9,200 |  |
| Boat Engines | $ - |  |
| Inventory | $ 1,200 |  |
| Leasehold improvements | $ - |  |
|  |  |  |
| Liabilities |  |  |
| Bank Payable |  | $ 3 |
| Dividends Payable |  | $ 125 |
| Accounts Payable |  | $ 7,000 |
|  |  |  |
| Equity |  |  |
| Common Stock |  | $ 25,000 |
| Dividends | $ 125 |  |
| Retained Earings |  | $ - |
|  |  |  |
| Revenue |  |  |
| Sales Revenue |  | $ 1,150 |
| Service Revenue |  | $ 1,600 |
|  |  |  |
| Expense |  |  |
| Marketing Expense | $ 750 |  |
| Rent Expense | $ 1,000 |  |
| Office Supplies Expense | $ 685 |  |
| Insurance Expense | $ 100 |  |
| Salaries Expense | $ 200 |  |
| License & Tax Expense | $ 200 |  |
| Banking Expense | $ 88 |  |
| Maintenance Expense | $ 145 |  |
| Utility Expense | $ 207 |  |
| Charitable Expense | $ 100 |  |
|  |  |  |
| Total | $ 34,878 | $ 34,878 |

# NPV for Multi-Year Projects

## Project A

|  |  |
| --- | --- |
| Net Present Value | $ 1,729,834 |
| IRR | 25.26% |
| Payback Period | 3.71 |

## Project B

|  |  |
| --- | --- |
| Net Present Value | $ 5,362,378 |
| IRR | 15.01% |
| Payback Period | 5.33 |

# Capital Planning & Cost of Capital

Cost of capital is based on the industry averages at 10%. The capital generated from issuance of stock and equity based capital will be utilized as it has the ability to maximize the profitability of business and generate more growth regarding the wealth of the business.

# Project Selection Between Multiple Projects

## Project A



## Project B



## Chosen Project: Automobile

Automobile project as it has a greater Net present value compare to Boat engine project.

# Setting up an International Division

The International Clients for Aircraft Boat Engine includes: United Kingdom, Australia, France, South Asia, North Africa, and South Africa.

The Automobile customers majorly are from local market specially car manufacturing corporation like Ford motors, General motors, Fiat Chrysler, Honda, Toyota, Nissan, and Volkswagen.

# Important Ratios from Balance Sheet and Income Statement

## Balance Sheet

### Current Ratio

|  |  |
| --- | --- |
| Current Ratio = Total Current Assets / Total Current Liabilities |  |
| Total Current Assets | $ 22,078 |
| Total Current Liabilities | $ 7,128 |
| Current Ratio | 3.10 |

This ratio describes the ability of management to pay off current obligations compared to the level of current assets the corporation holds in the business.

### Debt to Equity:

|  |  |
| --- | --- |
| Debt to Equity Ratio = Total Debt / Total Equity |  |
| Total Debt | $ 7,128 |
| Total Equity | $ 24,150 |
| Debt to Equity Ratio | 0.30 |

This ratio describes the level of debt compared to equity in the assets of corporation. **This is a key indicator of performance and advantage of corporation**.

## Income Statement

### Receivable Turnover ratio

|  |  |
| --- | --- |
| Receivable Turnover = Total Sales / Total Receivable |  |
| Total Sales | $ 2,750 |
| Total Receivable | $ 1,150 |
| Receivable Turnover | 2.39 |

This ratio describes the position of receivables compared to the position of revenue that the corporation holds in the business. **This indicator is a key performance indicator that helps to mitigate the risk of investment and working capital management**.

### Sales Turnover Ratio:

|  |  |
| --- | --- |
| Sales Turnover = Total Sales / Total Assets |  |
| Total Sales | $ 2,750 |
| Total Assets | $ 31,278 |
| Sales Turnover | 0.09 |

This ratio describes the position of company ability to generate revenue compare to position of assets they hold.

# References

Larson, K. D., Wild, J. J., & Chiappetta, B. (2002). *Fundamental accounting principles.* New York: USA: McGraw-Hill Irwin.

Weygandt, J. J., Kimmel, P. D., KIESO, D., & Elias, R. Z. (2010). Accounting principles. *Issues in Accounting Education*, 179-180.