Bsc Information Science Year Three, 2025

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Admission: AIIM/00477/2021

**Course: Business plan**

## ****5. Financial plan****

## ****Key Assumptions****

**1. Tax Rate: Kenya’s 16% corporate tax applied to profits only (Year 2 onward).**

**2. Salaries: Reflect part-time staff and gig workers (example; Head of Web Dev: KES 80,000/month).**

**3. Client Growth: Year 1 (20 clients), Year 2 (50 clients), Year 3 (100 clients).**

**4. Pricing: Average KES 25,000/client/year.**

## ****5.1 Pre-Operational Costs****

|  |  |
| --- | --- |
| ****Item**** | **Amount(Khs)** |
| Equipment (5 computers, software) | KSh155,000.00 |
| Trading License | KSh20,000.00 |
| Electricity Deposit | KSh2,000.00 |
| Internet Deposit | KSh3,000.00 |
| Professional Fees (Legal) | KSh10,000.00 |
| Initial Advertising | KSh20,000.00 |
| Miscellaneous | KSh10,000.00 |
| **Total** | **KSh220,000.00** |

## 

## ****5.2 Working Capital Requirement****

|  |  |  |  |
| --- | --- | --- | --- |
| ****Working capital** Item** | **Year 1** | **Year 2** | **Year 3** |
| Cash Reserves | KSh300,000.00 | KSh500,000.00 | KSh800,000.00 |
| Debtors (30-day terms) | KSh50,000.00 | KSh100,000.00 | KSh200,000.00 |
| **Total** | **KSh350,000.00** | **KSh600,000.00** | **KSh1,000,000.00** |

## ****5.3 Pro-Forma Income Statement****

|  |  |  |  |
| --- | --- | --- | --- |
| ****Item**** | **Year 1** | **Year 2** | **Year 3** |
| **Sales** | KSh500,000.00 | KSh1,250,000.00 | KSh2,500,000.00 |
| **Cost of Goods Sold** | KSh150,000.00 | KSh375,000.00 | KSh750,000.00 |
| **Gross Profit** | **KSh350,000.00** | **KSh875,000.00** | **KSh1,750,000.00** |
| **Expenses** |  |  |  |
| - Salaries | KSh240,000.00 | KSh360,000.00 | KSh600,000.00 |
| - Internet (Khs 3,000/month) | KSh36,000.00 | KSh36,000.00 | KSh36,000.00 |
| - Electricity (Khs 2,000/month) | KSh24,000.00 | KSh24,000.00 | KSh24,000.00 |
| - Advertising (10% of Sales) | KSh50,000.00 | KSh125,000.00 | KSh250,000.00 |
| - Software/Hosting | KSh120,000.00 | KSh180,000.00 | KSh240,000.00 |
| **Total Expenses** | KSh470,000.00 | KSh725,000.00 | KSh1,150,000.00 |
| **Net Profit Before Tax** | -KSh120,000.00 | KSh150,000.00 | KSh600,000.00 |
| *Less Tax (16%)* | **(Loss year)** | **KSh24,000.00** | **KSh96,000.00** |
| **Net Profit After Tax** | **-KSh120,000.00** | **KSh126,000.00** | **KSh504,000.00** |

## ****5.4 Pro-Forma Balance Sheet****

|  |  |  |  |
| --- | --- | --- | --- |
| ****Item**** | **Year 1** | **Year 2** | **Year 3** |
| **Assets** |  |  |  |
| - Cash | KSh300,000.00 | KSh500,000.00 | KSh800,000.00 |
| - Debtors | KSh50,000.00 | KSh100,000.00 | KSh200,000.00 |
| **Total Assets** | **KSh350,000.00** | **KSh600,000.00** | **KSh1,000,000.00** |
| **Liabilities** |  |  |  |
| - Loans (Family/Friends) | KSh190,000.00 | KSh150,000.00 | KSh100,000.00 |
| **Owner Equity** | KSh160,000.00 | KSh450,000.00 | KSh900,000.00 |
| **Total Liabilities & Equity** | **KSh350,000.00** | **KSh600,000.00** | **KSh1,000,000.00** |

## ****5.5 Projected Cash Flow Statement (Year 1)****

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | **Jan** | **Feb** | **March** | **April** | **May** | **June** | **July** | **August** | **September** | **October** | **November** | **December** | **Total** |
| **Cash Inflows** |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Cash Sales | KSh 41,667 | KSh 41,667 | KSh 41,667 | KSh 41,667 | KSh 41,667 | KSh 41,667 | KSh 41,667 | KSh 41,667 | KSh 41,667 | KSh 41,667 | KSh 41,667 | KSh 41,667 | KSh 500,000 |
| Total Cash Inflows (1) | KSh 41,667 | KSh 41,667 | KSh 41,667 | KSh 41,667 | KSh 41,667 | KSh 41,667 | KSh 41,667 | KSh 41,667 | KSh 41,667 | KSh 41,667 | KSh 41,667 | KSh 41,667 | KSh 500,000 |
| **Cash Outflows** |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Wages & Salaries | KSh 20,000 | KSh 20,000 | KSh 20,000 | KSh 20,000 | KSh 20,000 | KSh 20,000 | KSh 20,000 | KSh 20,000 | KSh 20,000 | KSh 20,000 | KSh 20,000 | KSh 20,000 | KSh 240,000 |
| Telephone | KSh 3,000 | KSh 3,000 | KSh 3,000 | KSh 3,000 | KSh 3,000 | KSh 3,000 | KSh 3,000 | KSh 3,000 | KSh 3,000 | KSh 3,000 | KSh 3,000 | KSh 3,000 | KSh 36,000 |
| Electricity | KSh 2,000 | KSh 2,000 | KSh 2,000 | KSh 2,000 | KSh 2,000 | KSh 2,000 | KSh 2,000 | KSh 2,000 | KSh 2,000 | KSh 2,000 | KSh 2,000 | KSh 2,000 | KSh 24,000 |
| Advertising | KSh 4,167 | KSh 4,167 | KSh 4,167 | KSh 4,167 | KSh 4,167 | KSh 4,167 | KSh 4,167 | KSh 4,167 | KSh 4,167 | KSh 4,167 | KSh 4,167 | KSh 4,167 | KSh 50,000 |
| Total Cash Outflows (2) | KSh 29,167 | KSh 29,167 | KSh 29,167 | KSh 29,167 | KSh 29,167 | KSh 29,167 | KSh 29,167 | KSh 29,167 | KSh 29,167 | KSh 29,167 | KSh 29,167 | KSh 29,167 | KSh 350,000 |
| Net Cash for Month | KSh 12,500 | KSh 12,500 | KSh 12,500 | KSh 12,500 | KSh 12,500 | KSh 12,500 | KSh 12,500 | KSh 12,500 | KSh 12,500 | KSh 12,500 | KSh 12,500 | KSh 12,500 | KSh 150,000 |
| **Accumulative Cash (1-2)** | **KSh 12,500** | **KSh 25,000** | **KSh 37,500** | **KSh 50,000** | **KSh 62,500** | **KSh 75,000** | **KSh 87,500** | **KSh 100,000** | **KSh 112,500** | **KSh 125,000** | **KSh 137,500** | **KSh 150,000** | **KSh 150,000** |

## ****5.6 Break-Even Analysis****

1. **Contribution Margin**: Sales (KES 500,000) – Variable Costs (KES 150,000) = **KES 350,000**
2. **Contribution Margin %**: (350,000 / 500,000) × 100 = **70%**
3. **Fixed Costs**: Salaries + Internet + Electricity = **300,000**
4. **Break-Even Sales**: 300,000 / 70% = **KES 428,571**

## ****5.7 Desired Financing****

|  |  |
| --- | --- |
| ****Item**** | **Amount** |
| Pre-Operational Costs | KSh220,000.00 |
| Working Capital | KSh350,000.00 |
| **Total Financing** | **KSh570,000.00** |

## ****5.8 Proposed Capitalization****

* **Total Investment**: KES 570,000
* **Owner’s Contribution**: KES 30,000 (personal savings)
* **Borrowings**: KES 540,000 (KES 190,000 from family/friends + KES 350,000 loan)

## ****5.9 Expected Profitability Ratios****

1. **Gross Profit Margin**:

Gross profit x 100

Sales

= (350,000 / 500,000) × 100 = **70%**

1. **Return on Equity (Year 3)**:

Net profit after tax x 100

Owner’s Equity

= (504,000 / 900,000) × 100 = **56%**

1. **Return on investment:**

**Return on Investment (ROI) =** Net profit after tax + interest x 100

**Total investment**

**Assumptions:**

* **Interest**: Annual interest on the **KES 350,000 loan** at **12%** = 350,000×0.12=KES 42,000/year.
* **Total Investment**: KES 570,000 (from 5.8 Proposed Capitalization).

### ****Year-by-Year ROI****

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Year** | **Net Profit After Tax (KES)** | **Interest (KES)** | **ROI Calculation** | **ROI** |
| 1 | -120000 | 42000 | 570,000−120,000+42,000​×100 | **-0.14** |
| 2 | 126000 | 42000 | 570,000126,000+42,000​×100 | **0.3** |
| **3** | **504000** | **42000** | **570,000504,000+42,000​×100** | **0.96** |

**Executive Summary**

**CHAPTER 1: BUSINESS DESCRIPTION**

KangaPages is a web development and maintenance business that offers custom website development and management services to small and medium-sized enterprises (SMEs) and individuals in Kenya. Our mission is to create dynamic, personalized web pages that serve as a digital identity for businesses and individuals.

Founded by an Information Science student with a focus on Informatics and additional certifications in graphic design and responsive website development. The company operates as a private limited company, with Lewis Kariuki as the sole proprietor. KangaPages is an online remote business, operating on online platforms such as Fiverr, Upwork, and Facebook Marketplace. The company's name is derived from the colorful cotton cloth used to make garments in Africa, representing unique websites created for clients.

**CHAPTER TWO: MARKETING PLAN**

KangaPages targets SMEs, entrepreneurs, and professionals in Kenya who require a professional online presence. The business aims to capture 2% of the market in year 1, increasing to 5% in year 2 and 10% in year 3. KangaPages competes with Code District, Techling LLC, and JUMBOSTAR SOLUTIONS LIMITED. The company's pricing strategy includes cost-based pricing, value-based pricing, and market-based pricing, with a basic package starting at KES 12,000/year, standard package costs KES 25,000/year, premium package costs KES 40,000/year.

**CHAPTER THREE: ORGANIZATION AND MANAGEMENT PLAN**

KangaPages is managed by a professional trained in business management, responsible for day-to-day operations and ensuring the company runs efficiently. The company has a key personnel team consisting of a Head of Web Development, Head of Design, Head of Marketing, and Project Manager. Employees and gig workers are sourced from word of mouth, referrals, and online platforms, with ongoing professional development opportunities.

To motivate employees and maximize productivity, KangaPages will implement both financial incentives like equity share options of the business and bonuses and non-financial incentives which would include remote work options and flexible working hours. KangaPages will ensure compliance to the legal requirements on Kenya by acquiring the required licenses, permits and by-laws required for running an online business.

**CHAPTER FOUR: PRODUCTION/OPERATIONAL PLAN**

Refereencing chapter 4.1 Production Facilities and Capacities, KangaPages operates using digital tools and software, including computer systems, graphic design software, project management software, web hosting services, and internet connection. The company's production strategy focuses on achieving optimal production levels while minimizing costs and maximizing resource utilization, through outsourcing specialists and implementing a project management system. The production process in chapter 4.3, involves client consultation, proposal development, design phase, development phase, testing phase, client review, launch, and post-launch support. KangaPages operations are impacted by both its internal and external factors explained in chapter 4.4.

**CHAPTER FIVE: FINANCIAL PLAN**

KangaPages is a service business, with the number of clients assumed to grow from around 20 clients in year 1 to 100 clients by year 3, while revenues are projected at Khs 500,000, Khs 1,250,000, and Khs 2,500,000, respectively. Other possible assumptions include a 16% income corporate tax rate coming into effect from Year 2, contracts with staff, and an average fee of Khs 25,000 per client, per annum. Pre-operational costs are said to be Khs 220,000, entailing equipment, licences, and advertising, with working capital assumed to be Khs 350,000 for Year 1, Khs 600,000 for Year 2, and Khs 1,000,000 for Year 3. The cash flow statement for the first year reveals cash inflows amounting to Khs 500,000 against outflows of Khs 350, resulting in net cash flow of Khs 150,000. From the break-even analysis, the company needs to make sales revenue of Khs 428,571 to reach the break-even point. Capital outlay is pegged at Khs 570,000, comprising pre-operational costs and working capital expenses; capital injection is expected from the owner's funds amounting to Khs 30,000, while Khs 540,000 will come from borrowed funds. Expected profitability ratios further forecast KangaPages to show a gross profit margin of 70%, return on equity of 56% by Year 3, and return on investment of 96% from a minus 14% in Year 1 by Year 3, thus describing opportunities for growth and profitability well.