MAHINDA COPRATES

BUSINESS PLAN.

DIGITAL PRODUCTS &SERVICES



**MISSION:** Our main purpose is to empower innovators and create a better everyday life for entrepreneurs.

**VISSION:** To bring inspiration and innovation to every entrepreneur and business.

**OBJECTIVES.**

To provide outstanding quality services.

To strive to be the best in service delivery.

To improve efficiency of operation in businesses.

To focus on bringing great innovative projects into life.

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Stephen Mahinda

Signature;\_\_\_\_\_\_\_\_\_\_\_\_\_

***7/11/2021***

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# **CHAPTER ONE; EXECUTIVE SUMMARRY.**

Stephen and Brian have been involved in the technology field for several years. The two are praised for the quality of their services.

Mahinda Coprates will provide quality digital products such as up to date software, websites, and services such as database development and maintenance. Our business is centered on finding solutions to our customers’ needs at an affordable price, while providing customer satisfaction.

Mahinda coprates is a snob free-zone where regular people can get top-notch services and products from experts. As a firm we are keen to be sincerer, uphold integrity, practice humility and courtesy towards our customers. We shall strive to be part of the society by being involved in community activities, and in the process creating awareness of the firm.

Our target market is our young innovative entrepreneurs, who are vibrant and ready to get into the market. They need our help in realizing their goals and achieving their dreams. This young generation is well known to inkling towards modern technology therefore, it’s only fair that we there to help them in their journey in life.

Special attention has been directed to making sure that our customers receive quality services. Our digital products have attained special notoriety from our customers. This is because we priorities our end-users and their needs when developing these digital products.

Our management team currently comprises of a CEO; Stephen Mahinda, a very talented leader. A Director of operations; Elizabeth Wanjiku. A CFO; Brian Karuu. This team is capable of driving this firm into a great future.

Financial analysis show that the company will have both a positive cash flow and profit in the first year. The expected return on equity in the first year is 10.52%

As a team we understand a business has a lot of risks and its best to be prepared. This business plan is a solution to most problems including facing competition, resource mobilization, sourcing for finance, etc. Just to name a few.

## **CHAPTER TWO: BUSINESS DESCRIPTION**

**Currently owned by:**

|  |  |  |
| --- | --- | --- |
| Name | Stephen Mahinda | Brian Karuu |
| Age | 22 | 22 |
| Address | Stephenmahinda25@gamail.com | Briankaruu@gmail.com |
| Occupation | Business man | Business man |
| Education/Professional | DBIT | CPA |
| Business Experience | 2yrs | 2yrs |

The current owners are very passionate about digital advancements in the business world and are looking forward to provide solutions to the emerging problems in the market.

The current owner Stephen also the Chief Executive Oficer will manage the business. He attended KCA University where he graduated with a Diploma in Business IT. His knowledge and expertise draws many. He expressed interest in tech from an early age and has been practicing his profession for two years.

The current co-owner Brian and also the Chief Financial Officer is in charge of all the monetary activities of the business. Brian originally worked in a bakery as a cashier for 8months. He gave up and decided to work with something more substantial. He attended a training program in Moringa institute. He covered programming languages and basic computer architecture. His experience in the earlier job will be very useful to the business. He is also a vetted certified public account which is an advantage to the business.

**(b) The Business Venture**

**Name of business**: MAHINDA COPRATES.

**Location of business:** Nairobi.

A metropolitan is the best environment for a digital enterprise to excel since it harbors many young entrepreneurs ready to venture into the business world.

Mahinda Coprates is a limited liability company formed by Stephen and Brian.

It was formed on 10/10/2021.

**Principal customers**: Entrepreneurs, educational institutions, and any agencies needing automation of their operations.

**Location of customers**: Nairobi

**Amount to be invested by owners:** Sh250,000.00 each

**Amount to be borrowed**: Sh500,000.00 this is to be considered for expansion in the future.

**Total amount needed for the venture**: Sh1000,000.00

**(c) The product/Service**

Mahinda Coprates offers Digital services. These include [website, database, application, software,] development and maintenance.

Our software products will be a valuable resource as both a procurement product and an engineered sales resource. Combined with our quality Internet-based marketing websites and customer management tools, our clients can expect positive results and long term growth.

Instead of focusing on how to sell digital products individually only, we bundle them together and lock them behind a paid subscription to generate recurring revenue.

This approach to selling digital products is ideal since we plan on maintain a growing library of premium content and nurture a community of passionate members. In some cases, paid digital subscriptions can even create an opportunity to directly monetize our existing content marketing efforts. Only paying subscribers can access through their membership account.

Custom-developed P.C. and network-based applications allowing as many as 100 users simultaneous access to order processing, quotation processing, pre-sales product request fulfillment, after-sales product support, and custom networked business solution products. These products can be thought of as support applications or tools for a business’ sales and marketing staff to work with daily to streamline many repetitive tasks. The products will be designed to work with Windows-based software applications.

Basically, these software tools will fill in the gaps where businesses may have older accounting and marketing systems. Our products can run on older networks, and do not require a company to upgrade their computer systems past Windows 98. Additionally, management is professionally schooled in network management, allowing JTB to also offer complete turn-key applications with hardware.

Custom Developed Applications – P.C.-based products will be developed to interact with our Intranet products allowing a customizable work environment for our clients’ business support needs.

Distributors of prototype engineering software and hardware – CAD software products, business applications software, Accounting and Database applications software.

A mix of product support and development services, supporting our applications and P.C.-based products. Distribution after-sales support of our resold products offering.

Custom support services – Mahinda Coprates will offer custom support services for all of our P.C.-based products, and turn-key business networks and software.

Internet based marketing and subscription services – Industrial marketing sites, search engines, and portal systems, Industrial website development, Industrial and commercial hosting.

Some Features of products/services:

Operating system software’s for businesses

Digital marketing strategy templates for entrepreneurs

Résumé templates for job-seekers

Mobile apps for businesses

Graphic design templates for brochures, flyers, posters, etc.

Adobe Photoshop filters and plugins for media editors

Icons, fonts, for web designers

If you already have a freelance business, it might be worth considering our firm, because we can turn your skills and services into digital products to create passive streams of revenue.

Here are some benefits obtained from our products/services:

Provision of quick and quality services.

Our customers have a wide variety of services and products.

Saves consumers travelling cost

Our customers are able to access first-hand information.

Consumers enjoy both electronic fund transfer and cash mode of payments.

**(d) Entry Plan**

Companies are combating development costs by outsourcing segments of the development project. Currently, it is estimated that 30% of project work is outsourced. Our firm will gain track by starting as a freelancer.

By outsourcing, companies can take advantage of our tremendous experienced personnel. By negotiating a price for the outsourcing, companies can also cap development cost. More importantly, as few larger companies compete in the marketplace for dominance, our service firms will emerge to fill the demand for quality developers that are necessary for specific projects, much like the rest of software industry. It is estimated that product development in the software industry can save upwards to 30% of development costs by outsourcing key elements of the development process.

Competitive advantage of the business:

Production companies are looking for assurances that deadlines will be met and the quality will be there, specifically what our firm specializes in.

We will “private label” our solutions to further strengthen the clients’ brand.

We recognize that different clients will have varying levels of sophistication and we will design different product templates for each customer.

Our products will allow the client to make better and faster business decisions and receive quicker feedback.

We believe that our customers will enjoy unlimited expertise from our wide range of experienced employees.

Weakness of competition:

The competition lacks confidentiality which is an infringement on people’s right to privacy.

Our competitors are more rigid whereas we plan to be more flexible to suit our consumer needs.

Pricing plan:

Our firm is going to adopt the Market penetration pricing strategy. This is where a product is slightly lower than similar products in the market to enable penetration to the market.

Plans to attract customers:

Use of social media platforms such as Facebook and Instagram, since most of our consumers are on these applications.

Promotional videos / ads, Product reviews or mentions on popular or industry niche channels

Content marketing such as Blog posts on industry topics and Tutorials and how-to guides.

Email marketing campaigns

Google Ads

**(e) Growth Plan**

Trends which signal business growth

More regular contacts with the customer and increasing sales per customer.

Increase in the number of new customers.

Opportunities arising from this trend

Increase in profit.

Credibility.

Reliability.

Plans to take advantage of the opportunities

Establishing a brand identity and generating brand recognition through marketing.

There is a possibility of expanding the business in future if the current trends persist.

Short term goals

Achieve healthy earnings in the first year of operations.

Maintain a midrange gross margin throughout the entire operation.

Increase sales modestly but steadily in the second year and third years.

Medium term goals

Building and maintaining strategic alliances with our industry related business partners.

Adopting a customer- and market-focused sales and marketing paradigm

Managing the business by implementing, and consistently measuring and adjusting the fundamentals of a Balanced Scorecard:

* + Financial Goals vs. Results
  + Internal Business Process Goals vs. Results
  + Employee Learning and Growth Goals vs. Results
  + Customer Satisfaction Goals vs. Results

Long term goal

To provide Nairobi’s business community with quality information technology business information solutions, reliable and professional technical support, and unparalleled customer service.

**(f) The industry**

There are several companies making products that specifically address entrepreneur needs. While some of the companies’ products are suitable for traditional entrepreneurs, most companies are producing products more suitable for the modern entrepreneur.

The trend of the industry

Within the industry there are a wide range of products. The most significant trend affecting this industry is the growth of business-to-business e-commerce. We recognize the need to take advantage of the exchange of information over the internet by making products and services on this.

The general size of businesses in the industry

Medium to large size organizations whose sales forces provide their clients with proposals and plans that the client either collaborates on or would benefit from collaboration.

### CHAPTER THREE: THE MARKETING PLAN

**(A)Potential Customers**

Proactive entrepreneurs; these are individuals with startup businesses taking an active role in innovation of businesses.

Agencies; the agencies are often allocated money to spend on digital products that help in providing their employees with the necessary skills.

Students; instruction tools are particularly useful as the ratio of students to teachers is often high and our products can help schools manage the students better.

Total target market population:

Customers tend to buy enterprise software solutions based on reputation, price and reliability.

Also compatibility with existing systems is important.

**Marketing Strategy**

1. Develop a high profile sales environment, to bring our products to new and existing clients.
2. Develop new ways to market our products to potential clients via our branded applications and software.
3. Develop distributor partnerships utilizing our P.C.-based applications.
4. Develop and maintain high-quality customer service and follow-up programs for all of the JTB divisions.
5. Develop and utilize an ongoing automated marketing system to contact potential clients.
6. Carefully target marketing expenditures to maximize returns on the campaigns.

**(b)Competition**

Our key competitors include; JTB Technologies, Peoplesoftware, Profit2110, Neatsoft, to name a few. They are located in Nairobi, the same metropolitan we are in.

Our competitors are large firms who overlook small and mid-sized businesses. They target larger clientele by developing very expensive software and database packages. Mahinda coprates brings the same products to the market @ a half the cost, while earning additional revenues with paid services.

Things to consider about our competitors.

1. They usually produce a generic offering of Internet-based applications not very well matched to the customer’s needs.
2. Many developers force the users to have the latest in computer hardware and the highest Internet access speeds.
3. Many competitors do not provide Internet support, or a well-combined offering of products and services.
4. Many software and application developers do not integrate the badly needed marketing and customer support needed to develop clients and provide for long-term growth.

In comparison our products will give smaller businesses better opportunities to grow and market themselves with the much needed customer support features that many firms are lacking.

1. Mahinda Coprates’ products have flexible core features to help make them more easily adaptable to our users’ needs.
2. Mahinda Coprates’ P.C.-based applications do not require their users to have the latest in computer technology, as the hosting server provides most of the application’s required support.
3. Mahinda Coprates services will be a combined offering providing quality options, flexible features, and complete customization to suit our Industrial clients’ needs.
4. Mahinda Coprates offers interactive media marketplaces for its clients as a part of its offering of quality services, our applications also interact with these marketplaces making quality customer access and support possible.

Competitive edge:

Our greatest and competitive edge is the reputation and success of our products.

Our products will be the market leader in sales and consumer ratings.

**(c) Pricing**

Our cost analysis has shown that there are many more cost-competitive options available for businesses to choose from, which in many cases they are simply unaware they are available. As a service business that will utilize our own products, we can market and demo our products simultaneously, further reducing our costs per solicitation.

Factors which will influence the price setting

JTB’s product offering is developed to target small- to mid-sized corporations seeking overall improvements in the sales and marketing process. Our mix of products and services allows the client to cost-effectively develop their products, bring them to market, and provide the product with the highest possible level of support. Product and service pricing are based in part on time spent to customize applications, support services, subscription, licensing, and advertisement fees.

Actual selling price(s) of your product(s) or service(s):

Our software products and services subscription plan will cost between sh3500.00 pm and sh40,000.00 annually. With this plan our clients get access to all our products online so long as they don’t need customization.

Custom products will vary depending on the task to be accomplished.

Our support services rates per technician is sh100 per hr.

* Credit terms to be offered:

Cash on delivery also known as payable on receipt for our custom products.

Our subscriptions will be pre-paid with a one month free trial for our new clients.

Our subscribers will get a net credit of 10 days.

A bill of exchange will only be applicable to our agencies clientele.

Any after-sales service(s) and relevant costs:

Installation and setup of our custom products will be free.

Delivery fees will be incurred by the client.

**(d) Sales Tactics**

Our sales agents will begin contacts with existing clients of the other divisions, and work closely with them to customize applications, hosting services, and support which meet their individual needs. These clients will then be used as further demonstrations to new potential clients of how our software is helping real businesses in these industries to improve their inventory tracking, customer service, sales, and internal communications.

As a firm we will develop a high profile sales environment, to bring our products to new and existing clients. We are banking on the fact that technology is something we use every single day. Smartphones, computers, data, mobile apps, software, are some of the few innovative solutions that we just can’t seem to live without.

Develop and maintain high quality service and follow up programs for all of the Mahinda Coprates divisions.

Carefully target marketing expenditures to maximize returns on the campaigns.

Develop distributor partnership.

Distribution strategy

Mahinda Coprates will implement a Web-based distribution of its business applications, allowing Mahinda Coprates or other Web developers to instantly setup or install our applications on PCs. With Internet-based accessibility, the distribution costs are minimal. Some custom applications may use CD-ROMs to get the applications to the customer.

Geographical area you intend to serve:

Mahinda Coprates is a startup and at the moment we are focusing on the Nairobi metropolitan geographical are with a vision of expansion in future.

(e) **Advertising and Promotion**

Media to be used:

Mahinda Coprates will take advantage of the social media platform because most of our products and services are targeted for individuals on these platforms.

Product/service image to be portrayed:

Mahinda Coprates will provide the mid-sized corporate market with new and exciting ways to cost effectively manage external vendor and customer transactions, online marketing, job costing, purchasing, and project management yielding continual savings for the users of our products and services.

Image to be projected regarding business:

Mahinda Coprates will develop customized growth and customer services solutions. We will give entrepreneurs and small businesses better opportunity to grow and market themselves with the much needed customer support features that many firms are lacking.

Frequency of advertisements:

Our staff will often advertise our products on their social media platforms.

Our clientele will also recommend our products to other interested parties.

Much of our media marketing products, custom developed applications, P.C.-based sales and customer support products can be offered on a trial and demonstration arrangement. Promotion strategy will include a 100% performance guaranty with a limited-time money-back offer. Part of our strategy is to develop the products in such a way that modules can be added when the client would like additional features. All of our products will have a help and support area for the clients to access 24 hours; this will also allow a no-cost Web-based demonstration and product marketing environment.

#### CHAPTER FOUR: ORGANIZATION PLAN

(a)**Organizational Structure.**

Mahinda Coprates organizational structure is a functional structure. This firm believes in specialization of functions for better quality production. This setup promotes work ethic, accountability, clear communication among employees, and job security. This structure will also be very useful once we start our expanding.

Mahinda Coprates organizational structure chart.

(b) **Key personnel**.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| No | Title | duties | Remuneration  Sh-\_pm | Incentive package |
| 1 | Application Developer | Create desired business apps  Develop our online application suite  Work with clients to custom develop their apps. | 30,000 |  |
| 2 | Web developer | Work on a well-planned web-based business development.  In charge of all our websites. | 30,000 |  |
| 3 | Customer service manager | Offer quick response to our clients.  Provide feedback about our clients. | 23,000 |  |
| 4 | Accountant | In charge of book keeping that is bank statements, ledger books, etc.  Validates payments by clients. | 28,000 |  |

(c) **Ordinary Employees**

|  |  |  |  |
| --- | --- | --- | --- |
| no | Title & Duties | Remunerations Sh-pm | Incentive package |
| 1 | Sales personnel | 18,750 | +commissions |
| 2 | Marketing personnel | 14,500 | +commissions |
| 3 | Guard | 10,600 | Food & transport allowance |
| 4 | Cleaner | 12,000 | Food & transport allowance |

(d) **Support Services**

Banking:

Mahinda Coprates will partner with KCB bank of Kenya, as our official bank.

Our account number and other financial information will be provided upon request.

Bookkeeping:

Our accountant is in charge of bookkeeping. For more information please contact James Mwangi via email. JamesMwas@gmail.com

Legal:

Mahinda Coprates official legal advisor is Cecilia Waruiru, a qualified lawyer with years of experience in business law. Her law firm is at the top of the pecking order in Nairobi. Waruiru’s law firm is a perfect choice for us.

Contact her firm; waruiru@info.org.ke

For more Queries visit; MahindaCoprates.co.ke

Or contact; MahindaCoprates@info.co.ke

##### CHAPTER FIVE: OPERATIONAL PLAN

(a) **Draw the ground plan of the proposed workshop/ business premises**

Mahinda Coprates business premises will be located on Waiyaki way, Nairobi. We plan to lease a commercial space in Kenco plaza. They offer immediate access to smart, fully equipped, flexible offices. We believe this will increase our visibility and accessibility to potential customers. The premises is ideal because there is minimal legal fees and security of tenure. Neighboring the premises are business support institutions such as banks and insurance companies that are advantageous to entrepreneurs and small-medium sized businesses.

(b) **Production facilities**

Assets include 6 PCs, networkable servers and backup systems for the software development process.

High-speed color printing equipment and specialty CD duplicator equipment will be installed in the business premises. This equipment will be used in the marketing and sales.

RL&I Integrated Technologies will be our source for our equipment, costing as approximately Sh400,000

(c) **Production cost**

|  |  |
| --- | --- |
| Type of cost | Monthly cost |
| Source of materials | 10,000 |
| Materials required | 5,000 |
| transportation | n/a |
| Workers/ Labor | 100,000 |
| Overhead charges | 20,000 |
| Cost per units | 5,000 |
| Total cost | 140,000 |

(d) **Complying with operational requirements.**

|  |  |
| --- | --- |
| Type of requirements | cost |
| Licenses | 3,000 |
| Tax | 4,000 |
| Other approvals | 1,000 |
| Total cost | 8,000 |

###### CHAPTER SIX: FINANCIAL PLAN

(A)**Pre-operational Costs**

|  |  |
| --- | --- |
| ITEM | COST |
|  Transport | 2,000 |
|  Market research | 5,000 |
|  Plan properties | 2,000 |
|  Meeting people | n/a |
|  Photocopying | n/a |
|  Installations | 1,000 |
| TOTAL COST | 10,000 |

1. **Working Capital**

|  |  |
| --- | --- |
| ITEM | AMOUNT |
|  Stock of raw materials | n/a |
|  Work in progress | 20,000 |
|  Stock of finished goods | n/a |
|  Debtors | n/a |
|  Cash | 10,000 |
| TOTAL COST | 30,000 |

1. **Pro-forma Income Statement**

Pro-forma income statement for the year ending:

|  |  |  |
| --- | --- | --- |
| ITEM |  | AMOUNT Sh |
| Sales: |  | 350,000 |
|  | Cost of goods sold | (188,000) |
|  | Gross profit | 162,000 |
|  |  |  |
| Expenses: |  |  |
|  | Wages | 55,850 |
|  | Rent | 30,000 |
|  | Water | n/a |
|  | Telephone | 5,000 |
|  | Electricity | n/a |
|  | Advertising | 10,000 |
|  | Stationery | 2,000 |
|  | Postage | 500 |
|  | Transport | 3,000 |
|  | Repairs | 8,000  (114,350) |
| Net Profit before tax    Tax | | 47,650  (14,295) |
| NET PROFIT AFTER TAX | | 33,355 |

1. **Pro-forma Balance Sheet**

|  |  |  |
| --- | --- | --- |
| ASSETS | | AMOUNT |
| Current Assets:   * Cash * Debtors * Stock of finished goods * Stock of raw materials | | 10,000  5,000  20,000  20,000 |
| Total Current Assets | | 55,000 |
| Fixed Assets: | |  |
|  (cost) | Machinery and equipment | 400,000 |
|  | Accumulated depreciation | n/a |
|  | Vehicles (cost) | n/a |
|  | Accumulated depreciation | n/a |
|  | Furniture and fittings(cost) | 200,000 |
|  | Accumulated depreciation | n/a |
|  (cost) | Other (specify) fixed assets | n/a |
|  | Accumulated depreciation | n/a |
|  | |  |
| Total Fixed Assets | | 400,000 |
| TOTAL ASSETS | | 655,000 |

|  |  |
| --- | --- |
| LIABILITIES |  |
| Current Liabilities:   * Creditors * Warranties * Accrued expenses | 20,000  30,000  5,000 |
| Total Current Liabilities | 55,000 |
| Long-term Liabilities   * Bank loan * bond | 200,000  100,000 |
| Owner’s Equity | 200,000 |
| TOTAL LIABILITIES AND EQUITY | 655,000 |

1. **Projected Cash Flow Statement**

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| year | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 |
| Beginning balance | 655,000 | 1,516,005 | 1,899,155 | 2,517,655 | 3220655 | 3,928,655 | 4,672,155 | 5,257,155 |
| Cash sales | 350,000 | 500,000 | 750,000 | 800,000 | 850,000 | 900,000 | 950,000 | 1,000,000 |
| Accounts receivables | 5000 | 30,000 | 30,000 | 30,000 | 30,000 | 30,000 | 30,000 | 30,000 |
| Others | 0 | 0 |  | 0 | 0 | 0 | 0 | 0 |
| Cash receipts | 10,000 | 60,000 | 60,000 | 100,000 | 100,000 | 100,000 | 100,000 | 100,000 |
| Total cash available | 1,020,000 | 2,106,005 | 2,739,155 | 3,447,655 | 4,200,655 | 4,958,655 | 5,752,155 | 6,387,155 |
| Additional cash received | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| New investment | 850,000 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total cash | 1,870,000 | 2,106,005 | 2,739,155 | 3,447,655 | 4,200,655 | 4,958,655 | 5,752,155 | 6,387,155 |

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Expenditure | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 |
| Purchases | 200,000 | 50,000 | 50,000 | 50,000 | 50,000 | 50,000 | 50,000 | 50,000 |
| Creditors | 20,000 | 20,000 | 20,000 | 20,000 | 20,000 | 20,000 | 20,000 | 20,000 |
| Wages | 55,850 | 55,850 | 70,000 | 70,000 | 100,000 | 100,000 | 300,000 | 300,000 |
| Rent | 30,000 | 30,000 | 30,000 | 30,000 | 30,000 | 30,000 | 30,000 | 30,000 |
| Water | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| telephone | 5,000 | 5,000 | 5,000 | 5,000 | 7,000 | 7,000 | 7,000 | 7,000 |
| Electricity | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Transport | 3,000 | 3,000 | 4,000 | 4,000 | 7,000 | 11,000 | 15,000 | 15,000 |
| stationery | 2,000 | 2,500 | 3,000 | 3,500 | 4,000 | 4,500 | 5,000 | 5,500 |
| Postage | 500 | 500 | 500 | 500 | 1,000 | 1,000 | 1,000 | 1,000 |
| Interest | 5,350 | 5,000 | 5,000 | 5,000 | 5,000 | 5,000 | 5,000 | 5,000 |
| Repairs | 8,000 | 10,000 | 12,000 | 15,000 | 22,000 | 30,000 | 30,000 | 50,000 |
| Advertising | 10,000 | 10,000 | 5,000 | 5,000 | 5,000 | 5,000 | 5,000 | 5,000 |
| Taxes | 14295 | 15,000 | 17,000 | 19,000 | 21,000 | 23,000 | 27,000 | 29,000 |
| others | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total expenditure | 353,995 | 206,850 | 221,500 | 227,000 | 272,000 | 286,500 | 495,000 | 517,500 |
| Total cash balance | 1,516,005 | 1,899,155 | 2,517,655 | 3,220,655 | 3,928,655 | 4,672,155 | 5,257,155 | 5,869,655 |

1. **Calculate the expected break-even point of your proposed business**

Determine the sales and total variable costs. Calculate the total contribution margin.

Total variables cost = cost per unit \* total number of units

5000\*10= Sh 50,000

**e) Total contribution margin:**

Sales - Total Variable Costs = Sh.

350,00-50,000= Sh 300,000

1. **Calculate the contribution margin percentage:**

Contribution margin % =Contribution margin x 100 = Sh.

Sales

(300,000/350,000)\*100= 85.7%

1. **Determine the total fixed costs, ie. Operating expenses, for year 1:**

Total fixed costs = Sh. 146,000

1. **Calculate the break-even level of sales in shillings:**

Break-even level = Fixed costs/Contribution margin %

146,000/85.7%= Sh 170,361.73

1. **Desired Financing**

|  |  |
| --- | --- |
| ITEM | AMOUNT |
|  Pre-operational costs | 50,000 |
|  Working capital | 100,000 |
|  Fixed assets | 400,000 |
| TOTAL DESIRED FINANCING | 550,000 |

1. **Capitalization**

|  |  |
| --- | --- |
| ITEM | AMOUNT |
|  Total investment | 1,000,000 |
|  Owners contribution | 500,000 |
|  Borrowed funds | 500,000 |

1. **Profitability** 
   1. **Gross profit percentage**

Gross Profit ( ) x 100 = Sh.

Sales ( )

(162,000/350,000)\*100= 46.28%

* 1. **Return on equity**

(Profit after tax/owner’s equity)\*100=%

(33,355/200,000)\*100=16.7%

* 1. **Net profit percentage**

Net Profit after tax x 100 = Sh.

Total investment

(47,650/500,000)\*100= 9.5%

CHAPTER SEVEN

Financial risks.

When risk is incorporated in capital budgeting it means that the realization of cash flows involves some elements of uncertainty. Events that are investments in nature will involve some uncertainty whenever cash flows are to be realized.

Financial risk associated with the use of debt capital in the company’s capital structure. It is caused by high debt level and a high preference dividend. It leads to financial distress, persistent decline in earnings and profitability problems.

The solution is to simply have control over the debt trend of the company to ensure debts don’t supersede capital/investments.

Development risks and their solutions

**Problem**: New, unproven technologies; ever changing tools, techniques, protocols, standards, and development systems increase the probability of risks arising in virtually and substantial software engineering effort.

**Solution:** Invest in a solid IT infrastructure upfront to create a better software development environment.

**Problem:** Complexity of projects due to constant changing of requirements.

**Solution:** Define a solid process and line of communication and always involving the users.

**Problem:** Developers not reviewing code or suppressing errors as a means to save time and meet deadlines.

**Solution:** Having a formal quality assurance process for a successful launch.

Solutions to other arising risks.

1. Focused and well-defined long range goals for longevity, to allow flexibility and growth.

2. Strong marketing goals with niche products and services, targeted services and products delivered with unique marketing approaches.

3. Very low internal development costs at startup.

4. Previous base of quality external support vendors available to build on, with over five years of industry contacts.