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| College of Business & Economics  Department Economic |

**Business plan on Best Bakery**



**Prepared by ID≠**

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***Executive Summary***

The best bakery is a partnerships business which will establish in next year 2018 by the six business men in DebereBerihan town. This business is as a basis for production and distribution of bread. The business is formed in the form of partnership with equal capital accumulations. The accumulation capital; uses for beginning the business is 500,000 ETB which 75% is funding by partners and the remaining 25% is borrow from other financial institutions as a loan.

*As we know Bakery in Ethiopia is still a crucial and valuable activity because countries like Ethiopia have citizens who want to consume bread more than once a day. The needs and wants of the people for bread consumption in DebreBerhan town grow from time to time that enables us to open/start the new bakery business project in the town especially in kebele, 09.In reality, Bakery project can cause less environmental pollution because it can be baked by electricity. This enables us to get our license from the government of the country and theadministrative office of DebreBerhan town. Thus, government allows this kind of project to enhance the access bread for dwellers by encouraging the newly open business firms and already established business organizations in Bakery project. There are formal and informal as well as legal and illegal baking and selling of bread in the country as a whole including rural and urban areas. However, we prefer our project to be formal and legal one because we can distribute our product and compete as we want without price fluctuation ( i.e. by setting our price affordable for the people) and enables us to accumulate our own capital by providing our production level through maintaining our clients wants and serving them in satisfied ways.*

***1. Introduction***

**1.1 Name and address of the campany**

The name of the campany; **Best bakery**

Le*g*al form; **partnership**

Contract address; **Debreberhan**

Tell **+25193122409**

E-mail address **best gimail.com** Type of the business; **Product provider**

**1.2 Name and address of the co-partner**

|  |  |  |  |
| --- | --- | --- | --- |
| **No.** | **Partners name** | **Address** | **Qualification** |
| ***1*** | **KassayeFisseha** | **0931122409** | **BA** |
| ***2*** | **MetekuEyasie** | **,,** | **BA** |
| ***3*** | **MedihanitYitayih** | **,,** | **BA** |
| ***4*** | **EbrahimTadesse** | **,,** | **BA** |
| ***5*** | **LemilemSime** | **,,** | **BA** |
| ***6*** | **MuluSisay** | **,,** | **BA** |

The best bakery is a partnerships business which will establish in next year 2018 by the six business men in DebereBerihan town. This business is as a basis for production and distribution of bread. In this area, the idea of establishing this business is penetrate in many of owners mind and appropriate to establish the business. From the beginning the business is formed in the form of partnership with equal capital accumulations. The accumulation capital; used for beginning the business is 500,000 ETB which 75% is funding by partners and the remaining 25% is borrowed from other financial institutions as a loan.

***1.3 Objectives of Best Bakery***

* Increase its customers and production level throughout times to increase its return.
* Satisfying the customers wants as an essential for the business survival and competition.
* Provide the product through different distribution center
* Increase the efficiency of current resource
* Offer a quality services attach with selling product

**1.4 Mission of Best Bakery**

* To provide quality product at fair market price/value by using quality raw material supplied by surrounding manufacturing companies.
* To assess the change in current demand and satisfy the customers need to increase the business profit.

**1.5 Vision of Best Bakery**

* To build our Owen flour factory in 2024 E.C to improve the cost of production which currently purchased from other factories and to save different production cost incur associated with transportation.
* To open a new plant in surrounding small towns in order to ensure the profitability of the business.i

**2.Description of the venture**

***2.1*Considerations of Selecting the Project**

First of all, the project will develop to increase the revenues of owner.

The main factors in selecting the project are:-

* The current unbalance between the growth of town and demand for consumption of bread.
* The Location of former bakery business is mostly concentrated at the center of the town. So, many people lived around the town face that has shortage of bread and the existence of enough demander.

*2*.2 **Location of Project**

The project will be located in Debrteberhan town around kebele 09. This location is selecting because of the following considerations:-

* In the Tebasi, there are high populations and low bakeries. This high population in turn brings the increase of demand for projected business.
* Because of easily getting of the license from the government. This will be a helpful for the business to be free from any problems will occurred if the business start to build its own factory.

***3.* Source of capital**

From the beginning of establishment the project is financed through individuals` investment and loans from Banks. Each partner contributions for the establishment of the project presents in the following table:

*Partners’ investment*

|  |  |  |
| --- | --- | --- |
| No. | Partners name | ETB contributed to the project |
| *1* | **KassayeFisseha** | 62,500 |
| *2* | **MetekuEyasie** | 62,500 |
| *3* | **MedihanitYitayih** | 62,500 |
| *4* | **EbrahimTadesse** | 62,500 |
| *5* | **LemilemSime** | 62,500 |
| *6* | **MuluSisay** | 62,500 |
|  | Total | 375,000 |

The remaining sources of capital (i.e. 125,000) which is 25% of the total capital funded from banks as loan.

***4. Financial analysis***

**T**he project will start the operation with Birr 500,000. Out of this 75% of the total amount of investment is financed by the owners (375’000) and 25% (125,000) is from banks as a loan which will be paid for the next five years. Most of this investment will expanded on planting the business for future rather than increasing short term gain of owners. This means some fixed asset of the business may use high portion of the investment.

The investment arrangement and expenditure expected is preserving on the following constructive table with its respective category.

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| S/N | Item/description | Measurement | Quantity | Unit price | Total price |
| 1 | Land purchase | 40X30 | - | - | 38,200 |
| 2 | Land preparation | M | - | - | 1,000 |
| 3 | Building | M 2 | 2 | - | 90,400 |
| 4 | Plant mach.&equip. |  | - | - | 12,500 |
| 5 | Man power & salary | - | - | - | 110,400 |
| 6 | Supplies |  |  | - | 5,000 |
| 8 | Working capital |  | - | - | 55,300 |
| 9 | Utilities | - | - | - | 7,500 |
| 10 | Other costs | - | - | - | 5,000 |
| TOTAL | | | | | **240,000.00** |

**4.1. Building**

The proposed project will consist two different buildings. These are the 1st buildings for the purpose of planting machinery and purpose of storing purchased materials.

The 2ndbuilding for the purpose of management staffs and other purpose (i.e. showering house, bathrooms, etc.)

**The investment arrangement for these buildings is presented as follows:-**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| S/N | Description  /Items/ | Measurement | Quantity | | Unit price | Total price |
| 1 | Cement | Pkt | | 150 | 200 | 30,000 |
| 2 | Roofing sheet | M2 | | 200 | 20 | 2,000 |
| 3 | Nail | Kg | | 10 | 40 | 400 |
| 4 | Doors | M2 | | 10 | 800 | 8,000 |
| 5 | Windows | M2 | | 12 | 350 | 4200 |
| 6 | Labor costs | - | | - | - | 5,000 |
| 7 | Electric material | - | | - | - | 1,500 |
| 8 | Design costs | - | | - | - | 5,000 |
| 9 | Water pipe | - | | - | - | 5,000 |
| 10 | Fire controller | - | | - | - | 19,300 |
| 11 | Other related material cost | - | | - | - | 10,000 |
| Total | | | | | | **90,400.00** |

**4.2 Plant machinery and material costs for production**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| S/N | Description | Quantity | Unit price | Total price |
| **1** | **Bekary machinery** | **2** | **3000** | **6,000** |
| **2** | **Mabukia/ baldi/buket** | **4** | **130** | **520** |
| **3** | **Planter mixer** | **2** | **1800** | **3600** |
| **4** | **Flour sifter** | **2** | **450** | **900** |
| **5** | **Working tables with aluminum top** | **2** | **500** | **1,000** |
|  | **Total** |  |  | **12,020** |

**4.3 Cost to supplies**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **S/N** | **Description** | **Measurement** | **quantity** | **Unit price** | **Total price** |
| **1** | **Wheat Flour** | **Quntal** | **20 quintal** | **650** | **13,000** |
| **2** | **Salt** | **Kg** | 200 3.5 700 | | |
| **3** | **Oil/leaving agent** | **Kg** | **5** | **50** | **250** |
| **4** | **Yeast** | **Kg** | **10** | **30** | **300** |
| **Total** | | | | | **14,250** |

**Man power and supplies expense**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **S/N** | **Position** | **Qualification** | **Experience** | **No. req.** | **Monthly salary** | **Annual salary** |
| **1** | **G.manager** | **BSc in production** | **2** | **1** | **2,500** | **30,000** |
| **2** | **Purchaser** | **Diploma in purchasing** | **2** | **1** | **1,500** | **18,000** |
| **3** | **Sales person** | **Diploma in marketing** | **2** | **2** | **1,500** | **18,000** |
| **4** | **Baker** | **10th grade&** | **2** | **2** | **1,000** | **12,000** |
| **5** | **Cashier** | **Diploma in accounting** | **3** | **1** | **1,500** | **18,000** |
| **6** | **Janitor** | **6th grade and above** | **0** | **1** | **500** | **6,000** |
|  | **Guard** | **8th grade and above** | **4** | **1** | **800** | **8,400** |
| **Total salary expense** | | | | | | **110,400.00** |

**4.4 Utility expenses**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **No.** | **Description** | **Measurement** | **Consumption per month** | **Yearly cost in birr** |
| **1** | **Water** | **Liter** | **5,000** | **2,400** |
| **2** | **Electric power** | **Kw/h** | **15,000** | **3,600** |
| **3** | **Telephone** |  | **125** | **1,500** |
| **Total** | | | | **7,500** |

**4.5. Annual costs**

Salary expenses…………………………………….110,400

Interest expenses (125,000x14%).....……………….17,500

Supplies expenses…………………………………14,250

Utility expenses…………………………………..7,500

Depreciation expenses:

Building………………………………......3013.33

Machinery and equip…………………....2,500

Transportation expenses…………………………,,.,4,250

Rent expenses………………………..…………….3,500

Total …………....................................

*Depreciation expense- building= Cost\_-salvage value = 90,400-0 =3013.33*

*Estimated useful life 30*

*Depreciation expense- machinery & equip.=12,500-0 = 2,500*

5

We expect that the economic life of our building and equipment will be 30 & 5 years respectively

***5. Market analysis***

**5.1 Market Size**

In the recent period, the bread market showed a better growth rate than in previous years.

This was mainly because retail price decrease were fewer and less stringent, but it was also because of the growing importance of added-value products, especially in the specialty bread and bakery products sectors.

**5.2 Products**

Although the bakery products market grew faster than the traditional bread sectors and it too became the target of price cuts, and growth slowed considerably in the past. However, there was something of a recovery and its share of the total bread market showed an increase through time.

This project, the Best Bakery, is planned to satisfy the current needs and wants of the people around the area which there shows a shortage of bread suppliers in the near area. The demand for bread shows an increase through time. Because of this reason we prefer to start the Best Bakery project in this area/place. Our sources of revenues will come from the daily sale of bread.

**5.3 Demand Forecasting**

We expect/forecast our sales by using a quantitative method calle trend projection/time series method that enables us to predict the next annual sales. Depending on this trend we try to forecast for the next two or more yearssales as follows:

|  |  |
| --- | --- |
| Years | Estimated annual revenues (00,000) |
| 2018 | 1.728 |
| 2019 | 2.34 |
| 2020 | 2.52 |
| 2021 | 3.06 |
| 2022 | 3.60 |

This trend projection method uses the formula that is a linear relationship between annual sales volume and the year that we can expect.

Y=a+bx where, x- no of years

a -intercept relationship

b- Slope relationship

|  |  |  |  |
| --- | --- | --- | --- |
| X | Y | X2 | Xy |
| 1 | 1.728 | 1 | 1.728 |
| 2 | 2.34 | 4 | 4.68 |
| 3 | 2.52 | 9 | 7.56 |
| 4 | 3.06 | 16 | 12.24 |
| 5 | 3.60 | 25 | 18 |
| ∑x=15 | ∑y=13.23 | ∑x2=55 | ∑xy=44.21 |

Computation for the values of a and b:

a = ∑x2(∑y)-∑x(∑xy) = 55(13.23)-15(44.21) = 64.65 =1.29

n∑x2-(∑x)25(55)-(15)2 50

b = n∑xy-∑x (∑y) = 5(44.21)-15(13.23) = 22.6 = 0.45

n∑x2-(∑x)25(55)-(15)2 50

So, here, y=a+bx

Y6 = 1.29 + 0.45(6) = 3.99

This means that the next 2023 annual sales will be 3.99x100,000= 399,000

Y7 = 1.29 + 0.45(7) = 4.44

Annual sales for 2024 will be 4.44x100,000 = 444,000

Y8 = 1.29 + 0.45(8) = 4.89 X 100,000 = 489,000

***5.4. Project management***

The proposed project will have consolidated management system controlled by the owners of the project. This enables us to get the profit that we estimate and minimize the cost of administrative through replace other employees being hired from outside. Besides, to business owners other employees will be hire on permanent and contract basis.

**6. Organizational structure**

General Manager

Purchasing dep`t

Selling dep`t

Finance dep`t

Janitors

Production dep`t

Guards

Bakers

Other employees

**7. Major Duties and responsibilities**

From the beginning the major activities perform in organization will expect to done by the owners to minimize the related initial cost and to increase the profitability of the business.

General Manager will be responsible to lead and control all other employees to attain the goal of the organization. The purchaser will be responsible for search market and present the supplies with reasonable market price.

The sales person will be responsible for selling the prepared product by searching and attracting a good market segments to increase the share of market. Finance department will be responsible to prepare and follow up the business budget and periodic control of cash inflows and out flows. It also responsible to pay the employee`s salary and wage in time and in accurate ways. These all are the major responsibilities related to administrative department.

The other major duties are related to production department. Under this department there are responsibilities to prepare and bake a quality and attractive product for customers. They will be responsible for the use of the organization`s input materials and other equipment in proper ways.

In addition to these responsibilities, other employees work in organization will have different responsibility related to their jobs. These are the responsibility declared by the organization`s administrative to increase the earning of the business and to ensure the benefit of employees. These duties are the responsibilities given to guard, janitors and other contract employees. Guard will be responsible for keeping the security of the surrounding of the business organization. Janitors will be responsible to keep the organization clean and make the compound attractive/ maintain the attractive site in the organization/. They are also responsible for the proper use of the organization`s property in a cleaned and safety ways.

Generally, imposing these all responsibilities to each individual is important to keep the business strength and increase the earning of the business and benefit of employees too.

**8. Financial Plan**

**Best bakery**

Income Statement

For The Year Ended December, 2018-2022

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | 2018 | 2019 | 2020 | 2021 | 2022 |
| Revenues | 172,800 | 234,000 | 252,000 | 306,000 | 360,000 |
| Expenses: |  |  |  |  |  |
| Salary expense | 110,400 | 110,950 | 120,500 | 125,500 | 127,800 |
| Interest expense | 17,500 | 14,100 | 15,000 | 16,000 | 16,950 |
| Supplies expense | 14,250 | 15,000 | 16,000 | 16,850 | 17,100 |
| Utility expenses | 7,500 | 7,825 | 8,050 | 8,075 | 8450 |
| Depreciation exp:  -Machinery  -Building |  |  |  |  |  |
| 2,500 | 2,500 | 2,500 | 2,500 | 2,500 |
| 3,013.33 | 3,013.33 | 3,013.33 | 3,013.33 | 3,013.33 |
| Travel expense | 4,250 | 11,050 | 12,050 | 12,900 | 13,500 |
| Rent expense | 3,500 | 7,000 | 8,000 | 8,550 | 9,000 |
| Total operating expenses | 162913.33 | 157638.33 | 185,113.33 | 193388.33 | 198,313.33 |
| Operating income | 9886.67 | 76361.67 | 66886.67 | 112611.67 | 161,686.67 |
| Tax 20% | 1977.33 | 15275.33 | 13377.33 | 22522.33 | 32337.33 |
| Net income | 7909.34 | 61086.34 | 53509.34 | 90,089.33 | 129347.33 |

**Best Bakery**

Opening balance sheet

January, 1, 2018

Assets:

Cash………………………………………………332,150

Investment for:

Supplies………………..………………………….14, 250 Machinery................................................................12'500

Utilities…………………………………….…...….7, 500

Land……………………………………….…...…38,200

Building………………………………………....…90,400

Others ……………………………………….....…5,000

Total assets………………………………………500,000

Liabilities:

Accounts payable…………………………………..........125,000

Owner`s equity:

Owner`s capital………………………………….……375,000

Total liabilities and owner`s equty……..........……………500,000

**Best Bakery**

Statement of owner`s equity

For the year ended December, 30, 2018

Balance sheet January1, 2018 capital…………………………375,000

(t) Net gain year December, 30, 2018…………………………7909.34

Balance on December, 30, 2018……………………..…………382,909.34

***9. Environmental feasibility***

As it is known environmental issue is the current critical things which require detail study whenever any business is attempt to established. This is helpful to assess the impact of that project on the environment as well. Our project is planned to engage in production process. Thus, our project is highly concentrated on the use of electric power/energy to prepare/bake bread. This enables us to minimize the pollution that our business can cause to the environment if we use other sources of energy such as wood burning and use of kerosene. In addition to this advantage the use of the source of power saves the product that our organization can produce in different ways.

In fact, bakery project doesn`t have any noise and other influence with environment.

***Risk assessment***

The risks for top bakery are there might be natural and human disasters we cannot control natural disasters because they are uncontrollable but we can control human made disasters by creating awareness on our employees we are going to insure our assets by giving insurance.

***10. Project implementation***

In fact, at this stage there are different challenges that arise from evaluation of a project. A project evaluated it is difficult to implement but with support if other advisory and consultants who try to evaluate our project. We can conclude our project as follows:

* Although some fixed assets require high cost at the beginning ,it enables to plan the project for future on good ground
* As the current earning of the project can cover all related expenses and yield profit to owners, the length of period to cover initial cost never frustrate the project from implementation.

When we decided to implement our project by using different methods and as well we expect some difficulties at this stage. Some of them are:

* Technical problem related materials
* Shortage of distribution point
* Unfamiliarity with customers. This may affect the test of market during implementation ***SWOT Analysis***

***Strength***

* *To prepare and bake a quality and attractive product for customer*
* *Increase market share by using low price strategy*
* *The organization use input materials and other equipment in proper way.*

***Weakness***

* *The size of bread is small*
* *Lack of skilled man power*

***Opportunity***

* *It is good for poorer societies because of low price*
* *It is good for the society to create job opportunities*
* ***Threat***
* *Lack of raw material*
* *Lack of electric power*

***APPENDEX***

* *Our partners will have a debit of 125,000 Birr from the dashed bank.*
* *The partner get source of information from the existing company and from potential customer.*
* *Government encourages small business then our partner’s will get license from city administrative.*

We expect/forecast our sales by using a quantitative method called trend projection/time series method that enables us to predict the next annual sales. Depending on this trend we try to forecast for the next two or more year sales as follows:

|  |  |
| --- | --- |
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a -intercept relationship

b- Slope relationship

|  |  |  |  |
| --- | --- | --- | --- |
| X | Y | X2 | Xy |
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n∑x2-(∑x)25(55)-(15)2 50

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