

Ch 8 - Financial Management

Assignment # 5 - 5 Points Due 07-May-2023

Download the file as pdf and submit individually on e-learning

Instructions: Do all 4 requirements

Section number: No.5

Group number: 4

Students' names & numbers:

- Mohammad Ibrahim AbuAmara
- Hala said Salman
- Ruqaia Hasan
- Zaid Alaa Snounou
- Lama Marwan Rihan
- Akef Al Shiyyab

Name of your company: Squad

Squad is a freemium based business model, where a unit can't be per day (in a day), but rather per subscriptions; Squad subscriptions are monthly and yearly based only. Hence, the no. of units does not apply here as well (Not Applicable, N/A). Moreover, we can't predict the number of subscriptions but rather how much each subscription is. More details in the [Appendix](#)

Table 1

		1	2	3	4	5	6	7	Add according to project needs
		Per unit	In a day	In a month (25 work days)	In a year (full capacity) (per month x 12)	Operating at 50% capacity 1st year	Operating at 65% capacity 2nd year	Operating at 80% capacity 3rd year	
Monthly Subscription-1	No. of Units	N/A	N/A	1	12	N/A	N/A	N/A	
Monthly Subscription-2	Sales price	N/A	N/A	17.50\$	17.50*12=210 \$	N/A	N/A	N/A	
Monthly Subscription-3	Cost of Sales	N/A	N/A	5\$	5*12=60\$	N/A	N/A	N/A	
Monthly Subscription-4 Sales - cost	Gross profit	N/A	N/A	12.5\$	12.5*12=150\$	N/A	N/A	N/A	
Yearly Subscription-1	No. of Units	N/A	N/A	N/A	1	N/A	N/A	N/A	
Yearly Subscription-2	Sales price	N/A	N/A	N/A	200\$	N/A	N/A	N/A	
Yearly Subscription-3	Cost of Sales	N/A	N/A	N/A	30\$	N/A	N/A	N/A	
Yearly Subscription-4	Gross profit	N/A	N/A	N/A	200-30=170\$	N/A	N/A	N/A	

Table 1									
4 total	Total Gross profit for all types of units	N/A	N/A	N/A	N/A	50% of gross profit in a year	65% of gross profit in a year	80% of gross profit in a year	
5	Operating expenses	N/A	N/A	N/A	Operating expenses (+ start up costs for 1st year)	Operating expenses (+ start up costs for 1st year)	Operating expenses (+ debt of first year)	Operating expenses (+ debt of second year)	
6 Gross profit - operating expenses	Operating income	N/A	N/A	N/A					Repeat until number becomes positive

Table 2	
Startup cost (cost of all what you need to do, get, or pay before getting your first 1JD from your first customer, including cost of product development period) <i>(paid before operating only once)</i>	
Item	cost
Develop the services needed	0
Market Research	300\$
Resource for demoing the product	300\$

Total			600\$
Table 3			
		1	2
	Operating expenses (fixed costs)	Per month	In a year (full capacity) (per month x 12)
1	Payroll	0	0
2	Rent	0	0
3	Marketing	50\$	600\$
4	Utilities	12.5\$	150\$
5	Insurance	0	0
6	Other (add according to project needs)	0	0
7	Total	62.5\$	750\$
Total startup cost 750\$ per year			

The formula for break-even analysis:

$$\frac{\text{Total fixed costs + start up costs}}{(\text{unit price} - \text{average variable costs for unit})}$$

$$750\$ + 600\$ = 1400\$$$

Appendix

Subscriptions in Squad are based on multiple things, some of them are: number of users, platform add ons, and more. Hence, when some user or organization request the monthly subscription for example, we don't have a unit to produce, a subscription is considered a unit (the service is always there, but someone has to subscribe to it in order to use it), this explains why we only have monthly and yearly sales and stuff; it is per user/organization not per unit.

Moreover, the platform can operate with zero operation cost; we use a technology called serverless technology where we only pay for what we use, and the free stuff on the platform is bounded by the free stuff we get for our subscription with different cloud providers (more on this in <https://cloud.google.com/free>, <https://aws.amazon.com/free/>, <https://azure.microsoft.com/en-us/pricing/free-services/>, ..., etc), so we are only paying with time to develop the platform (engineering costs). And when premium users subscribe they actually pay for that usage; so it is included in the subscription and we don't own anything to the cloud providers from request number one.