Financial Business Plan

TeachEasy and LearnEasy Financial Business Plan

Document Control

Editor	Date	Update
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Financial Proposal

1.0 Executive summary

Sofia Ltd. is a software company and is currently developing two software products called “LearnEasy” and “TeachEasy”. The software is aimed at students /pupils and tutors respectively. Each part of the software, while built specifically for the use of either as a student/pupil or teacher, is part of a whole package. Rich features and innovative user interface will make it easy for tutors to set tailor made lessons using TeachEasy, while pupils will be able to study using LearnEasy by practicing and receiving instant results in the comfort of their homes, anywhere in the world.

The Financial Business Plan is a projection of all the costs over the production of both LearnEasy and TeachEasy. LearnEasy and TeachEasy will henceforth be referred to collectively as the product.

2.0 Team

Our team consists of 10 programmers which also substitute as project lead, finance personnel, marketing, user experience design, software R&D and contracts and documentation.

3.0 Funding

To be used as capital, Sofia Ltd. is seeking two loans of £33,000 and £32,000 each (see appendix 1 for breakdown for projected cost) to support working capital to develop the product. This funding will enable us to establish and maintain a work environment, pay wages and overheads for twenty-four weeks. No additional funding will be required as the pitching price when the product is complete will cover the payback of the loan, so expected returns are estimated almost immediately on both version of the software.

4.0 Objectives

- Complete software development(Alpha and Beta testing) in twenty-two weeks
- Have a marketing strategy organize during Alpha and Beta testing
- Confirm at least two corporate contracts by software roll out date
- Design a vibrant, innovative user friendly interface

5.0 Mission:

Sofia Ltd. is devoted in designing user friendly, high quality software which is capable of increasing learning productivity and efficiency. Our goal is to help facilitate a better education experience while increasing ones learning potential with our software creations.

Keys to Success:

- Invest capital to develop Software with rich features and enough capabilities to increase learning productivity.
- Introduce targeted marketing which shows the value and capabilities of our software.
- Highest product quality with outstanding customer support
- Affordability and ease of access

6.0 Financial Plan Assumptions

6.1 Interest on the loan

Loans from the bank have an interest rate of 16.86% APR. This results in a weekly interest rate of 0.3% based on a 52 week year, which is paid from the company bank account weekly:

Money loaned from the bank = x
$x^{52} = 1.1686$
$52\log(x) = \log(1.1686*x)$
$x = 10^{[\log(1.1685*x)] / 52}$
$x = 1.003000771$
=> weekly interest is 0.3%.

Interest on the loan is paid every week. The loan taken out from the bank must be able to cover production costs on the project and the interest on the loan. The loan is found numerically to ensure that the bank balance is positive every week after the first loan at the lowest* loan amount.

Two loans will be taken out: one in week 5 of the spring term (assuming acceptance of the Financial Plan) and one in week 1 of the summer term.

*loan amount is to be a multiple of £0.5k.

6.2 Contracts

It is assumed that the company will buy two contracts for media handlers and sell two media handlers, resulting in a net profit of zero. The cost of each media handler is assumed to be £3 000, but this is likely to be different to the actual cost. Payment of each contract is:

- 25% is paid upon placement of contract
- 50% is paid upon handover of code
- 25% is paid upon acceptance of code

6.3 Rent

Rent is £23.50 per sq ft per annum, and the company uses 1,400sq ft between weeks 2 of the spring term to week 10 of the summer term inclusive. Based on a 52 week year:

Rent to be paid by the company:
£23.50 * 1 400 / 52 = £632.69 per week.

6.4 It infrastructure and Utilities

“Infrastructure Cost” refers to the cost of the use of the IT infrastructure, which is £100 per week. These are to be paid in weeks 6 and 10 of both the spring term and the summer term.

Utilities are £50 per week. These are to be paid in weeks 6 and 10 of both the spring term and the summer term.

6.5 Labour hours

There are ten employees in this company. All labour hours for all employees are paid at a fixed rate of £12.50 per hour per employee. There are no opportunities for a raise for any employee. Wages paid to employees every week are paid after timesheets are submitted and approved, and are the only variable cost of the company (everything else is set at a fixed rate, eg. utilities are £50 per week). It is assumed that no employee will leave the company before the final deadline, and that no one will take sick days. The projected costs of labour to the company are explained in this document.

The number of hours expected to be paid for in a week is broken down in the following ways: Financials, Meetings, UX design, Marketing, Software team, Software implementation, Testing, Management, Administration, and presentations. Wages are earned from week 3 in the Spring term (starting 19th January 2015) to week 8 in the Summer term (starting 1st June 2015), as no more labour is expected to occur after the final hand in. Wages can be earned during the Easter break also.

***Financials*:** Each financial personnel would be spending at least one hour every week on reviewing the financial state of the company and if there are any financial documents to be submitted we also assume that in that week they would be working more hours to put these documents together.

***Meetings*: 4 hours per person per week**: assumed 1 hour meeting on Mondays and 3 hour meeting on Wednesdays, from weeks 3 to week 10 in the spring term and week 1 to week 8 in the summer term. Does *not* include the Easter break (4 weeks) or any time after the final hand in for the project.

For all employees over the whole project:
(8 weeks + 8 weeks) * 4 hours * 10 employees = 640 hours.

Ux design: Assumption made here is that the design team would be working hand in hand with the software team and the design team have confirmed that the designing stage would not take a lot of time every week. However when it is coming to the end of an iteration there might be some changes to be made to the design which was proposed, therefore they would have to spend more time working on a better, more efficient and user friendly design .

***Marketing*:** Assumption that as the marketing of the product draw near the marketing team will work more and also the marketing team will be working closely with the UX design team and every personnel in the company.

Software team: Assumption being that the software team will be doing a lot more coding and bug fixing throughout the length of the product development and at least two weeks before each iteration is due in; there would be more coding to do.

***Software implementation*:** Assumptions here being that everyone in the team will do the same hours of coding every week and towards the final deadline for any of the iterations, everyone would spend more time coding.

***Testing*:** Assumption being that as each iteration is about to end, a fair amount of time will be spent testing the product meets client's requirement. The worked hours will also pick up during the Easter break because a lot of people on the team are not experienced programmers so more testing needs to be done to ensure the product is functional.

***Management*:** since the project manager spends most of his time sending emails and in correspondence with our supervisor and client, setting up meetings and drawing up the project plan then he will be spending a lot more time than everyone else, hence the increase in his number of hours.

***Administration*:** this involves some documentation hence why the administrative time does not fluctuate very much. However it is not the same every week as it depends on the amount of documentation that needs to be done in that week but a fair amount of time as you can see would be spent on putting the company's documentation together .

This breakdown of job type is shown as a percentage for every week in "Breakdown of labour hours" in the excel document on the submitted CD, as this chart (and the Main Finance Plan) is difficult to read on black-and-while A4 paper. Also on the CD is the Main Financial Plan (on the same excel document), predicted labour hours per week (on the same excel document) and this document (a separate word document).