**KENYA INSTITUTE OF HIGHWAYS AND BUILDING TECHNOLOGY Department of Civil engineering**

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**Admissi :2017/DCE/296**

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**PREFACE**

Kenya is encountering a lot of problem of unemployment to her citizen due this reason many tend to engage in entrepreneurship. The study of entrepreneurship encourage student and equip them with skills and knowledge to practice it hence self employment.

**DECLARATION**

I declare that this is my original work and has never been presented to any examination body for examination purpose, I hereby present this business plan for examination purpose with approval of Mr Peter Gisairo.

NAME: **Otieno Joseph Collins**

SIGNATURE: ………………………..DATE………………………

SUPERVISOR: PETER GISAIRO

SIGNATURE: ……………………………………………………..DATE…………………………………

**DEDICATION**

I dedicate this busines plan to my family members.

**ACKNOLEDGEMENT**

May I take this opportunity to thank my family members for cooperating with me, supporting financially and advising me accordingly. May the Lord be with them all through.

**SUMMARY**

In chapter one the business describes the nature of the business and why to start the business. Also provides name, location and address, form of ownership, type of the business, justification of the business and how the business enters the market.

Chapter two deals with marketing plan which provides the basis for the organization and financial plans. Also the marketing strategies, tactics and policies required to exploit the market opportunities.

Third chapter deals with organization and management plans of the business.

In chapter four it describes the facilities, labor and overheads required to render the proposed services.

The fifth chapter deals with all the cost and expenses incurred in the business.

**CHAPTER ONE**

# BUSINESS DESICPTION

## 1.0 INTRODUCTION

The name of the business is JC hardware and will be located in Siaya town.The hardware will be dealing with the sale and delivery of nails, iron sheets, cement and clay products.

## 1.1 MISSION

## The mission of the business is to provide quality ,appealing and also affordable products to the customers in the whole entire Siaya County and beyond

## 1.2 SPONSOR.

JC Hardware will be sponsored by the OTIENO FAMILY

## 1.3 EDUCATION BACKGROUND.

I joined siaya central primary school in 2005 and finished in 2012.I later joined Maseno School from 2013 to 2016.Iam currently a module 2 student at the Kenya Institute of Highways and building Technology persuing a diploma course in Civil engineering.

## 1.4 PROFFESSIONAL QUALIFICATION

**TECHNICAL SKILLS.**

I have technical skills in the building department having been on attachment with Banda homes a trusted construction company specializing in construction of residential buildings all around the country.

## 1.5 BUSINESS EXPERIENCE

During my attachment I obtained field skills office skills. I learned how to write reports. I can also come up with structures and prepare reports .I learnt office management while in the field,

I learnt and ensured quality workmanship, timely completion of work and work done to completion

## 1.6 BUSINESS IDENTITY

**NAME :** JC HARDWARE

**ADDRESS :241- 90400**

**SIAYA**

**MOBILE:** +254714118657

**EMAIL :o.josephcollins@gmail.com**

## 1.7 BUSINESS LOCATION

The proposed business will be located at the kisumu siaya highway junction.

**LOCATION MAP**

Imperial

House

Mwisho filling station

H. Business location

Siaya police station

**ADVANTAGES OF THE LOCATION**

The area of the business location is suitable due to the following reasons;

1. There is sufficient security due to the presence of a police station in the area.
2. The location is highly accessible to any kind of vehicle.
3. The location is also a hotspot due to the fact that its on a junction of a busy road

## 1.8 BUSINESS ACTIVITIES

The activities in my business will be selling and delivering building materials to potential clients.

## 1.9 FORM OF OWNERSHIP

The form of ownership of the business will be a sole proprietorship.

**ADVANTAGES OF OWNERSHIP**

1. Decision making is fast since I will be the one making them
2. Easy documentation
3. Its management is flexible
4. There’s direct interaction between the management and the clients
5. Requires less legal procedures to start
6. One can work the number of hours they wish to

### 1.10 PRODUCTS AND SERVICES

The company will provide quality products including;

1. Nails
2. Iron sheets
3. Clay products
4. Pipes
5. Cement

### 1.11 BENEFITS OBTANABLE.

**Social benefits**

1. The company will be sponsoring needy students
2. It will plant trees to conserve the environment
3. Improve infrastructure.

**Economic benefits**

1. Create new job opportunities hence improving the living standards of youths in the area
2. Earn foreign exchange to the county and the country at large
3. Impart skills in interested parties in the community.

### 

### 1.12 COMPETITIVE ADVANTAGES

|  |  |  |
| --- | --- | --- |
| Company | Strengths | Weaknesses |
| Abba limited | Co operative employees  Good working conditions  Loyal clients | Customer relations monopoly  Lack of enough employees |
| Tolo General Stores | Large number of employees  Good infrastructure  Wide variety of products | Incompetent employees  Lack of skilled labor  Very high prices |
| Tony Hardware | Wide variety of products  Very loyal clients  Good infrastructure | High prices  Inadequate number of workers |
| High Stores | Loyal clients  Good infrastructure | High price  Underpaid workers |

CONCLUSION.

As can be noted from the above discussed areas, JC hardware is capable of surviving and growing in the current competitive industry as it will capitalize on the weakness of its competitors and also learn from their strengths.

## 1.3 INDUSTRY

This is a medium size company majoring solely on service delivery. These services include supply of nails, iron sheets, pipes, clay products and cement.

## 1.4 JUSTIFICATION OF THE INDUSTRY

Siaya town is a fast developing town with alot of space for constructions. There is also a huge growth in the number of people building residential and commercial houses.

## 1.5 OBJECTIVES

### Short term goals

Provide efficient n dependable service and get an array of loyal clients

**LONG TERM GOALS**

Purchase of other assets for use in the business e.g. lorries.20% of the profit will be utilized on this

Advancement of the advertising methods i.e. use of radio and tv stations to reach out to customers

The company also wishes to open branches in other counties and also expand its activities to the outside countries

## 1.6 ENTRY STRATEGY

The business will create awareness to the public about the service by advertisement in social media, sticking posters and also preparing business cards and calendars so as to create interest to customers.

## 1.7 GROWTH STRATEGY

Profit increase-Increase the profit margin due to high sales volume

Volume increase-Brought about by increase in demand due to awareness of the commodities

## 1.8 OPPORTUNITIES ARISING

For the business to succeed will need to take advantages of the opportunities

1. Opening more branches within and outside the county hence attracting more customers which will inturn increase the profit generation.
2. In creation of more job opportunities to the people, the business will be able to make more profit hence achieving its goals.
3. The business intends to increase the capacity of equipment to production since the completed is growing

# CHAPTER TWO

# MARKETING PLAN

## 2.0 INTRODUCTION

Marketing is the process of activities which direct flohes and services from the producer to the customers in order to accomplish the objective of the company and satisfy customers’ needs.

**IMPORTANCE OF MARKETING**

It’s a drafted document that indicates activities that should be aimed to the needs and wants of the consumer.

Importance of marketing;

Increased sales volume-It creates awareness of the product offered in the hardware which may lead to elevated sale of the products

Marketing helps the owner identify the customer preference and is therefore able to provide the best products for its customers

Helps In creating awareness of the product on the consumer

Helps in identification of strength and weakness of the business and its dealings

Helps business deal with unforeseen circumstances

## 2.1 MARKETING ENVIRONMENT

The business will be located and operated at Siaya County at the Siaya Kisumu highway junction

## 2.2 GEOGRAPHICAL ENVIRONMENT.

The business is located at the kisumu siaya highway junction near Siaya police station and mwisho filling station

## 2.3 ECONOMICAL ENVIRONMENT

The county level of income will increase rapidly due to job opportunities which are emerging everyday since the county is a developing one.

## 2.4 POLITICAL ENVIRONMENT

The business will be registered to the government as a sole proprietorship business. The government must be responsible for the security within the area and the property of my business. The business will be able to meet the government policy by paying taxes.

## 2.5 SOCIAL ENVIRONMENT

Because the country is facing unemployment problems to the youth. M y business will offer maximum job opportunities to the youth because they are energetic and can offer a maximum labour to the business.

## 2.6 COMPETITORS ENVIRONMENT

**DIRECT COMPETITION**

Experienced from already existing companies that offer similar products and services thus the need to be above them in the industry

**INDIRECT COMPETITION**

In the business environment there are also companies which are offering the same products and services.

## 2.7 CUSTOMERS ENVIRONMENT

The following are the targeted customers:

1. Building construction companies
2. New prospective builders

## 2.8 MARKETING STRATAGY

The business has identified the customers’ needs, it will be able to offer the best services to the customers and offer the services at a fair prices.

## 2.9 CUSTOMERS BEHAIVOUR

**CULTURAL FACTORS**

The business will be handling diverse clients so it will respect their different cultures.

Respect is the root of everything so you must respect them as they also respect you.

### 2.10 MARKET SHARE

Since in this area there have being businesses which operating, my business ought to carry some exercise in order to identify the share which is after introduction of services and products in the market. The methods to be used are:

* **QUESTIONNARIES**

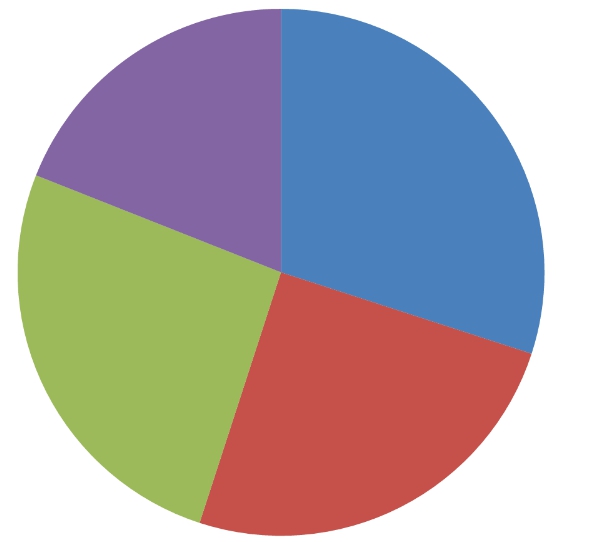
This business will issue some questions to the customers and some employees from other companies to know they carry out their businesses and the favors that customers need.

* **INTERVIEWS**

The company will also carry out some interviews to get to know the percentage share in the market. The interview will be carried out to the customers and the people around the business location to collect data about the market share.

* **OBSERVATION**

This will be done through surveying the environment of the business. The company will observe the assets used by other companies and compare with its assets. It will also observe the kind of management on the other business and compare with its management.



Tolo stores

High stores

Abba stores

Tony hardware

### 2.11 COMPETITION

The business will face direct competition from other companies which have being in the field for sometimes.

The following are contacts, addresses and details of companies which will offer direct competition.

Tony Hardware

P.O BOX 108 – 2030-00100

EMAIL tonyh@gmail.com

CONTACTS: 0789190672.

**STRENGTH**

* Has sufficient money for running the business.
* Has a lot of customers.
* Has a good working location which allow the business to attract more customers.

High stores

P.O BOX 2030 – 00100

Siaya

Email:highstores@gmail.com

CONTACTS: 0701570110.

**STRENGTH**

* Offer the best services within the airport.
* Has better and qualified managers and workers.
* Has suitable start up capital.

Tony HARDWARE

P.O BOX 3003 – 00100,

Siaya.

EMAIL:Tonyhardwares @gmail.com

CONTACTS: 0707357655.

**STRENGTH**

* Has many employees and many brand of cars.
* Offers suitable services to customers outside the county.
* Has a branch operating at Wilson Airport.

High stores

P.O BOX 2030 – 00100,

Siaya

Email:highstores@gmail.com

CONTACTS: 0701570110.

**STRENGTH**

Offer the best services within the airport.

Has better and qualified managers and workers.

Has suitable start up capital.

### 2.12 ANALYSIS TABLE

|  |  |  |
| --- | --- | --- |
| SERVICES | COMPETITORS | MINE |
| TRANSPORT SERVICES | 3 | 3 |
| PRODUCT TRANSPORTATION | 2 | 3 |
| PRICES | 2 | 5 |
| PROMOTION | 3 | 5 |
| ASSETS | 4 | 3 |
| CAPITAL | 2 | 3 |
| WORKMANSHIP | 4 | 5 |
| TECHNOLOGY | 3 | 4 |
| CUSTOMER CARE | 4 | 5 |

|  |  |
| --- | --- |
| **5** | EXCELLENT |
| **4** | VERY GOOD |
| **3** | GOOD |
| **2** | FAIR |
| **1** | POOR |

### 2.13 COPING UP WITH COMPETITION

Competition is a very essential tool in a business environment for it enables business to grow effectively. My company will use the following ways to cop up with the competition:

**Technology**: The company will ensure that the technology which is being used is improved and is able to attract many customers. My company will open a website which will enable customers to book for the cabs to ease their transportation activities.

**Staff training**: The company will organize for training classes so that the employees are trained on how to handle the customers. This will enable the company to fit in the market always and be in phase with other companies.

**Promotion and Advertisement**: The company will make sure that all its information about the product and services to be offered to reach the customers and public. This will be done by posting posters, billboards and social media platforms. This will create awareness of products and services which will increase the customers.

**Payment Modes**: The company will make sure that every customer pays his/her debt with his/ her favorable method of payment. We introduce Lipa na M-Pesa, Bank Payment and also be able to pay using plastic money.

### 2.14 ADVERTISING STRATEGY

The business has to ensure that customers are informed about the business and the services offered by the business on doing this, the business will use advertising media such as:

* Use of social media like Facebook and Twitter. Most people are on social media and this will capture their attention therefore creating awareness of the business to the public.
* The newspaper. This may be appropriate since it is cheap and covers a large portion on the targeted group of customers of the services offered by the business.
* Cards and Calendars: This will show the image of the business. It is a cheaper and affordable way to advertise the business which will create awareness of the business to the public.

The advertisement, will be made after every two months will ensure that there is a complete awareness of the business and has to take the least cost possible.

### 2.15 PROMOTION STRATEGY

The business will employ a suitable and affordable method of promotion .The promotion methods may include:

1. Conducting trade fairs and exhibitions to create awareness of the services
2. Participating in seminars concerning introduction of new products and technology in the market.
3. Promoting and improving the quality of the products and services offered in the business in order to cop up with existing competition.

### 2.16 PRICING STRATEGY

The business intends to offer products and services to its customers at a fair price that will maximize its profits and make good operation in the market. In setting the price strategy, the business will have to consider various factors that may influence the price for the products and services.

These factors may include:

**MARKET DEMAND:** Increase in demand for the services will lead to increase in the price for the product. The business has to put in consideration of the demand of the same products and set the proper price.

**COMPETITORS PRICE:** The business has to carry out research on the prices that competitors have to set for the same product and services and come out with a good price that is competitive and favorable to the customers

**PRODUCTION COST:** The cost for the factors of production must be considered in order to avoid prices which may lead to loss in the business. The business has to do research on production and set prices that favor the business as well as the customers.

**VALUE ADDED TAX(VAT):** Imposition of tax on the products and services by the government may lead to increase in the price of the commodity and thus the business has consider the imposition of the like VAT to the products and services and set prices accordingly to avoid loss and also favor the customers.

|  |  |
| --- | --- |
|  |  |
|  |  |
|  |  |

### 2.18 SALES TACTICS

The proposed business will offer products and services directly to the customers in order to identify its customers and build good relations.

* The business will put adverts for the available vacancies in the business. The advertising will be done on newspapers and through social media such as Facebook and Twitter.
* The business will conduct interviews and recruit the best according to their level of education, working experience and their presented documents.
* There will be also training and holding seminars to train and update employees on how to cope with emerging issues and trends in the market.

### 2.19 DISTRIBUTION STRATEGY

**DISTRIBUTION METHODS**

DIRECT METHODS

**Provider Customers.**

INDIRECT METHOD

**Provider Distributor Agent Customers.**

**ADVANTAGES OF DIRECT METHOD**

* Producer enjoys all the profit alone since the direct method does not involve other parties.
* It is easy for sales person to persuade customers hence making high sales volume which in turn increases profit generated.
* Customers are able to get high quality services directly from the provider.
* Customers will be able to get products and services right at the time since there is no delay on delivery of products because they will be gotten direct from the source.

**ADVANTAGES OF INDIRECT METHOD**

* There will be increment of sales volume since many sales persons will be involved.
* The profit margin will also increase as a result of high sales volume of products and services.
* The production rate will be very high as the output will be delivered as faster as possible to the market.
* The company will also be able to achieve its goals due to profit accumulation from increased sales volume.

### 2.20 ANTICIPATED PROBLEMS AND SOLUTION

### Problem incurred by the company are due to weather changes during rainy season's the construction process becomes much difficult since transportation of material to the construction site becomes hard.This can be solved by using already mixed concrete during construction through using concrete mixer.

Another problem anticipated is unavailability of enough workforces during the operation. This will be solved by employing enough and both unskilled and skilled individuals who will inspect all the machines and equipment after every operation process to enable high yield in production.

# CHAPTER THREE

# ORGANIZATION PLAN

## 3.0 INTRODUCTION

This chapter deals with the development of the policies for the organization. This enables the entrepreneur to achieve the effective production of goods and services. Efficient management and organization plan is very essential in the success of the business. The proposed business will ensure effective management to give a smooth running of the business. Duties will be allocated to the employees according to their areas of specialization or profession. This will ensure that duties are carried out in a proper way possible for the prosperity in the business operation. The management will include: Managing Director, the human resource manager, Finance Manager and Production Manager.

### 3.1 ORGANIZATION STRUCTURE

MANAGING DIRECTOR

SECRETARY

PRODUCTION MANAGER

FINANCIAL MANAGER

HUMAN RESUOURCE

MANAGER

SECURITY

GUARDS

DRIVERS

CLEANER

**IMPORTANCE OF ORGANIZATION PLAN**

* Organization structure encourages positive human relationship between seniors and junior employees.
* It gives a clear definition of responsibility done by different departments depending on their skills and know how hence effectiveness of the organization.
* It simplifies coordination of different events within the organization.
* Organization structure permits quick decision making and acts as the entire decisions are done within the chain of command.

## 3.2 MANAGING DIRECTOR QUALIFICATION

* Must be experienced with at least four years in managing section.
* Must be a Diploma and Degree holder in civil engineering.
* Must have technical skills in civil engineering on how to solve problems incase of a breakdown which may occur on the vehicles.
* Must have a driving license and experienced as a driver.
* Must have entrepreneurial skills that is to be able to manage the business.

**DUTIES OF MANAGING DIRECTOR**

* Be responsible for making sure that the accountsof the company and its financial affairs have arranged in a reliable manner.
* Make trade register amendments also in his duty.
* Undertake measures that are extensive in view of the scope and the nature of the activities of the business without causing essential harm to the business operations.

## 3.3 FUNCTIONS OF MANAGEMENT

**1,CONTROL:** Management controls all the activities carried out by the company. This activities may include financial transactions, budget and allocation of funds.

**2, ORGANISING:** Management teamis the one responsible for general organization of the company. It is the duty for organizing for activities such as training,on routinesto be followed interviews and professional training.

**3, PLANNING:** The management is responsible for formulating andoperation routines to be followed by the technician will be knowing where to work,at what time and under which conditions.

**4. CONTROL:**For the company to operate effectively it ought to have effective coordination between customers,technicians and management

## 3.5 OTHER PERSONNEL

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **PERSONNEL** | **NO.** | **QUALIFICATION** | **DUTIES** | **EXPERIENCE** |
| **ACCOUNTANT** | 1 | Diploma in accounting or CPA K.  Computer literate | * Maintaining financial records. * Auditing of the business account. * Determining taxes and insurance pay | 2 years of experience. |
| **HUNAN RESOURCE MANAGER** | 1 | Diploma in human resource management.  Computer literate | * Obtain the staff if needed. * Recruiting new employees. * Wages and salaries computation. * Placement of employees and also promotion. | 3 years of experience |
| **SECRETARY** | 1 | Diploma or certificate in secretarial studies | * Taking notes or minutes during meetings. * Maintaining the office of the manager. | 1 year working experience |
| **DRIVER** | 3 | Driving license from recognized driving school (K.I.H.B.T Driving school is highly recognized) | * Transport the customers to their destinations. * Transport luggages | 2 years of experience |
| **SECURITY GUARDS** | 3 | KCSE Certificate with a minimum grade of C- | * Accompany the customers to ensure that they are safe. * To offer security to the premises. | Good working experience of one year |
| **CLEANER** | 1 | KCSE Certificate | * To ensure that cleanliness is maintained in the premises. |  |

## 3.6 RECUITMENT, TRAINING AND PROMOTION

### 3.6.1 RECRUITMENT

Procedure to be followed in recruiting employees

**1.Application**

The company will release application forms to be filled by the applicants interested by the job.

**2.Short listing**

Certificate and qualification will be followed closely in order to come up with the best crew of employees.After that shortlisting of the qualified applicants will be posted and the applicants be contacted for them to know.

**3. Interviews**

Shortlisted applicants will be required to conduct an interview. The interview will involve practices and oral questions to prove that they are all qualified.

**4. Selection**

After interview those who fit for the vacancies will be selected.

**5. Appointment Letter**

The selected applicants will be written an appointment letter which will indicate reporting date, salary and terms and conditions.

**6. Acceptance**

After receiving the appointment letter the selected will be required to write a letter on whether they will report or not.

**7. Employment**

The selected will then be employed by the company and starts the work immediately after signing contract form.

### 3.6.2 TRAINING

This is a process conducted in order to improve the performance of employees in different tasks. The business will put in place some strategies to ensure that the employees are trained on how to better their performance and also for a better running of the organization. Some of the strategies include:

* Conducting seminars: The business will continuously conduct seminars for the employees to enable them get to know different ways of performing different tasks in their day to day duties in the business.
* Development programs: The business will also come up with development programs where certificates will be awarded after some training of different operations or according to the area of specialization.

### 3.6.3 PROMOTION

The promotion of the employees will depend on various factors like the performance of the employee in his/her duties and responsibilities, the experience he/she is handling.

An additional training which may be an advantage on the side of employer and also to the business and also the skills one has in performing different tasks in the business.

## 3.7 REMULATION AND INCENTIVES

### 3.7.1 REMULATION

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **PERSONNEL** | **NO.** | **SALARY PER HEAD**  **(KSH)** | **TOTAL SALARY PER MONTH (KSH)** | **TOTAL SALARY PER YEAR (KSH)** |
| Managing director | 1 | 12000 | 12000 | 144000 |
| Human resource manager | 1 | 8000 | 8000 | 96000 |
| Accountant | 1 | 7000 | 7000 | 84000 |
| Production manager | 1 | 7000 | 7000 | 84000 |
| Secretary | 1 | 6000 | 6000 | 72000 |
| Drivers | 3 | 6000 | 18000 | 216000 |
| Security Guards | 3 | 5500 | 16500 | 198000 |
| Cleaner | 1 | 5000 | 5000 | 60000 |
| **TOTAL** | **12** |  | **79500** | **954000** |

### 3.7.2 INCENTIVES

The business will offer various allowances to its employees which include:

**Overtime allowances:** This will be provided to those employees who extend their working hours beyond the stated working hours. This will be applied to employees in the management doing something which will contribute to the development of the company.

**House Allowances:** The business will offer workers house allowances to ensure that each and every employee is safe from late payment of rent to their landlords to avoid inconvenience in the business, which may occur from workers and their landlords.

**Medicine Allowances:** The company has an N.H.I.F Card as a requirement for every employee seeking a job opportunity in the company. The company will take care of N.H.I.F bill payments.

**Transport allowances:** The business will set aside capital to cater for the workers transport modes so that they can arrive at the workplace at the right time.

## 3.8 LICENSE AND BY LAWS

The business will have to obtain some legal documents in order to avoid harassment from the government. The business will carefully follow the preferred licensing and registration procedures considering the cost and where to obtain the legal documents used in the process of registering. Some of the legal documents that will have to acquire include business registration, certificate, trade license, professional permit and insurance policy.

## 3.9 SUPPORTIVE SERVICES

### 3.9.1 BANKING SERVICES

The business will operate under an account opened with Cooperative Bank of Kenya. The bank will be able to save our money to avoid risks like theft. The bank will also be able to provide the business with financial assistance like letting loans.

### 3.9.2 POSTAL SERVICES

The business will have to obtain a postal address from Posta Kenya in order to Send and receive letters and parcels for the business.

### 3.9.3 INSURANCE SERVICES

The business will obtain an insurance service from Jubilee Insurance Company. The insurance company will cover the business property and the employees too, to avoid the loses which may occur due to accident

# CHAPTER FOUR

# PRODUCTION PLAN

## 4.0 INTRODUCTION

Production plan describes the key process of offering services in the machinery and equipment that will be required in the productions.

## 4.1 PRODUCTION FACILITIES AND CAPACITY

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **ITEM** | **QUANTITY** | **MAKE** | **UNIT PRICE** | **TOTAL PRICE** |
| Vehicles | 3 | TOYOTA;   * Corolla * Fielder | 1 000 000  1 200 000 | 1 000 000  2 400 000 |
| Computer | 4 | DELL | 24 000 | 96 000 |
| **TOTAL** |  |  |  | **3 496 000** |

## 4.2 PRODUCTION STRAREGY

Production strategy is the cost incurred during the production cost. For day to day operation of the business the following materials should be available:

**COST OF PRODUCTION PER MONTH**

**Cost of materials**

|  |  |  |
| --- | --- | --- |
| **ITEM** | **QUANTITY** | **AMOUNT** |
| Computers | 2 | 50 000 |
| Offices | 3 | 150 000 |
| Benches | 3 | 5 000 |
| Telephone | 1 | 10 000 |
| **TOTAL** |  | **215 000** |

**Cost of labour**

|  |  |  |
| --- | --- | --- |
| **PERSONNEL** | **NO.** | **SALARY PER MONTH (KSH)** |
| Managing Director | 1 | 12 000 |
| Accountant | 1 | 7 000 |
| Human resource Manager | 1 | 8 000 |
| Production manager | 1 | 7 000 |
| Secretary | 1 | 6 000 |
| Drivers | 3 | 18 000 |
| Security guards | 3 | 16 500 |
| Cleaner | 1 | 5 000 |
| **TOTAL** | **12** | **79 500** |

## 4.3 OVERHEAD EXPENSES

Overhead expenses are the expenses incurred during the operation of the business and the business has to pay to meet its objective of the business

|  |  |
| --- | --- |
| **ITEM** | **AMOUNT (KSH)** |
| Rent | 5 000 |
| Water bill | 1 000 |
| Insurance | 10 000 |
| Loan repayment | 100 000 |
| Electricity | 2 000 |
| Maintenance and repair | 20 000 |
| **TOTAL** | **138 000** |

Cost of production = cost of material+ cost of labour + overhead

= 215 000 +79 500 + 138 000

= **432 500**

## 4.4 OPERATION PROCESS

The business will use the following operational process

1. The customers will send their reports and requests to the marketing manager about the services they want to be added in the business.
2. The marketing manager will then forward the information to the production manager to find out which actions can be done to satisfy the customers’ needs.
3. After findingout the ways in which the services can be improved, the duty will be forwarded to the finance managerto receipt for the services.
4. After receipting the production manager plays his duty by making sure that the services reach the customers and are satisfied.

## 4.5 REGULATIONS AFFECTING PRODUCTION

1. COPYRIGHT ACT

This deals with protecting the business against adopting or using someone’s logo, names or their motto. Therefore, my company will brand its cars and the building using its unique logo.

1. ENVIRONMENT ACT

This deals with cleanliness within the company. The company has hired a cleaner to take care of the cleanliness of the company and the vehicles. The company will also launch a program for planting trees within the county of Nairobi.

1. HEALTH AND SAFETY ACT

All workers will be trained on the safety rules to observe when in the business. The drivers will also be trained on how to drive careful to avoid accidents which can be caused by reckless driving.

1. FACTORY ACT

In any company, the factory act should be followed to the line. Protective precautions should be taken while in the company. The company will offer fire extingushers to be used incase of outbreak of fire in the premises.

1. SAFETY ACT AND RULES

The safety act and rules states that in each and every company there should be a provision of First Aid Kit. This will enable the workers to get first aid in case of any injury or accident in the company. The company will sponsor one worker to be trained on how to offer first aidto the other workers.

# CHAPTER FIVE

# FINANCIAL PLAN

## 5.0 INTRODUCTION

Financial plan is the plan which shows how a company will spend its money. It gives the overall performance andoverview of the business position. It accounts for all the funds in the business and shows accountability of every coin incurred as a profit, loss or purchase. This helps the company to utilize all the available resources and avoid misuse and mismanagement of resources.

## 5.1 PRE OPERATIONAL COST

|  |  |
| --- | --- |
| **ITEM** | **AMOUNT ANNUALLY (KSH)** |
| Tool/materials/equipment | 3 711 000 |
| Rent | 60 000 |
| Salaries | 79 500 |
| Power | 24 000 |
| Transport | 300 000 |
| Water | 12 000 |
| Promotion | 20 000 |
| Advertisement | 60 000 |
| License | 2 000 |
| **TOTAL** | **5 143 000** |

## 5.2 ESTIMATION ON WORKING CAPITAL

Working capital is the amount of the money that the business will work with to run its operation.

|  |  |
| --- | --- |
| **CURRENT ASSETS** | **AMOUNT (KSH)** |
| Cash in hand | 2 000 000 |
| Cash at bank | 3 000 000 |
| Debtors | 1 500 000 |
| **TOTAL ASSETS** | **6 500 000** |
| **CURRENT LIABILITIES** |  |
| Creditors | 30 000 |
| Loans | 2 500 000 |
| **TOTAL LIABILITIES** | **2 530 000** |

WORKING CAPITAL = CURRENT ASSET – CURRENT LIABILITY

= 6 500 000 – 2 530 000

**= KSH 3 970 000**

## 5.3 CASH FLOW

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| cash inflow | JAN | FEB | MAR | APR | MAY | JUNE | JULY | AUG | SEP | OCT | NOV | DEC | Total |
| balance b/f | |  |  |  |  |  |  |  |  |  |  |  |  |
| cash in hand | 160000 | 160000 | 160000 | 160000 | 160000 | 200000 | 160000 | 160000 | 160000 | 200000 | 160000 | 160000 | 2000000 |
| cash at bank | 250000 | 250000 | 250000 | 250000 | 250000 | 250000 | 250000 | 250000 | 250000 | 250000 | 250000 | 250000 | 3000000 |
| debtors | 125000 | 125000 | 125000 | 125000 | 125000 | 125000 | 125000 | 125000 | 125000 | 125000 | 125000 | 125000 | 1500000 |
| cash sales | 300000 | 310000 | 570000 | 400000 | 600000 | 450000 | 660000 | 590000 | 830000 | 540000 | 700000 | 900000 | 6850000 |
| loans | 1E+06 |  |  |  |  | 1E+06 |  |  |  |  | 500000 |  | 2500000 |
| total cash inflow | 2E+06 | 845000 | 1105000 | 935000 | 1E+06 | 2E+07 | 1E+06 | 1E+06 | 1E+06 | 1E+06 | 2E+06 | 1E+06 | 15850000 |
| cash outflow | |  |  |  |  |  |  |  |  |  |  |  |  |
| salaries | 79500 | 79500 | 79500 | 79500 | 79500 | 79500 | 79500 | 79500 | 79500 | 79500 | 79500 | 79500 | 954000 |
| purchases | 100000 | 500000 | 90000 | 80000 | 45000 | 60000 | 75000 | 80000 | 80000 | 40000 | 80000 | 80000 | 860000 |
| Rent | 5000 | 5000 | 5000 | 5000 | 5000 | 5000 | 5000 | 5000 | 5000 | 5000 | 5000 | 5000 | 60000 |
| water | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 12000 |
| power | 2000 | 2000 | 2000 | 2000 | 1500 | 2000 | 2000 | 2500 | 2000 | 2000 | 2000 | 2000 | 24000 |
| creditors | 2500 | 2500 | 2500 | 2500 | 2500 | 2500 | 2500 | 2500 | 2500 | 2500 | 2500 | 2500 | 30000 |
| loan payment | 200000 | 210000 | 210000 | 210000 | 210000 | 210000 | 210000 | 200000 | 210000 | 210000 | 200000 | 210000 | 2500000 |
| loan interest | 25000 | 25000 | 25000 | 25000 | 25000 | 25000 | 25000 | 25000 | 25000 | 25000 | 25000 | 25000 | 300000 |
| transport | 25000 | 25000 | 25000 | 25000 | 25000 | 25000 | 25000 | 25000 | 25000 | 25000 | 25000 | 25000 | 300000 |
| license |  |  |  |  |  | 2000 |  |  |  |  |  |  | 2000 |
| promotion | 1700 | 1700 | 1700 | 1500 | 1700 | 1700 | 1500 | 1700 | 1700 | 1700 | 1700 | 1700 | 20000 |
| Total cash outflow | 441700 | 407700 | 441700 | 436500 | 396200 | 413700 | 426500 | 421200 | 431700 | 391700 | 421700 | 431700 | 5062000 |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Net cash | 1E+07 | 437300 | 663300 | 498500 | 738800 | 2E+06 | 768500 | 703800 | 933300 | 723300 | 1E+06 | 1E+06 | 10788000 |





## 5.4 PROFORMA INCOME STATEMENTS

This record which business uses to evaluate itself if it is running at a loss or profit. It is important as the company uses to take caution about its weakness

|  |  |
| --- | --- |
| **ITEM** | **AMOUNT (KSH)** |
| Sales | 6 850 000 |
| Less purchases | 860 000 |
| **Gross profit** | **5 990 000** |
| **EXPENSES** |  |
| Transport | 300 000 |
| License | 2 000 |
| Promotion | 20 000 |
| Water | 12 000 |
| Salaries | 954 000 |
| Power | 24 000 |
| Rent | 60 000 |
| **TOTAL** | **1 372 000** |

NET PROFIT BEFORE TAX = TOTAL GROSS PROFIT – TOTAL EXPENSES

= 5 990 000 – 1 372 000

**= KSH 4 618 000**

PROVISION OF TAX 16% = 16/100 \*4 618 000

**= KSH 738 880**

NET PROFIT AFTER TAX = 4 618 000 – 738 880

**= KSH 3 879 120**

## 5.5 PROFORMA BALANCE SHEET AS AT JUNE 2019

|  |  |  |  |
| --- | --- | --- | --- |
| **ITEM** | **AMOUNT (KSH)** | **ITEM** | **AMOUNT (KSH)** |
| FIXED ASSETS |  | LONGTERM LIABILITIES |  |
| Vehicles | 3 400 000 | Relatives’ contribution | 1 727 120 |
| Computer | 96 000 | Friends’ contribution | 1 500 000 |
|  |  | Bank loans | 2 500 000 |
| CURRENT ASSETS |  | Own contribution | 2 000 000 |
| Cash in hand | 2 000 000 | SHORT TERM LIABILITIES |  |
| Cash at bank | 3 000 000 | Creditors | 30 000 |
| TOTAL CURRENT ASSETS | 5 000 000 | Tax 16% | 738 880 |
| **TOTAL ASSETS** | **8 496 000** | **TOTAL LIABILITIES** | **8 496 000** |

## 5.6 BREAK EVEN POINT

|  |  |
| --- | --- |
| **ITEM** | **AMOUNT (KSH)** |
| **VARIABLE COST** |  |
| Water | 12 000 |
| Power | 24 000 |
| Transport | 300 000 |
| **TOTAL VARIABLE COST** | **336 000** |
| **FIXED COST** |  |
| Salaries | 954 000 |
| Rent | 60 000 |
| License | 2 000 |
| **TOTAL FIXED COST** | **1 016 000** |

CONTRIBUTION MARGIN = TOTAL SALES – VARIABLE COST

= 6 850 000 – 336 000

**= KSH 6 514 000**

CONTRIBUTION MARGIN PERCENTAGE = CONTRIBUTION MARGIN/TOTAL SALES \* 100

= 6 514 000/6 850 000 \* 100

**= 95%**

BREAK EVEN POINT = FIXED COST/ CONTRIBUTION MARGIN PERCENTAGE

= 1 016 000/95

**= 10 694.73**

## 5.7 PROFITABILITY RATIOS

SALES TURN OVER = NET PROFIT AFTER TAX / TOTAL SALES\*100

= 3 879 120/6 850 000\*100

**= 56.63%**

CAPITAL EMPLOYED RATIO = NET PROFIT AFTER TAX/TOTAL ASSETS\* 100

= 3 879 120/8 496 000\*100

**= 45.66%**

CURRENT ASSETS RATIO = NET PROFIT AFTER TAX/TOTAL CURRENT SALES\*100

=3 879 120/5 000 000\*100

**= 77.03%**

## 5.8 DESIRED FINANCE CAPITAL

|  |  |
| --- | --- |
| **ITEM** | **AMOUNT (KSH)** |
| Preoperational cost | 5 143 000 |
| working capital | 3 970 000 |
| **TOTAL** | **9 113 000** |

## 5.9 PROPOSED CAPITALIZATION

|  |  |
| --- | --- |
| **ITEM** | **AMOUNT (KSH)** |
| Friends contribution | 1 500 000 |
| Bank loans | 2 500 000 |
| Relatives contribution | 1 727 120 |
| Owner’s contribution | 2 000 000 |
| **TOTAL** | **7 727 120** |