Unlock: York

Financial Briefing

Version 2.0

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Table of Contents

1. General Points

After our market research, design and ideas stage we are now at the point where we have prepared a financial forecast that we believe represents the true cost of building our product. At Unlock: York we are asking for £56,000 for this. This money will be used to pay for all aspects of our build cost; we have factored in our interest payments on this and have calculated the amount we will have left to allow for any further unexpected payments.

The spreadsheet shows the weekly breakdown in costs during the project. It is itemised into each individual cost, i.e. rent, labour, utilities & IT infrastructure. There is also weekly breakdown of the payments due, taking into account the payment timings and when money should be paid. There is a final payments column at the end of the spreadsheet which will allow us to pay the final weeks wages a week in arrears. At the bottom our open/close statement will show a statement of our balance at the beginning and end of the week and takes into account any payments we must make within this time period; this acts as an accumulative cash flow that shows the change in our bank balance from week to week.

2. Assumptions

2.1 Rent

- We are renting 1,400 sq. ft. at £23.50 per sq. ft. per annum.
- This can be broken down to £632.69 per week spent on rent.
- This rent will run from week commencing 8/1/18 until the end of the week 10 summer term.
- We will pay rent on weeks 4, 7 & 10 of each term.

2.2 Utilities

- We will pay utilities during weeks 6 & 10 of each term and are priced at £50 per week.

2.3 IT Infrastructure

- We will pay IT infrastructure costs during weeks 6 & week 10, priced at £100 per week.

2.4 Module Purchases

- For the benefit of our projection we are taking a best-case scenario view with regards to module purchases; we are assuming that we will purchase two modules and sell none.
- We predict the module hand over will be early in summer term and the acceptance will be shortly after, this is reflected in our spreadsheet; if this is slightly different we are not worried it will affect our projection.

2.5 Marketing Costs

- The Marketing team have requested a budget to allow for them to promote and advertise the product of £4000

- We have split this cost across the 10 weeks of term paid every 2 weeks to allow a constant supply for them to promote; therefore, they will receive £400 per week.
- This timescale allows us to focus on the early stages of building the product and then the marketing will be in full swing to coincide with the product release.

2.6 Labour

- We are discounting bank holidays from our forecast as we have agreed as a group that we will make up our projected hours throughout the rest of the week.
- Forecast has not taken into account the possibility of non- serious illness as we expect that work will be caught up on in the individuals own time.
- Seriously illness or injury will be subject to risk assessment form the project manager and will most likely result in a work split where the rest of the group will catch up on the missing individual's hours; therefore, not affecting our projection.
- Our weekly labour projection takes into account the differing workloads we will have at this point in time. I.e. if we have no timetabled labs or lectures there will be more time spent working in our own time, and if are in week 10 with various different deadlines there will be more time spent in meetings labs, as well as own time. After our final presentation we have predicted that the workload will ease and less hours will be spent finalising our product.
- Payments for labour will be weekly, one week in arrears; this is shown in the spreadsheet by when salaries are paid.

2.7 Interest

- We will pay 16.86% APR on any loan received from the financial advisor

3. Overhead Recovery Rate

The overhead rate is the total of indirect costs (or overhead) divided by any direct costs (the costs directly associated with the production of the product). The overhead recovery rate allows us to price products appropriately to cover all of its costs and thereby generate a long-term profit.

- If the overhead rate is not included in the cost of a product, then there is a risk that the company will significantly under-price its products or services, and eventually go bankrupt.
- Indirect Costs have included Rent, Utilities and IT Infrastructure
- Direct Costs have included Labour Costs, Marketing Costs and Module Costs

$$Overhead\ Recovery\ Rate: \frac{Indirect\ Costs}{Direct\ Costs}$$

$$Overhead\ Recovery\ rate = \frac{18{,}784.56}{30{,}550}$$

$$Overhead\ Recovery\ Rate = 0.615$$