**FINANCIAL PLAN**

Based on the evaluation of the results of the market study and the technical aspects of the project, the financial aspect of the project will be prepared, studied and evaluated. The financial study is significant for the project because it will estimate and evaluate the future profitability of the company. Furthermore, it estimates the flexibility of the project in terms of profitability when various cost and revenues charges in the given period. It will prove whether it is economical to put up this of business

# **5.1 FINANCIAL ASSUMPTION**

* **Capital Investment**

100% of the total project cost will be borrowed from BDO bank through Business loan, payable per annum with interest of 7.5%.

* **Direct and Indirect Materials**

100% of the total project cost will be borrowed from BDO bank through Business loan, payable per annum with interest of 7.5%.

* **Supplies**

Shop, Drinking Water, Medical and Janitorial supplies are assumed to increase 3% annually.

* **Power Consumption**

Electricity in the shop and factory is provided by Meralco and assumed to increase 3% annually.

* **Water Consumption**

Water in the factory and the shop is provided by Maynilad and assumed to increase by 3% annually.

* **Salvage Value**

Salvage Value is 10% of the total cost.

* **Repair and maintenance cost**

Starting at year one (1) up to year four (4) there is an increase of 0.50% in the repair and maintenance cost in both shop and factory machine and equipment, and by the beginning of year five (5), there is an increase of 1%.

# **5.2 FINANCIAL STATEMENT**

## **5.2.1 TOTAL PROJECT COST**

**FIXED ASSET**

Lease Improvement 155,487.59

Machines and Equipment 524,329.70

Furniture and Fixtures 30,409.25

**TOTAL FIXED ASSETS 710,226.54**

**PRE-OPERATING EXPENSE**

Rent 260,000.00

Advertising 3,000.70

Feasibility Study 7,000.00

Hiring and Training Development 5,000.00

Permits and License 15,000.00

**TOTAL PRE-OPERATING EXPENSE 290,000.00**

**EXPENSE WORKING CAPITAL (2 months)**

Salaries and benefits 260,000.00

Rent 40,000.00

Electricity 70,000.00

Hiring and Training Development 5,000.00

Permits and License 15,000.00

Water 50,910.50

General Supplies 8,082.00

Communication 4,187.00

Interest Expense 13,500.00

Taxes and Fees 4,340.00

Professional Fees 1,563.00

Repairs and Maintenance 960.00

Direct Material 546,600.17

Indirect Material 45,310.00

**TOTAL EXPENSE WORKING CAPITAL 1,085,452.67**

**TOTAL PROJECT COST 2,085,679.21**

## **5.2.2 COST OF GOODS SOLD**

**RATBUSTERS**

**STATEMENT OF COST OF GOODS SOLD**

**FOR THE YEARS 2017-2020**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **2017** | **2018** | **2019** | **2020** |
|  | **TOTAL** | **TOTAL** | **TOTAL** | **TOTAL** |
| **DIRECT MATERIALS** | **3,195,678** | **3,308,975** | **3,474,128** | **3,595,874** |
| Inventory – Beginning |  | 93,213 | 114,147 | 116,880 |
| Purchases | 3,279,601 | 3,310,112 | 3,476,102 | 3,624,185 |
| Material Available for use | 3,279,601 | 3,403,325 | 3,590,249 | 3,741,065 |
| Inventory – Ending | 83,923 | 94,350 | 116,121 | 145,191 |
| **DIRECT LABOR** | **142,125** | **151,600** | **169,431** | **185,875** |
|  |  |  |  |  |
| **FACTORY OVERHEAD** | **689,301** | **702,633** | **738,905** | **772,249** |
| Indirect Materials | 271,860 | 294,680 | 319,151 | 340,122 |
| Rent | 240,000 | 240,000 | 240,000 | 240,000 |
| Electricity | 111,154 | 118,268 | 122,742 | 126,495 |
| Repairs and Maintenance | 2,400 | 3,720 | 5,817 | 6,181 |
| Depreciation | 42,287 | 45,965 | 51,195 | 59,451 |
| COST OF  MANUFACTURED GOODS | **4,027,104** | **4,163,208** | **4,382,464** | **4,553,998** |
|  |  |  |  |  |
| **FINISHED GOODS INVENTORY – BEG** | **-** | **-** | **-** | **-** |
|  |  |  |  |  |
| **GOODS AVAILABLE FOR SALE** | **4,301,665** | **4,212,382** | **4,438,237** | **4,689,388** |
|  |  |  |  |  |

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **# OF UNITS MANUFACTURED** | **5,583** | **6,107** | **6,730** | **7,428** |
| **COST PER UNIT MANUFACTURED** | **63.10** | **64.68** | **64.97** | **65.54** |
| **# OF UNITS SOLD** | **5,583** | **6,107** | **6,730** | **7,428** |
| **MARKUP** | **51%** | **51%** | **52%** | **51%** |
| **SELLING PRICE PER UNIT** | **1,900** | **2,100** | **2,300** | **2,800** |
| **TOTAL SALES AMOUNT** | **10,607,700** | **12,824,700** | **15,479,000** | **20,798,400** |

## **5.2.3 INCOME STATEMENT**

**RATBUSTERS**

**INCOME STATEMENT**

**FOR THE YEARS 2017-2020**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **2017** | **2018** | **2019** | **2020** |
| **COST OF SALES** | **4,027,104** | **4,163,208** | **4,382,464** | **4,553,998** |
| **OPERATING EXPENSES** Salaries and Benefits Rent  Electricity  Water General Supplies  Communication  Interest Expense  Taxes and Fees  Professional Fees  Repairs and Maintenance  Pre-operating Charges  Depreciation Expenses | **2,796,066**  1,560,000  240,000  420,000  305,463  48,492  25,122  81,000  26,040  9,378  5,760  20,000  54,811 | **2,928,217**  1,661,190  240,000  432,600  314,627  49,172  25,122  82,140  27,176  10,688  6,272  23,109  56,121 | **3,040,421**  1,723,000  252,000  445,578  324,066  51,312  25,122  83,010  29,510  11,588  7,480  26,238  61,517 | **3,196,407**  1,838,820  252,000  458,946  333,787  52,822  25,122  84,960  31,198  12,918  8,681  31,189  65,964 |
| **OPERATING INCOME INCOME TAX** | **3,561,177**  **1,068,354** | **3,861,381**  **1,158,414** | **3,681,128**  **1,104,339** | **3,711,689**  **1,113,507** |
| **NET INCOME** | **2,492,823** | **2,702,967** | **2,576,789** | **2,598,182** |

## **5.2.4 BALANCE SHEET**

**RATBUSTERS**

**BALANCE SHEET**

**FOR THE YEARS 2017-2020**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **2017** | **2018** | **2019** | **2020** |
| **ASSETS** |  |  |  |  |
| **CURRENT ASSETS** | **3,205,046** | **4,215,969** | **5,880,575** | **6,316,649** |
| Cash in bank | 3,121,123 | 4,121,619 | 5,764,454 | 6,171,458 |
| Raw Materials Inventory | 83,923 | 94,350 | 116,121 | 145,191 |
|  |  |  |  |  |
| **NON-CURRENT ASSETS** | **806,516** | **975,354** | **1,083,407** | **1,246,794** |
| Fixed Assets | 710,226 | 710,226 | 710,226 | 710,226 |
| Accumulated Depreciation | 96,175 | 150,128 | 258,181 | 421,568 |
| Other Assets | 115,000 | 115,000 | 115,000 | 115,000 |
| **TOTAL ASSETS** | **4,011,562** | **5,191,323** | **6,963,982** | **7,563,443** |

**LIABILITIES AND STOCKHOLDERS’ EQUITY**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **LIABILITIES** | **1,940,345** | **2,162,752** | **1,866,406** | **1,532,415** |
| **CURRENT LIABILITIES** | **1,125,345** | **1,445,314** | **1,507,906** | **1,532,415** |
| Accrued Expenses | 5,128 | 10,166 | 25,185 | 31,671 |
| Other Payable | 19,863 | 26,734 | 58,382 | 67,237 |
| Income Tax Payable | 1,068,354 | 1,158,414 | 1,104,339 | 1,113,507 |
| Loan Payable | 32,000 | 250,000 | 320,000 | 320,000 |
| **NON-CURRENT LIABILITIES** | **815,000** | **717,438** | **358,500** | - |
| Loan Payable – Long Term | 815,000 | 717,438 | 358,500 | - |
| **OWNERS’ EQUITY** | 2,071,217 | 3,746,009 | 5,456,076 | 6,031,028 |
| Capital | 850,000 | 850,000 | 850,000 | 850,000 |
| Retained Earnings | 1,221,217 | 2,896,009 | 4,606,076 | 5,181,028 |
| **TOTAL LIABILITIES AND**  **STOCKHOLDERS’ EQUITY** | **4,011,562** | **5,191,323** | **6,963,982** | **7,563,443** |

## **5.2.5 CASH FLOW STATEMENT**

**RATBUSTERS**

**CASH FLOW STATEMENT**

**FOR THE YEARS 2017-2020**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **2017** | **2018** | **2019** | **2020** |
| **CASH INFLOW** | **13,348,638** | **12,824,700** | **15,479,000** | **20,798,400** |
| Infusion of Capital | 850,000 | - | - | - |
| Proceeds from Long Term Loan | 1,890,938 | - | - | - |
| Collection from Sales | 10,607,700 | 12,824,700 | 15,479,000 | 20,798,400 |
| **CASH OUTFLOW** | **7,233,381** | **7,556,683** | **7,994,937** | **8,244,931** |
| Purchased of Fixed Assets | 710,226 | - | - | - |
| Leasehold Improvements | 155,488 | - | - | - |
| Rental Deposits | 260,000 | - | - | - |
| Raw Materials Purchases | 3,279,601 | 3,310,112 | 3,476,102 | 3,624,185 |
| Loan Repayment | 32,000 | 250,000 | 320,000 | 320,000 |
| Operating & Mfg Expenses | 2,796,066 | 2,928,217 | 3,040,421 | 3,196,407 |
| Income Tax Payable | - | 1,068,354 | 1,158,414 | 1,104,339 |
| **TOTAL** | **6,115,257** | **5,268,017** | **7,484,063** | **12,553,469** |
| CASH BALANCE – BEG | **-** | **6,115,257** | **11,383,274** | **18,867,337** |
| **CASH BALANCE – END** | **6,115,257** | **11,383,274** | **18,867,337** | **31,420,806** |

## **5.2.6 RATIOS**

1. **PROBABILITY RATIO**

|  |  |  |  |
| --- | --- | --- | --- |
| **PROBABILITY RATIO** |  |  |  |
| **GROSS PROFIT** |  |  |  |
| **Year** | **Gross Profit** | **Net Sales** | **Ratio** |
| 2017 | 6,580,596 | 10,607,700 | 62% |
| 2018 | 8,661,492 | 12,824,700 | 68% |
| 2019 | 11,096,536 | 15,479,000 | 72% |
| 2020 | 16,244,402 | 20,798,400 | 78% |
|  |  |  |  |
| **NET INCOME** |  |  |  |
| **Year** | **Net Income** | **Net Sales** | **Ratio** |
| 2017 | 2,492,823 | 10,607,700 | 24% |
| 2018 | 2,702,967 | 12,824,700 | 21% |
| 2019 | 2,576,789 | 15,479,000 | 17% |
| 2020 | 2,598,182 | 20,798,400 | 12% |
|  |  |  |  |
| **RETURN ON ASSETS** |  |  |  |
| **Year** | **Net Income** | **Total Assets** | **Ratio** |
| 2017 | 2,492,823 | 4,011,562 | 62% |
| 2018 | 2,702,967 | 5,191,323 | 52% |
| 2019 | 2,576,789 | 6,963,982 | 37% |
| 2020 | 2,598,182 | 7,563,443 | 34% |
|  |  |  |  |
| **RETURN ON EQUITY** |  |  |  |
| **Year** | **Net Income** | **Owner’s Equity** | **Ratio** |
| 2017 | 2,492,823 | 2,471,217 | 98% |
| 2018 | 2,702,967 | 3,746,009 | 72% |
| 2019 | 2,576,789 | 5,456,076 | 47% |
| 2020 | 2,598,182 | 6,031,028 | 43% |

1. **LIQUIDITY RATIO**

|  |  |  |  |
| --- | --- | --- | --- |
| **PROBABILITY RATIO** |  |  |  |
| **CURRENT RATIO** |  |  |  |
| **Year** | **Current Assets** | **Current Liablilities** | **Ratio** |
| 2017 | 3,205,046 | 1,125,345 | 2.85 |
| 2018 | 4,215,969 | 1,445,314 | 2.92 |
| 2019 | 5,880,575 | 1,507,906 | 3.9 |
| 2020 | 6,316,649 | 1,532,415 | 4.1 |
|  |  |  |  |
| **NET INCOME** |  |  |  |
| **Year** | **Current Asset – Invty** | **Current Liablilities** | **Ratio** |
| 2017 | 6,115,257 | 1,125,345 | 5.43 |
| 2018 | 11,383,274 | 1,445,314 | 7.88 |
| 2019 | 18,867,337 | 1,507,906 | 12.52 |
| 2020 | 31,420,806 | 1,532,415 | 20.50 |

1. **EFFICIENCY RATIO**

|  |  |  |  |
| --- | --- | --- | --- |
| **FIXED ASSET TURNOVER** |  |  |  |
| **Year** | **Net Sales** | **Net Fixed Assets** | **Ratio** |
| 2017 | 10,607,700 | 806,516 | 13.15 |
| 2018 | 12,824,700 | 975,354 | 13.15 |
| 2019 | 15,479,000 | 1,083,407 | 14.29 |
| 2020 | 20,798,400 | 1,246,794 | 16.68 |
| **TOTAL ASSET TURNOVER** |  |  |  |
| **Year** | **Net Sales** | **Total Asset** | **Ratio** |
| 2017 | 10,607,700 | 4,011,562 | 2.64 |
| 2018 | 12,824,700 | 5,191,323 | 2.47 |
| 2019 | 15,479,000 | 6,963,982 | 2.22 |
| 2020 | 20,798,400 | 7,563,443 | 2.75 |

1. **LEVERAGE RATIO**

|  |  |  |  |
| --- | --- | --- | --- |
| **DEBT TO ASSET RATIO** |  |  |  |
| **Year** | **Total Liabilities** | **Total Asset** | **Ratio** |
| 2017 | 1,125,345 | 3,205,046 | 35% |
| 2018 | 1,445,314 | 4,215,969 | 34% |
| 2019 | 1,507,906 | 5,880,575 | 26% |
| 2020 | 1,532,415 | 6,316,649 | 24% |
|  |  |  |  |
| **DEBT TO EQUITY RATIO** |  |  |  |
| **Year** | **Total Liabilities** | **Owner’s Equity** | **Ratio** |
| 2017 | 1,125,345 | 2,471,217 | 45% |
| 2018 | 1,445,314 | 3,746,009 | 39% |
| 2019 | 1,507,906 | 5,456,076 | 28% |
| 2020 | 1,532,415 | 6,031,028 | 25% |

**5.2.7 PAYBACK PERIOD**

|  |  |  |
| --- | --- | --- |
| **PAYBACK PERIOD** |  |  |
| **Year** | **Capital** | **Net Income** |
| 2017 | 3,000,000 | 2,492,823.34 |
| 2018 | 3,000,000 | 2,702,967.12 |
| 2019 | 3,000,000 | 2,576,789.75 |
| 2020 | 3,000,000 | 2,598,182.25 |

Payback Period = Capital / Average Net Income

= 3,000,000 / 2,592,690.62

= **1.16**

**5.2.8 RETURN OF INVESTMENT**

|  |  |  |  |
| --- | --- | --- | --- |
| **DEBT TO ASSET RATIO** |  |  |  |
| **Year** | **Net Income** | **Capital** | **ROI** |
| 2017 | 2,492,823.34 | 3,000,000 | 0.83 |
| 2018 | 2,702,967.12 | 3,000,000 | 0.90 |
| 2019 | 2,576,789.75 | 3,000,000 | 0.86 |
| 2020 | 2,598,182.25 | 3,000,000 | 0.87 |

ROI = 1 / payback

**ROI = 0.86**

**Total return of investment will be less than 3 years**

**5.3 FEASIBILITY ANALYSIS**

Based on the different parts of the business plan, the project is feasible since the Average Return of Investment per year is 0.86. Meaning each year the company will receive 86% of the capital they have invested to put up the business. The total return on investment will come before the end of the year of their business venture