

# **EXECUTIVE SUMMARY**

## **BUSINESS DESCRIPTION**

The proposed business will be registered as DAJEAL Systems and Solutions. DAJEAL will be a partnership business owned by David Ng'ang'a, Jeff Mbugua and Alex Chege. The business will be located in Kihara Location, Kiambu County. The 3 partners will be the sponsors of the business with a long term loan from Dimkes Sacco.

## **MARKETING PLAN**

The business will have different type of marketing strategies; this will be employed to deal with marketing of the product rendered in the enterprise. Marketing of the product will be done through advertisement on social media. It will make sure that it stands on the competitive market.

## **MANAGEMENT AND ORGANIZATIONAL PLAN**

DAJEAL will have a well-established management organization, headed by David Ng'ang'a as the general administrator and supported by the other partners in decision-making. The business will use various methods to recruit and select the staff. The business will be registered and licensed under the Kenya law.

## **PRODUCTION AND OPERATION PLAN**

The 3 partners intends to deal directly with customers , these will enhance strong services to ensure that all facilities are made charitable to enable the business activities to be carried out well more so protective measure will be taken on any factor that might affect the business operation. The business will also get the right raw materials in order to produce high quality goods.

## **FINANCIAL PLAN**

The source of fund will be the contribution from partners and a loan from Dimkes Sacco. The proposed starting capital for the business is 1,500,000. The business will make sure to keeps up date with its` financial record yearly to know the progress of the business.

# CHAPTER ONE

## BUSINESS DESCRIPTION

### 1.1 BUSINESS NAME

DAJEAL Systems and Solutions will be the name of the business. The name DAJEAL comes from the first two letters of each partner:

- DA- DAvid
- JE – JEff
- AL – Alex

**Business Logo** – the logo of the business will be as shown in the image below. The circles used in the logo represent various geographical locations. Interconnection of the circles shows how the different locations may be connected and sharing of information made easy with internet connectivity offered by the company.



**Business motto** – “Making technology work”

**Business mission-** “To be a leading company in the telecommunication and security systems in Kenya”

## **b) The Opportunity Choice**

The business was conceptualized after noticing the need for internet services by a majority of people in the business locale. Besides, also a large number of people have the need for security systems in their homes, shops and workplaces around the business location.

## **1.2 BUSINESS LOCATION AND CONTACTS**

### **a. Location**

The business will be located in Kihara location, Kiambaa sub county in Kiambu county. The market area will be Kihara, Gachie, Ruaka and Karura areas. The trade centre of the business will be Kihara Market Centre.

- b. **Premises** – the business will be in Nairobi Hardware Court (Near Kihara Market), First Floor, Room C114.

### **c. Contact**

DAJEAL SYSTEMS AND SOLUTIONS

P.O Box 43563 – 00100

Nairobi.

Email: [info@dajealsystems.co.ke](mailto:info@dajealsystems.co.ke)

Mobile: 0721 822 570

## **1.3 FORM OF BUSINESS OWNERSHIP**

### **a. Business ownership choice**

The proposed business will operate as a partnership. This is because it will be formed by 3 people (friends) who are in consensus to do business together. Apart from contributing towards raising the capital needed for the business, each of them have specialized skills that will be utilized to the success of the business as follows:

- i. David – Administration and management
- ii. Jeff – Marketing and design
- iii. Alex – Systems installation, repair and maintenance

**b. Sponsorship and investment**

Contributions by the three partners and a loan from Dimkes Sacco Limited will be used as sponsorship and investment of the business as shown in the table below:

<b>SOURCE</b>	<b>AMOUNT</b>	<b>PERCENTAGE</b>
Contribution by partners (Each 300,000)	900,000	60%
Loan from Dimkes Sacco Limited	600,000	40%
<b>Total</b>	<b>1,500,000</b>	<b>100%</b>

**1.4 PRODUCTS AND SERVICES**

The business will be dedicated to providing people with the high quality products and services as follows:

**a) Overall products/services offered – installation**

- i. unlimited internet installation**
- ii. CCTV installation**
- iii. Alarm system installation**

**b) 1<sup>st</sup> major product/service – gadgets and accessories**

- i. CCTVs**
- ii. Alarm systems**
- iii. Metal detectors**

**c) 2<sup>nd</sup> major product/service – Repair and maintenance of the systems**

## **1.5 INDUSTRY**

### **a) Identity and Size**

DAJEAL Systems and Solutions fall under the ICT industry. Currently, the ICT market comprises about 10 million potential customers in the country who use technology solutions in their day-to-day activities.

### **b) Characteristics of the industry**

- i. The industry sector is growing rapidly in the Kenyan economy due to creativity, innovation, motivation and technological development.
- ii. This industry is competitive but DAJEAL Systems and Solutions differ by defining the vision of the company in order to become reliable and informative to its client. Even though there will be a big number of competitors in the industry, the business will distinguish itself by putting more effort on reliability and expertise with competitive pricing in order to win a big share of market.

### **c) Trends and future**

Due to advancements in technology, the business will thrive in the sense that information pertaining the business will be posted on the internet. A website will be created to advertise the antiques. It will be a venue where ideas with other dealers will be shared. To top it all off, all who will be interested in purchasing the services and products will be able to make online orders.

## **1.6 BUSINESS GOALS**

### **a) Vision**

To become a leading company in ICT and security and systems.

### **b) Objectives**

The business will strive to better the services to customers every day to make them satisfied. This will be achieved through production of high quality goods, better pricing to increase demand and its profit and good customer-business relationship that will create strong bond between the business and its customers. This will help the business identify its weak and strong points.

**i. Short term (12months period)**

- Building long-term relationships with clients
- Having the largest market share
- Awarding the employee of the month bases
- Selecting an advertising medium to use the first year
- Learning primary competitors and brainstorming on what our business offers that they do not.
- Finding trade employees for the business with suitable qualifications

**ii. Long term (up to 3yrs period)**

- Growth in physical income and profit. Physical being for example opening several offices and stores in the business
- Building the companies name recognition within the community through community outreach projects.
- Doubling the business revenue by the end of each financial year.
- Contracting and advertising constantly for a month, to help analyze and capitalize on business customers buying trends.
- Receiving at least 95% positive customer feedback regarding the services provided.
- Awarding the employee of the year award to the employee who gives the most creative input.

## **1.7 ENTRY AND GROWTH STRATEGY**

**a) Entry strategies**

The business will begin with the major advertising strategy, whose objective will be reaching all its prospective clients and sharing the news of the creation of the business on television and newspapers. The advertisement will contain the business name, business number, mobile number, email address and the opening days.

**b) Growth strategies**

DAJEAL Systems and Solutions will focus on providing the best services to customers. The business will intend to establish good working relationships with other dealers of antiques. The business will also be able to identify opportunities to capture which will help expand. T-shirts will be printed which contain the business details. The T-shirts will be awarded to customers who purchase goods in large quantities.

## **CHAPTER TWO**

### **MARKETING PLAN**

#### **2.1 MARKET OBJECTIVES**

To gain at least 20% increase each month from every month

To minimize costs of operations in gaining more customers to maximize profits

#### **2.2 CUSTOMERS – TARGET ANALYSIS**

DAJEAL Systems and Solutions will create good relationships with its customers by giving them high quality services. The business target market will be shops, reason being; through them most of the antiques will be sold as they provide a venue for those who might be interested in them.

- a) Overall customers** – people living within the market targeted areas and schools
- b) 1<sup>st</sup> major customer** – Gachie high school
- c) 2<sup>rd</sup> major customer** – Kirawa Road School
- d) 3<sup>rd</sup> major customer** – Sir G Flats

Market is the potential customer who will purchase the goods and offered services.

A plan is the application of strategic decisions on what to do in the present or future.

#### **2.3 MARKET SHARE ANALYSIS**

- a) Overall demand for product by suppliers**
- b) Current shares (supplies) per product by suppliers**
- c) Current Share (supplier) to main customers by all suppliers**
- d) Own business appointment per major customer**

DAJEAL Systems and Solutions being located at a strategic place allowing easy access by clients will ensure the business getting customers from within other parts of Mombasa town and the country. There are four main competitors whom the business will share the market with. Out of the total market value, DAJEAL Systems and Solutions will be expected to control 25% of the market. This value will be reached after observing the strengths and weaknesses of the businesses under the same industry.

The market share to be controlled by some other business in Kihara area is as follows:



## MARKET SHARE

Competitors	Market Share (%)
Intec internet providers	25%
Sharp Alarms Limited	17%
King Kong solutions	8%
Kicknet Systems	20

### 2.3 COMPETITION

Competitors are business rivals being that they offer similar services to the ones you offer.

The business will therefore do everything possible to make sure it stands out from its competitors.

The business will build strong and long term personal relationships within its sponsors and facilitate reliability, expertise and maintain face to face contact with its clients.

The main competitors of the business include:

Ramirez and Associates, Jelimo Traders, King Kong Traders and Chinese Antiques Traders.

#### **1. Intec internet providers**

No tight security.

Insufficient equipment.

Inadequate labour force.

Has penetrated the market.

## **2. Sharp Alarms Limited**

Dot value time.

Use resources carelessly.

Have financial problem.

Poor handling of customers.

Poor quality products

Located at a strategic place

## **3. King Kong Solutions**

They don't comply with the law.

They open extremely late.

Have few clients.

Have very few antiques.

Have being existing in the market.

## **4. Kicknet Systems**

The business is small in size.

They operate on very dirty environment.

Does not have competent staff.

Has penetrated the market.

Charge high price on the products.

## Own business positioning

### Market SWOT analysis

BUSINESS	STRENGTH	WEAKNESS	OPPORTUNITY	THREATS
<b>Intec internet providers</b>	Has penetrated the market	No tight security  Does not have enough antiques  Inadequate labour force	Wide range of markets	economy
<b>Sharp Alarms Limited</b>	Located at strategic place	Does not value time  Use resource carelessly  Have financial problems  Have poor quality products	Chipped in the market	Insufficient raw materials
<b>King Kong solutions</b>	Has being existing in the market	High cost of transactions  Does not comply with the law  Have few antiques  Have few client	Strong Management	

## **2.4 MARKET PENETRATION STRATEGIES**

### **a. PRICING POLICIES**

A market research will be carried out by interviewing the competitors to find out how they price their product. After the research, the business will come up with a good pricing strategy. Better pricing creates a long-term relationship with the client.

#### **FACTORS TO BE CONSERED WHEN PRICING THE PRODUCTS**

- The cost of production
- Level of income to users
- Ability of business to maximize profit
- Amount that other competitors are charging
- The market price

### **b. PROMOTION AND ADVERTISEMENT**

#### **i. Promotion**

Promotion is the activity of advancement of a product idea or a point of view through publicity and advertising. This is one of marketing mix.

#### **IMPORTANCE OF PROMOTION**

- Promotion will help the business inform to prospective customers as well as others.
- Promotion will help increase product demand.
- Promotion will also help consumer distinguish DAJEAL Systems and Solutions product from the rest of the competitors.
- Since it a new business it will be able to get the acceptance in the market.
- The business will create broad equity.
- Promotion will help the business increase its sales.
- The business will create a corporate image in the community

## **ii. Advertising**

- This will be applied to gain corporate image
- To create social awareness
- To introduce the business product to the market and to customer
- To get a wide market for the business

### **Method of advertising:**

#### **i. Newspaper**

DAJEAL Systems and Solutions chose to advertising using newspaper because they are easily accessible, distributed daily and a cheaper comparing to other media

#### **Advantages**

- It is easy to switch out.
- If a regular and need to change to reflect a new product it easy.
- It offers enormous flexibility content, design, placement and frequency.

#### **ii. The internet**

DAJEAL Systems and Solutions will have a website that will show case all of its product, pricing and details.

#### **Advantages of internet**

- Wide coverage - Online advertising will give the business a wide coverage even outside the country that will help the business make high profits because of the exports.
- Targeted consumers - Comparing with the off line advertising online helps in reaching the targeted consumers that makes this type of advertisement preferable.
- Affordability - It is much cheaper doing online advertising comparing the rest.
- Speed - Online advertisement is much faster; this will help the business save on time as it penetrates to the market.
- Its informative - It does not limit space thus enhancing giving all the information about the business products, services and detail about the business.

### **iii. Personal Selling**

DAJEAL Systems and Solutions will hire some people to go advertising the products; this will increase sales and build customer relation.

### **iv. Pubic Relation**

This will help the business establish and maintain good will and mutual understanding between the business customer and the environment.

### **Factor to consider when selecting method of advertising**

- cost of advertising
- availability of the media
- the targeted population
- Effectiveness of the advertisement

### **c. DISTRIBUTION/ PLACE**

#### **i. Channels of distribution/service**

The products will be sold directly from the business to consumers through an existing network of agent

### **d. PEOPLE-SALES TACTICS/STRATEGY**

#### **i. Sales team**

Selling is a very important process; this is because it contributes greatly to the success or failure of a business. If the products (antiques) to be sold are of good and high quality, then this will increase the selling rate and thus increment on profit

Offering good quality products and services will raise the number of customer buying the antiques

Fair pricing of products and convenient parking of antiques will rise the number of customers buying them and will be done to ensure retain of customers' lager quantity good purchased will be offered free transport but that will happen within Kihara area.

This will help the business impress its customers and challenge customer to purchase more

The proposed business will offer customer free calendars indicating all details about the business this will motivate customers and also advertise our business

The business will always maintain adequate quality products standards

## **CHAPTER THREE**

### **ORGANIZATION STRUCTURE**

DAJEAL Systems and Solutions will engage more on factional organization structure in this the enterprise is divided into a number of functional department, every functional organizational structure in this enterprise is divided into a number of functional department, every functional department serves the rest of the organization.

#### **3.1 Reason for choosing functional organization structure:**

- a) There is complete specialization of work and every worker gets the knowledge and guidance of several specialists.
- b) There is easy shifting because the executive is required to have expertise of one function only.
- c) It is easier and economical to recruit and train executives.
- d) There is simplified control because burden on top managers is reduced.
- e) There is better supervision this is because planning and supervision are efficient and this enhances executive having ample time for creative thinking.
- f) It's highly efficient this is because of the separation of mental and manual operation.
- g) Standardization and specialization facilitate to mass production.

#### **3.2 KEY MANAGEMENT PERSONNEL**

The business will be managed by David Ng'ang'a as the general administrator

The general manager has the following qualification:

Has a certificate in business management have general knowledge about entrepreneurship and have being trained about management.



## MANAGEMENT PERSONNEL

PERSONNEL	QULIFICATION	DUTIES
General administrator	Degree in business management  Entrepreneurship knowledge.	General supervisor of all activates in the business. Organizing employee training. Carrying out research i.e. market research. Recruitment and selection of employees. Planning and budgeting for the business. Dealing with wages payment. Induction and orientation of new employee. Creating a good working relation. Directing the employee. Looking after employee promotion, demotion and transfer.
Sales person	Should have at least 3 years work experience. Should have knowledge of public relation. Should have certificate in sales and marketing.	Will be in charge of all the business expenses. Promoting the business promotion. Formulating sales strategies.

### 3.3 OTHER PERSONNEL

PERSONNEL	QUALIFICATION	Duties
Security	Above 25 years of age. An experience of at least 4 years.	Care for money transport to the bank. Care the premises.
Cleaners	An experience of at least 3 years. Above 25 years old.	Maintaining cleanness of the premises.

### 3.4 RECRUTMENT, TRAING AND PROMOTION

The manager of the business will create a panel which will consist of the General Manager and other staff. The general manager will have the responsibility of carrying out job interview, recruitment and selection of new members of staff.

The selection of staff will be based on their background, personal etiquette behaviors and preparedness to work under minimal supervision.

Members will be evaluated as per level of competency, communication skills and interpersonal skill which be useful in handling issues that may arise. After a careful evaluation of the members in relation to the desired characteristic and qualifications.

### **3.4.1 RECRUTMENT**

This will be done in the following steps:

Job identification analysis and specification.

The manager will identify the job to be analyzed, carry out the actual analysis and come up with a job description and job specification document. Some of the method of carrying out a job analysis that will be used as observation and use of questionnaire.

#### **Advertisement**

After identification of the job the vacant position will be advertised in order to attract public, this will result to getting the most qualified person for the job. This will be done through social media such as: radio, television and on newspapers. It will contain and elaborate on the details concerning the hours of work, salary to be paid, working conditions, job summary and supervision under taken.

#### **Short listing**

After the advertisement the expected public result will be through applying. Application letters will be forwarded to the general manager who will identify the right candidate.

When the manager identifies the right applicant they will be a shortlist of those who qualified and their names published on the newspaper, also emails will be sent having an approval from the general manager. The general manager will choose the right number for interviews and a date for the interview.

The manager will select a panel to conduct the interview to find the most eligible candidate who will be competent enough to carry out the duties and responsibilities in the business during the interview. The number of individuals will be narrowed down to the number required in the business.

## **Employment test**

The test will be conducted on those who succeeded in the interview. this test will be done to gauge their skills and will be aimed at establishing the individual level of experience and knowledge in the position that they wish to have, this includes: attainment test: this is to find out their qualification, ability test: this is to find out their ability in different fields, intelligent test: it is done to find out the employees intelligence.

## **Hiring and casual help employees**

This is important because time to time the business may need external labour due to work load. This will be done by checking business data base for the previous employee who had applied for the job

### **3.4.2 Appraisal**

Appraisal will be given to employee so as to motivate them, Motivated employee work better. The appraisal will include

- House allowance
- Medical allowance
- Overtime payments
- Training opportunities

All this will be done to maintain the morale of the employee and improve their performance

### 3.4.3 Promotion

These are meant to appreciate employees, competence and good work through offering a high position or a rise in the rank. This will be done by considering the following factors

- Employee ability to work under no supervision.
- Employee qualification.
- Employee behavior and competence.
- Employee experience.
- Employee creativity on his position.
- Capital to be deliver.

### 3.4.4 Training

This a process of giving skills to the qualified candidate for their position. This will be done to better their skills y organizing workshops.

## 3.5 RENUMERATION AND INCENTIVES

The staff will be paid according to the workload and qualification. The starting salary will be paid in consideration of the amount that the business gets the standard of living in Kihara Area and expected revenue from the business. The employee salaries will be as follows

<b>Personnel</b>	<b>Salary</b>	<b>Allowances</b>	<b>Total</b>
General Administrator	50,000	10,000	60,000
Sales person	30,000	2,000	32,000
Agent	28,000	1,000	29,000

The difference in salary pay will be due to disparity in experience and academic level. When the business makes profit, there will be a salary increment for employee well performance

### **3.5.1 SUPPORT SERVICES**

The business will rely on several support services to enable it run smoothly, before the business commences it will reach out to the bank to ask for a loan which helps in meeting the stating capital, also the business will highly need the bank in order to deposited there money this will enhance safe keeping and protection of the money

More so the business will acquire proper communication system and very effective, electricity power, security services and postal services

Other services that will be included: telecom Kenya for telephone services, Kenya power for supply of electricity that will be used by the equipment and further more lighting the premise

The business will also acquire insurance services to cover it against risk of damage by fire, theft and loss

It will also hire a lawyer in case the business is involved by being sued by anyone or any organization

For money to be transported to the bank or incase the business want to send many letters or packages an on the purchasing material it will hire G4S crew services

Services	Payments
Bank	100
Communication system	1500
K.P.L.C	2500
Poster	500
Insurance	5000
lawyer	1000

### **3.6 LICENSING AND REGISTRATION**

The business will acquire a number of licenses for different bodies so as to facilitate its operation. The bodies will ensure that they set standards that will be met. The business legality so as to avoid conflicts from the government authority when carrying on its activities

The licenses will include:

#### **Business Registration Licenses**

This will be done by the manager under the office of the attorney general

#### **Trade License**

DAJEAL Systems and Solutions will obtain a trading license from the local authority

#### **Ministry of Labour Act**

This will be done to so as to protect employee in all condition of work

## By Laws

The business will also make sure that its employee are members of works association, the national social security funds (NSSF), National hospital insurance funds (NHIF) and that there register any other by-law that will be necessary

LICENCE	REGISTRATION
Business License	Ministry of Local authority (city council)
Service Charge	City Council
Postal License	City Council
Central Government license	Ministry of Trade
Ministry of Labour Act	Ministry of Trade



## CHAPTER FOUR

### PRODUCTION AND OPERATIONAL PLAN

DAJEAL Systems and Solutions will draw the operation and production plan that will keep its client purchasing power in order for this to happen and for the business to gain corporate image it will see to it that it the best quality product are provided.

#### 4.1 PRODUCTION AND OPERATION FACILITIES AND CAPACITY

Megan center Antiques will ensure that best services are provided to the customer in order to achieve this, the most important and skilled workers will be employed.

##### 4.1.1 OPERATIONAL FACILITIES

Facilities	Uses	Unit cost	Total cost
Premises			
Office	Office use only	14,000	
Storage room	Storage of antiques	8000	20,000
Office equipment			
Filling cabinet	Storage of document	10,000	
Tables		10,000	
chairs		10,000	
Telephone		15,000	
Shelves		7,000	52,000
Machinery			
Computers	Storage of records	35,000	
	research purpose		
Vehicles		200,000	235,000
Total			307,000

## **4.2 PRODUCTION AND OPERATION STRATEGY**

DAJEAL Systems and Solutions aim is for his product to win in the market, in order to achieve this, the business will come up with a variety of products that will be distinguished it from those that are already existing in the market. To be able to win the trust and confidence of the customers, the product design will be dependent on how the client would want them to be

Client satisfaction is of absolute importance. As the business satisfy customer need it will hard to minimize and come up with competitive pricing for the products. This in turn will enhance the quick realization of profits and high consumer demand due to a good pricing of the Products.

Purchasing of raw materials will be carefully calculated it suppliers to supply products to the order placed and also in great consideration of client specialization. Megan Antique center will ensure to select the best supplier so that to maintain the product quality standard. This will help the business to win the market easily.

By Megan Antique center having good management it will ensure that the overhead cost such as electricity, rent, telephone and transport cost will be minimized so as to expenses and increase the profit. More so the business will entitle a weekly for it employee after the first year of operation.

## **4.3 PRODUCTION AND OPERATION PROCESS**

The following are the steps in production and operation process.

### **Receiving the contract**

The two parties will sign the contract. This will entail how the clients want the work to be, how long it will take and how much it will cost.

**Purchasing the material**

After signing the contract the materials required for production will be purchased. Only the best will be bought in order for quality production of the antiques.

**Processing**

Depending on the type of the antiques required the production will commence. Different antiques have different method of production. this will be done by the supervisor in charge and after that the operation officer will analyze them and give the approval if the product is okay.

**Packing**

Products will be packed and arranged in order for dispatch to various clients; this enhances easy distribution and also will create a positive image about the business services

**Distribution**

The product will be distributed to clients through the agents. There will be door to door delivery of products to those within Kihara area town , but for those beyond Kihara area will be offered 50% discount on transport

**4.4 REGULATION AFFECTING PRODUCTION AND OPERATION**

The business will require a trading license, permits, which are requirement by the government from the municipal council also the by law of councils not to pollute the environment that is air, wear and disposal of waste will be adhered to prevent environmental pollution

## **CHAPTER FIVE**

### **FINANCIAL PLAN**

#### **5.1 PRE-OPERATION COST**

This will be expenses incurred before starting the business operation, it include: the cost of the asset that the business will require to start its operation activities

The costs are illustrated bellow

Items	Amount
Office premises	8,000
Telephone installation	5,000
Computer	10,000
Vehicle	200,000
Furniture and fittings	50,000
License permits	9,000
Electricity installation	1,500
Total	Ksh.283,500

## 5.2 WORKING CAPITAL REQUIREMENT

The working capital is the amount of money necessary to cover the cost of operation of the Business

Details	Year 1	Year 2	Year 3
Current Asset			
Stock		400,000	450,000
Cash in hand	250,000	350,000	450,000
Cash at bank	500,000	600,000	700,000
Debtors	150,000	100,000	120,000
Total current asset	900,000	1,450,000	1,720,000
Current liabilities			
Creditors	800,000	600,000	750,000
Insurance	20,000	30,000	40,000
Total current liabilities	820,000	630,000	790,000
Working capital	80,000	820,000	930,000

### 5.3 PROFORMA PROFIT AND LOSS ACCOUNT

Particulars	Year one	Year two	Year three
Net sales	5,210,000	6,150,000	11,900,000
Opening stock		400,000	450,000
Add purchases	499,000	1,430,000	5,230,000
Good available for sales	499,000	1,430,000	5,680,000
Less closing stock	400,000	450,000	500,000
Cost of good sold	99,000	980,000	5,180,000
 Gross profit	 511,1000	 5,170,000	 67,200,000
 Less expenses			
 Rent	 240,000	 240,000	 240,000
Salaries	1,200,000	1,200,000	1,200,000
Electricity	3,900	6,450	16,250
Water	3,650	5,470	9,050
Transport	260,000	24,000	24,000
Insurance	14,400	14,400	14,400
Repair & maintenance	13,500	40,900	55,850
Advertisement	144,000	144,000	144,000
Telephone postages	17,600	30,100	51,150
Permits & license	20,000	18,000	20,000
Miscellaneous	2,600	4,600	28,500
 Total expenses	 1,683,280	 1,727,920	 179,7200
 Net profit	 3,427,720	 3,442,080	 4,922,800
 Less VAT	 340,469.80	 329,556.70	 501,182.00
 <b>Net profit after taxation</b>	 <b>3,087,250.20</b>	 <b>3,112,523.30</b>	 <b>4,421,618.00</b>

## 5.4 PROFORMA BALANCE SHEET

Particulars	Year one	Year two	Year three
Fix asset			
Vehicle	250,000	220,000	200,000
Tools and Equipment	50,000	50,000	50,000
Current asset			
Stock	1,000,000	1,400,000	1,600,000
Cash in hand	50,000	150,000	200,000
Cash at bank	50,000	150,000	200,000
<b>Total asset</b>	<b>1,500,000</b>	<b>1,970,000</b>	<b>2,250,000</b>
Liabilities			
Capital	900,000	1,200,000	1,900,000
long term liabilities			
loan (DIMKES)	600,000	400,000	200,000
current liabilities			
creditors		370,000	150,000
total liabilities	<b>1,500,000</b>	<b>1,970,000</b>	<b>2,250,000</b>

## 5.5 BREAKE EVEN POINT

particulars	Year one	Year two	Year three
Sales	5210000	6150000	11900000
Fixed costs			
Salaries	1200000	1200000	1200000
Rent	240000	240000	240000
Transport	14400	24000	24000
Insurance	24000	14400	14400
Advertisement	144000	144000	144000
Total fixed cost	1622400	1622400	1622400
Variable cost			
Electricity	3730	6450	10250
Maintenance	3450	5470	9050
Telephone & postages	13500	40900	55850
Permit & license	17600	30100	51150
Miscellaneous	20000	18000	20000
Water	2600	21600	28500
total variables cost	608800	105520	174800



## Year one

break even point = fixed cost x sales

sales – total variable cost

=1,622,400 x 5,210,000

5,210,000 – 60,880

=8,452,704,000,000 / 5,149,120

=164,158.251

## Year two

Break even point

=Total fixed cost x sales

Sales – Total variable cost

=1,622,400 x 6,150,000 / 6,150,000 – 105,520

=9,977,760,000,000 / 6,044,480

=1,650,722.643

## Year three

Break even point

=Total fixed cost x sales

Sales – Total variable cost

=1,622,400 x 11,900,000 / 11,900,000 – 174,800

=19,306,560,000,000 / 11,725,200

=1,646,586.839

## 5.7 EXPECTED PROFITABILITY RATIO

The ratios include gross profit ratio (GPR)

It checks the stability of market condition

The two main operating factors are sales and cost of sales

$$\text{GPR} = \frac{\text{GP} \times 100}{\text{Sale}}$$

Year one

$$\text{GPR} = \frac{\text{gross profit} \times 100}{\text{sales}}$$

$$= \frac{5111000 \times 100}{5210000}$$

$$= 98.10\%$$

Year two

$$\text{GPR} = \frac{\text{gross profit} \times 100}{\text{Sales}}$$

$$= \frac{5170000 \times 100}{6150000}$$

$$= 84.07\%$$

Year three

$$\text{GPR} = \frac{\text{gross profit} \times 100}{\text{Sales}}$$

$$= \frac{6720000 \times 100}{11900000}$$

$$= 56.47\%$$

Net profit ratio

It shows the profit generated by the sales it calculated as

$$\frac{\text{Profit before interest and tax} \times 100}{\text{Sales}}$$

Year one

$$\text{Net profit ratio} = \frac{\text{net profit} \times 100}{\text{Sales}}$$

$$= \frac{3087250.20 \times 100}{5210000}$$

$$= 59.26\%$$

Year two

$$\text{Net profit ratio} = \frac{\text{net profit} \times 100}{\text{Sales}}$$

$$= \frac{3112523.30 \times 100}{6150000}$$

$$= 50.61\%$$

Year three

$$\text{Net profit ratio} = \frac{\text{net profit} \times 100}{\text{Sales}}$$

$$= \frac{4421615.00 \times 100}{11900000}$$

$$= 37.16\%$$

### **Return on capital employed**

It interprets the capital employed as being the net asset value which is found by adding the value of fixed asset to the current asset and the deducting the totals of current liabilities

It calculated as follows

$$\text{Return on capital employed} = \frac{\text{Profit after taxation} \times 100\%}{\text{Fixed asset} + \text{working capital}}$$

Year one

$$\text{Return on capital employed} = \frac{\text{Profit after taxation} \times 100}{\text{Fixed asset} + \text{working capital}}$$

$$= \frac{3037250.20 \times 100}{1750000 + 80000}$$

$$= \frac{308725020}{1830000}$$
$$= 168.70\%$$

Year two

$$\text{return on capital employed} = \frac{\text{Profit after taxation} \times 100}{\text{fixed asset} + \text{working capital}}$$

$$= \frac{3112323.30 \times 100}{1750000 + 820000}$$

$$= \frac{311252330}{2570000}$$

$$= 121.11\%$$

Year three

$$\text{Return on capital employed} = \frac{\text{Profit after taxation} \times 100}{\text{fixed asset} + \text{working capital}}$$

$$= \frac{4421618.00 \times 100}{1750000 + 930000}$$

$$= \frac{442161800}{2680000}$$

$$= 165.00\%$$