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Group Assignment #6 - Financial Analysis

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Mar 10, 2018 10:37 AM

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Hello Team,
My comments are below in the double stars **.
Thanks,
James Macadam

BUSA 7800 Lab Session 09 – Your Financial Plan

I. Project Questions - Upload your answers to the D2L site before Midnight Today. At the top of your answer sheet include the full names of your teammates and the name of your chosen company.

10. Financial Issues

- Brainstorm and list what resources and equipment your group needs to get your start-up organization operational.
 - Tablets (Simple Touchscreen)**
 - Ticketing Machines**
 - Printing Paper for Ticketing Machine**
 - Payment/Transaction Terminals**
 - Functional Website (Domain Hosting Site)**
- What are some estimated costs for each item? Be sure to reference where your costs came from (e.g. monthly web hosting costs listed at X amount from company XYZ). Remember to include your salaries as part of your costs.
 - Tablets \$150 USD each pending on the specifications (size, processor, memory, interface) USD → \$193.17 CAD**
Source: https://www.amazon.ca/RCT6213W87DK-11-6-Inch-Bluetooth-Lollipop-Detachable/dp/B010U4Z5A0/ref=sr_1_4?s=pc&ie=UTF8&qid=1520368481&sr=1-4&keywords=tablet
 - Ticketing Machines \$380 USD per machine (USD → \$489.35 CAD)**
Source: https://www.alibaba.com/product-detail/17-automatic-wall-mount-ticket-vending_60174467963.html?spm=a2700.7724857/B.main07.312.4ae0d1c1q7ArXP
 - Printing Paper for Ticketing Machine: \$84CAD/ 20 rolls**
Source: https://www.staples.ca/en/Staples-Thermal-Paper-Rolls-3-1-8-x-225-20-Pack/product_910159_1-CA_1_20001
 - Payment/Transaction Terminal: \$300 USD → \$386.33 CAD**
Source: https://www.alibaba.com/product-detail/Android-Pos-Machine-Terminal_60730081513.html?spm=a2700.7724838.2017115.148.a0ad4b97YhiJNk

Source: <https://www.techrepublic.com/blog/software-engineer/app-store-fees-percentages-and-payouts-what-developers-need-to-know/>

f) Monthly Salary for 3 of us: \$2000CAD/person

In the end you will have to charge a price to recoup on the POS equipment that each restaurant will need. It would take a while to profit from each customer since the customer would be paying off the equipment over a period of time.

3. From your information in question 2 estimate your costs to start-up the organization and then your organization's ongoing monthly expenses.

Assuming we are targeting 1 restaurant with 20 tables. Testing our market with one client

Start-up Cost: \$5000

Breakdown

20 Tablets: \$3863.40 CAD

1 Ticketing Machine: \$489.35 CAD

1 Order Of Receipt Paper (20 Rolls): \$84 CAD

1 Payment Terminal: \$386.33 CAD

1 Domain: \$15

Google Play Hosting App: \$25 (One Time Fee)

Monthly Expenses: \$2254.10

Breakdown

Domain Hosting: \$15

App Hosting in Apple Store: \$99

Loan payments (assuming \$5000 at 1.5% for three years): \$140.10

Employee Salary: \$2000/person

Who will charge you 1.5% interest? Your salary is \$2000 and there are three on the team so \$6000 per month on salaries.

4. Where will you get the funds to start-up and run your organization? Outline how you will obtain all of your funding sources. Would this be a type of start-up suitable for Kickstarter or Indiegogo funding?

The fund for the start-up will primarily be from a bank loan, but also part of our own funds as supplement when needed. One of the Canadian banks will be the source of the loan such as TD Canada Trust or the Royal Bank of Canada. This start-up may not be suitable for something like gofundme or Indiegogo for obtaining funds since our target is not fully on the general populace and more towards restaurants. They may help draw some attention to it, but people may not bother to help support us since our idea is fairly differentiated from what people are used to in restaurants and may be seen as a risky investment for people to donate to.

How much is the team putting in and how much do you need from outside sources?

5. At what level of units per month will your organization break even? How long (in months) before your sales hit break-even levels?

Note: most are estimates

Total monthly costs: \$6254.10

3 people salary at \$2000: \$6000

Monthly fixed expenses: \$254.10

Subscription cost: \$250

$6254.10 / 250 = \sim 25$ restaurants subscribed before break even on monthly basis.

Assuming we get at least one restaurant subscribed each month and retain them; it would take about 25 months before a break even. Getting more than one restaurant subscribed within a month would lower the time before we reach the break-even point.

Is the subscription costs of \$250 for the month or for the year? Do your restaurant customers get unlimited transactions per month? Do you charge per transaction?

6. Estimate your monthly sales for the first year. Are there any seasonal effects in your sales? Are there any months that you don't break-even?

Within the first year sales of subscriptions would be estimated to be around 15 restaurants. Since most of our profit come from a subscription based income, seasonal effects would not affect us at all in terms of income. However it could have an effect on getting restaurants to go and subscribe to our POS system such as during summers where restaurants can get busier. Restaurant owners may look to getting on board with us to help them be able to handle a larger volume of customers so during those months we would have better odds of more subscriptions than other months. Since we are primarily subscription based, the months where we are likely to not break even are the first few months as we need to obtain restaurant owners who would subscribe to our POS

