

CHRISTIAN SERVICE UNIVERSITY COLLEGE-KUMASI

DEPARTMENT OF BUSINESS STUDIES

BARCHELOR BUSINESS ADMINISTRATION

EMPRA COMPANY LIMITED

BUSINESS PLAN

BY

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DECEMBER 2011



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A BUSINESS PLAN SUBMITTED TO THE DEPARTMENT OF BUSINESS STUDIES OF
CHRISTIAN SERVICE UNIVERSITY COLLEGE, KUMASI IN PARTIAL FULFILLMENT OF
THE REQUIREMENT FOR THE COURSE

CSAD 443 TEAM BUSINESS PROPOSAL

BY

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DECEMBER, 2011



STATEMENT OF AUTHENTICITY

I have read the Christian Service University College's regulations relating to plagiarism and certify that this business plan is all my work and do not contain any unacknowledged work from any other source. I also declare that I have been under supervision for this business plan herein submitted.

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EXECUTIVE SUMMARY

EMPRA Company limited is a start-up business with the vision “to become a multinational company with the view of delivering healthy food product to targeted customers/consumers and also create an enabling environment for business by focusing on career development and improvement.

Our purpose for existence is to produce and sell maize food drink (Goodlife) on commercial basis, in way satisfying the desire of our chosen and potential customer groups in a healthy, affordable and profitable way.

The company will be located at Nkawie in the Atwima Nwabiagya Distrist.

The owners of the business will double as the management team of the company to allow for saving cost and committing efforts to the stabilization and growth of the company. Key management positions will be the general manager, finance and administration manager and production and operations manager. Other key personnels include the quality assurance officer and the drivers.

As a business strategy, EMPRA Company limited hopes to employ integrated differentiation and low cost. This is aided by low production cost and efficient production technology. Primarily, we hope to segment our market based on income, geography and psycho graphically.

We hope to target all classes of people; thinking about the pupil with limited income who will be more likely to buy a drink, the truck pusher and market woman who will not spend much on food, the second cycle and tertiary student who desire value for his or her money, the



manager on busy schedule who cannot afford to waste time at the restaurant, the jubilant crowd who would share their drink and also a tradition to maintain.

The management of EMPRA Company limited hopes to use penetration pricing in its products and also implement a selective system of distribution which will be aided by a push strategy in order to maximize profit.

Financially, we hope to be very profitable; breaking even within the first year of operation whilst accumulating cash for future expansion. Our projected financial statement showed the following.

- ❖ Based on our calculations, we will Breakeven in approximately 13 months of operation.
- ❖ Decreasing ROCE. However profit increased consistently. This is attributed to cash build-up for future expansion.
- ❖ Net profit margin for the years 2012, 2013 and 2014 were 22%, 25% and 27% respectively while the gross profit margin were 41%, 44.5% and 47% for the years 2012, 2013 and 2014 respectively.
- ❖ A measure of efficiency showed increasing fixed assets turnover i.e. 4.9 times for 2012, 6.39 times for 2013 and 8.37 times for 2014.

Again considering the sales/net current ratio, increasing working capital saw this ratio decreasing. As it is, working capital must increase with sales if undercapitalization is to be avoided.



Like any other business EMPRA is prone to some uncertainties that may disrupt our course of operation. These include

Human risk (stealing of raw materials, negligence of employees, etc.), economic risk (inflation, exchange rate, etc.), natural risk (drought, fire outbreak, flood, etc.) and political risk (ownership risk, transfer risk and operating risk).

However, as a way of managing these, management has decided to diversify to reduce the risk on the business. In addition to this, we hope to organize workshops for rigorous induction training and medical examination and also institute some incentive package to reduce human risk. Management will also use loss financing to cater for possible losses arising from natural and accidental risk.



VISION

EMPRA Company Limited wishes to become a multinational company with the view of delivering healthy food products to targeted customers /consumers and also create an enabling environment for business by focusing on career developing and improvement.

MISSION

To produce and sell maize food drink on commercial basis; in way satisfying the desire of our chosen and potential customer groups in a healthy, affordable and profitable way.

CORE VALUES

Unique –EMPRA Company Limited is unique in terms of its product. This is coupled with the willingness to improve its intellectual capital to meet the different needs of our varying customers.

Health –very primary to our production is our desire to produce a healthy food drink for our customers/consumers. We believe in this way, we will be able to gain loyalty from the customers' side.

Affordability –not only do we want to produce quality healthy food drink but to also to price our product in such a way to appeal to our target customer groups.

Innovation –to develop new and efficient ways to produce, improving upon product quality and ensuring that we give customers value for their money.



CORPERATE OBJECTIVES

- ❖ To integrate customers suggestions with product specifications in order to come out with a product that best satisfy our customer groups. This we hope to achieve by embarking on a thorough marketing research to determine our customer views and expectations.
- ❖ To produce on continuous and sustainable basis. Realizing that our main raw material is seasonal, production may be season-dependent. To avoid this, we hope to come out with a storage facility to store raw materials for lean seasons.
- ❖ To extend our product line by coming out with different sizes and designs.
- ❖ Price product relatively cheaper than our competitors. It is our hope that producing on economies of scale will help reduce our per unit cost of product. In this way we can price competitively. EMPRA Company limited therefore intends to use the integrated low cost and differentiation strategy in competing within the industry.
- ❖ Establish an effective and efficient distribution system to ensure prompt delivery and also reach as many markets as possible. This we hope to achieve this by buying strong vehicles with less fuel consumption.
- ❖ Build a system that ensures flexibility in terms of product and volume to suit our different customer groups.



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1.0 ORGANISATION

EMPRA Company Limited is a start-up business that will be incorporated under the company's code (Act 179, 1963) as a Limited Liability Company. The name EMPRA stems from the initial of its owners E – Emmanuel, M – Michael, P – Philomina, R – Richard and A – Anita. The Company will have a five member ownership and the purpose for existence will be to produce maize food drink. The business has not yet started. However we hope to break through the market with this new product of its kind, harnessing the different expertise that will be brought together. EMPRA Company Limited will be a Small-Scale business with a startup capital of GH¢ 60,000 contributed by members as Partnership business.

To avoid any issue of litigation, the company will be registered under the following institutions for certification before commencing business:

Food and Drug Board (FDB) – for certification of product as healthy for consumption

Environment Protection Agency (EPA) – to approve of the production site.

Internal Revenue Service (IRS) and Value Added Tax (VAT) – to fulfill its tax obligation

Social Security and National Insurance Trust (SSNIT) - to insure workers against old age

State Insurance Company (SIC) – to insure company's property

Initially the company will lease a six room building for production and administrative purposes so as to put in place the required infrastructure and appropriate structure.



Location and Address

The management hopes to lease a six room building at Nkawie in the Atwima Nwabiagya District. This will aid in the procurement of raw materials at low prices and ensure constant supplier of raw materials with easy accessibility to transportation.

The company will use the postal address of one of its funding members whiles developing a website and email address for product advertisement, enquiries, sales and communication.

Postal Address:

P.O. Box 11638

Adum, Kumasi.

Email: empramaizedrink@yahoo.com

Website: www.empramaizedrink.org

Location: Nkawie in the Atwima Nwabiagya District.

Business Number: 0322036601, 0204229090

Future Direction of EMPRA Company Limited

With the vision of becoming a multinational company, EMPRA Company limited hopes to expand its operations to at least five other regions in the country after three year of operation. This is with the hope of deploying excess capacity to reduce cost and also tap demand from other markets.



This however comes with the extension of the overall organizational structure to include regional managers (both general and functional) at the corporate level to steer the affairs of the entire company not withstanding this the company hopes to add to its product line (line extension).

Plans To Finance the Business

The project under consideration is not very capital intensive and as with the initial volume of trade to be embarked upon, capital required will be contributed by members up to a tune of GH¢60,000.00 in the following percentage. Later expansion will be made possible through accumulation of retained earnings and capital subvention by members to bring more into the business.

Figure 1

Shareholder	Contribution GH¢	Percentage %
Mr. Emmanuel Kwakye Nyamekye	10,000	16.66
Miss Philomina Okyere	10,000	16.66
Mr. Michael Afram Boakye	15,000	25
Miss Anita Kyei-Addae	15,000	25
Mr. Richard Kwarteng	10,000	16.66



2.0 PRODUCT IDEA AND REALIZATION OF SCHEDULE

2.1 PRODUCT IDEA

EMPRA Company Limited will produce and sell maize food drink. This business was initiated by one of its founding members Emmanuel Kwakye Nyamekye who realized that the product could be commercialized on a larger volume owing to its high demand along the coastal regions of the nation and also in other regions in the country. The nature and presentation by local sellers makes it unattractive to purchase and at worst consume. It was thought of to implement appropriate technology for the production of such drink to all classes of people and therefore widening its market potentials.

Primarily, this product is an energy giving food which boosts performance. The product will be made into several sizes and shapes and priced appropriately to appeal to our customer groups.

This food drink can be taken on the go and used to serve at larger gatherings. Hence, occasions such as funerals, wedding, naming ceremony are part of our target markets, people on busy schedules can take them while performing duty and also make provision for children and other low income earners in our pricing policy. The product's name will be "Goodlife".

**2.2 REALIZATION SCHEDULE AS AT 1ST JANUARY, 2012****Figure 2**

	Activity	July	August	Sept.	Oct.	Nov.	Dec.	Responsible Unit	Cost (GH ¢)
1.	Funding	Funding						All Owner	60,000
2.	Office Location		Office loca.					Operation Manager	2500
3.	Registration		Registration					Legal Adviser	200
4.	Recruitment		Recruitment					H/R Manager	300
5.	Planning		Planning of Business activities					All Owners	500
6.	Launching						Launching of the product	Marketing Manager	5,000



3.0 MANAGEMENT TEAM

As a start-up company, the owners of the business will double as the management team of the company to allow for saving cost and committing efforts to the stabilization and growth of the company. However acting in the capacity as board members will be done through peer review quarterly to allow for checks and balances from among management members

3.1 Responsibilities of Management Member

3.1.1 Coordinator

The general manager will be a cross-functional, non-specialist and will be the head of the rest of the functional areas who will seek to coordinate the work of all the other functional areas. He will also be responsible for the formulation and implementation of key management policies, oversee administrative functions, legal issues and represent the company at association meetings and any such related activities.

3.1.2 Finance and Administrative Officer

The finance and administrative manager will be the head of the finance and administrative department and will oversee the works of the accountant and personnel officer. However the later two will be tasked with the following activities.

3.1.2.1 Accountant

The accountant will perform tasks in relation to cost, management and functional accounting. His key responsibilities include;

- ❖ Budget preparation



- ❖ Keeping various books of account
- ❖ Preparation of financial statements
- ❖ Internal auditing (Institute better internal control measures)
- ❖ Report financial matters to managers.

3.1.2.2 Personnel Officer

The personnel officer will be responsible for the following duties;

- ❖ The recruitment and selection of employees
- ❖ Staff development and training
- ❖ Staff appraisal and evaluation
- ❖ Industrial relations
- ❖ Conflict and dispute settlement

3.1.3 Production and Marketing Manager

The production and marketing manager will be the head of the production and marketing department. His main responsibilities include;

- ❖ Planning production to ensure that due production processes are carried out in accordance with the correct specification and standards
- ❖ To recommend purchase and replacement/ maintenance of new and/ or broken down production equipment
- ❖ To see to the positioning of the company's product
- ❖ Assess market and search for new customer groups and consumers' reaction to the product



- ❖ To ensure that goods are delivered to customers in accordance with orders received
- ❖ Manage sales team
- ❖ Help promote and sell the product

3.1.4 Other Key Divisions/ personnel

3.1.4.1 Quality Assurance Officer

The quality assurance officer will act as the technical officer of the establishment and be responsible for the periodic sampling of the product of the same batch and analyzing it to ensure compliance with quality and safety standards. He will also assist in the procurement of raw materials and other productive inputs and also help plan new methods of production.

3.1.4.2 Drivers

The drivers will assist in the distribution of the company's product to its customers/ consumers.

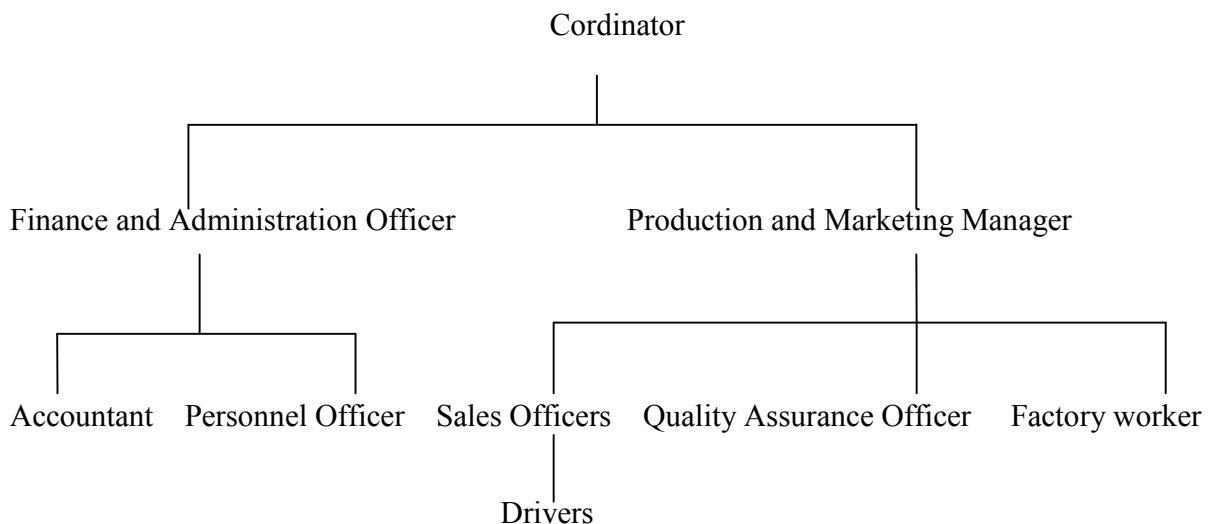
3.2 Brief Profiles of Management Members

Emmanuel Kwakye Nyamekye who will act in the capacity as a coordinator has completed level 2 of course offered by the Association of Certified Chartered Economist. He has also completed level 2 of Institute of Commercial Management (ICM) and currently offering a degree in Bachelor of Business Administration at Christian Service University College (Kumasi) specializing in accounting. He has worked with the Waste group limited and functioned within the account department of the said establishment. He also provided the benefit of his expertise whiles working with the OWASS Credit Union.



Philomina Okyere, who will act in the capacity as the finance and administration officer has a Diploma in Accounting and also an undergraduate at Christian Service University College (Kumasi) pursuing a degree course in Bachelor of Business Administration with accounting as her specialization. She also brings to the business two years of working experience as a cashier at Akosac Pharmacy Limited.

Anita Kyei-Addae who will be the production and marketing manager holds diploma in Marketing and Business Management. She is currently an undergraduate student at Christian Service University College (Kumasi) offering a degree course in Business Administration with her specialization in Human Resource Management. She also brings to the business three years of working experience as an Assistant Production and Marketing Manager at Sun Fruit Drink Company Limited.





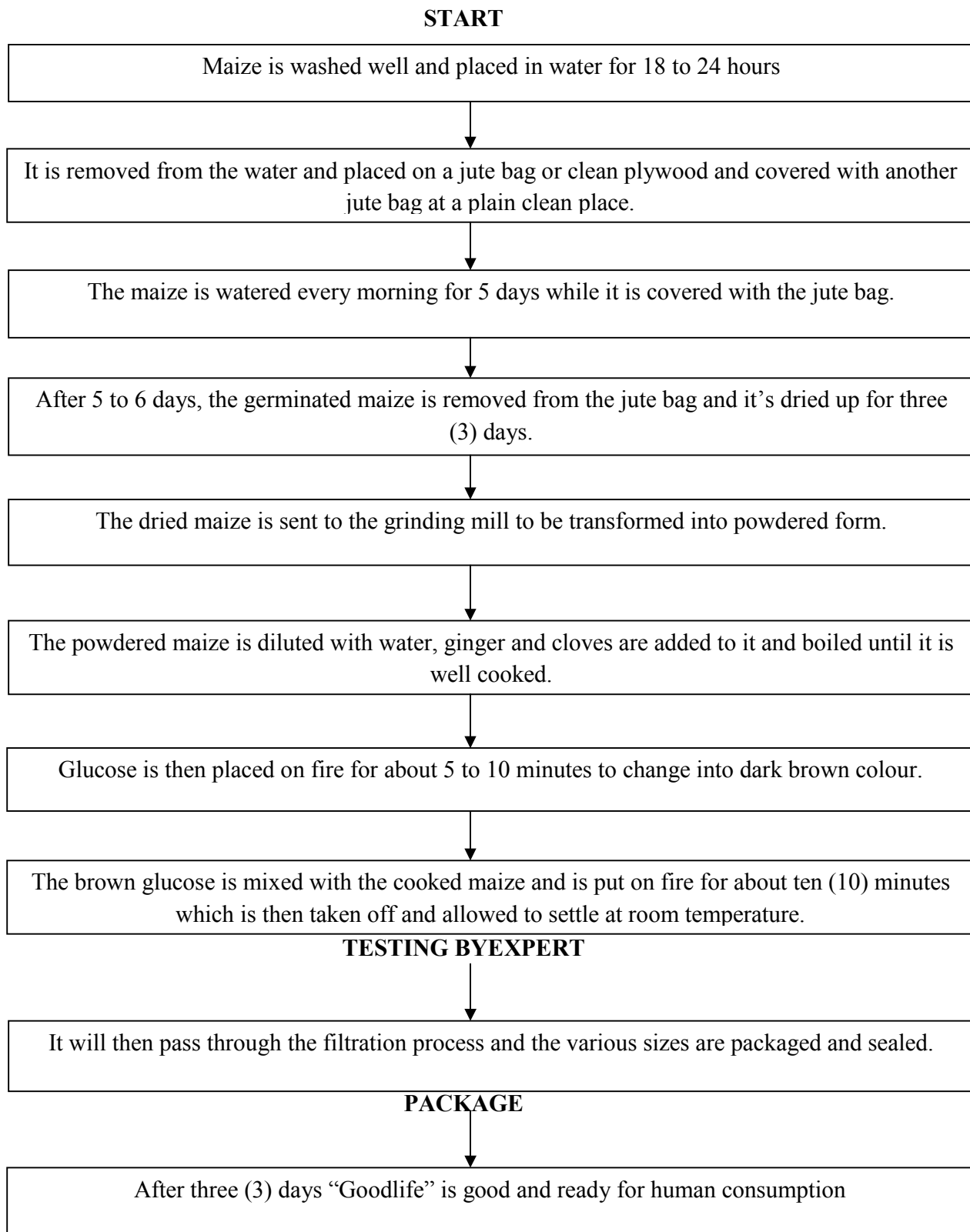
4.0 MARKETING ANALYSIS

4.1 BUSINESS SYSTEMS AND OPERATION

EMPRA Company limited will produce a maize food drink from the following ingredient; maize, cloves, glucose, ginger and clean water. The production and marketing manager will see to it that production starts as schedule. Before the launching of the product, the necessary authorities will be passed through such as Food and Drug Board (FDB), Environment Protection Agency (EPA), etc. Random samples will be selected to be tested through the course of operation as well as experts to check for the nutritious of “Goodlife”. Raw materials will be compared to check prices and quality. The finance and administrative manager together with the accountant and personnel officer will take care of basically all financial activities of EMPRA Company limited. Other position holders will perform their duties as stated in the management team responsibilities. All these being overseen by the General Manager to ensure that vision, mission, targeted sales, etc are all met at the end of the said year.



4.1.1PROCESS





4.2 Environmental Analysis

4.2.1 Industry Analysis

EMPRA company limited finds itself in the food drink processing industry; an industry that has been in place for longer time in the country and contributes much to the nations development through tax paying, increased employment and foreign exchange.

The industry has a wide range of products with products from players like Coca-cola and Malta Guinness Ghana doing very well in the market. However the local market is threatened with importation of foreign beverages which have recently become very competitive.

The demand of industrial output has positive correlation with increased population and appeal to different classes of people. However the ease of substitution affects the profitability of each firm within the industry. To promote and enhance competition, the government has given such benefits as tax concession to local producers. However, this only reduces cost of production but does not induce demand.

Depending on the type of food drink and the volume of intended production determines the initial capital requirement. Capital ranging from millions of dollars for giant companies to some tens of thousands of dollars for small companies may be required. Regulatory restrictions are imposed by the Foods and Drugs Boards, Ghana Standard Board and environmental Protection Agency.



4.2.2 Macro Environmental Analysis

4.2.2.1 Political

There is favourable political atmosphere because of political stability. However the initiative of trade liberalization to encourage investment has taunted the local market with a lot of foreign drinks. This makes competition higher. EMPRA being a food processing company will enjoy 100% exemption from tax payment for the first three years of operation.

4.2.2.2 Economical

The current state of the economy is characterized with alarming rate of unemployment. However inflation and interest rate can be said to be accommodative owing to their constancy for some period now.

4.2.2.3 Socio-cultural

The product under question is mainly affiliated to the natives of the coastal regions in Ghana. However maize seems to be a major food source for most/all tribes in Ghana and it is therefore perceive that the product will do very well on the local scene. Population growth invariably is an indication that the company will be able to increase its market share for subsequent years.



4.2.2.4 Technological

Technology has advanced in the country and the world as a whole. This is essential to assist in activities such as packaging, labeling and production itself. However the most sophisticated and efficient technologies employed by the giant in the industry makes competition tighter.

4.2.3 SWOT Analysis

Figure 2

Strength	<p>Management - The management of EMPRA possesses a great deal of experience, knowledge and work ethics to help steer the affairs of the company to achieve its target objectives.</p> <p>Product Quality- “Goodlife” is a healthy and highly nutritious food drink which seeks to boost performance.</p> <p>Production and operation- Production will be planned in a way to reduce waste.</p>
Weakness	<p>Our production technology employed as compared with coca-cola and other multinational companies within our industry is less advance.</p>
Opportunities	<p>Market- The demand for maize food drink is dominant over the coastal regions and the rest of the regions making it easy to introduce and sell “Goodlife”. This is coupled with increasing population.</p> <p>Productive inputs- Productive inputs especially raw materials are very economical and hence make it possible to produce on economies of scale.</p>



	Production equipment- Production equipment in the industry is less specialized and for that matter makes it easy for disposal.
Threat	Technological Advancement- Constant improvement in technology may render our production equipment outmoded and quite undependable. Potential Producers- As a result of importation, the local market is flooded with a lot of foreign product. This makes competition tighter and affects the incumbent profitability of the industry. Climate- Volume and cost of production is likely to be affected by changes in climate conditions as the principal raw material (maize) is season dependent.

4.3 Market Segmentation

The process of grouping customers in markets with some heterogeneity into smaller, more similar or homogeneous segments is termed as market segmentation. The identification of target customers is aggregated into groups with similar requirements and buying characteristics.

We therefore hope to segment our market based on the following



4.3.1 Income

This will be in line with our pricing policy so as to appeal to various levels of income earners, employed and unemployed, children and adults, rich and poor.

4.3.2 Geographic

This segmentation is necessary to help determine the percentage of output that should be delivered to a particular locality having in mind areas that it is highly patronized.

4.3.3 Psychographic Segmentation

The market will be divided into different groups based on social class, lifestyle or personality characteristics to allow for additional product features to suit each category.

4.4 Target Market

Basically, EMPRA company limited wishes to reach all classed of people; thinking about the pupil with limited income who will more likely buy a drink, the truck pusher and market woman who will not spend much on food, the second cycle and tertiary student who desire value for his or her money, the manager on busy schedule who cannot afford to waste time at the restaurant, the jubilant crowd who would share their drink and also a tradition to maintain.

As market coverage strategy EMPRA Company limited hopes to employ differentiated marketing so as to reach our several segments with our varying product features as this ensures higher sales and stronger position in a market segment. Typical of our targeted markets include; students (primary, JHS, SHS and Tertiary), social gathering (wedding, naming ceremony, funeral, etc) and General public.



4.4.1 Product Positioning

EMPRA Company limited's "Goodlife" is highly nutritious food drink produced under strict hygienic conditions which boost performance. It is healthy and contains high level of energy just like you need it. In fact, life is always good with "Goodlife".

4.5 MARKETING MIX

4.5.1 Product

"Goodlife" is the name of the product to be produced by EMPRA Company limited from the following ingredient; maize, cloves, glucose, ginger and clean water. Local preparation sometime makes it undesirable to purchase, hence the idea of packaging it in a more presentable manner. Additional features such as labeling and different product sizes will be curtailed to appeal to our customer groups.



EMPRA Company has within its capacity the necessary resources (raw materials, production equipment) and capabilities to develop and produce the product.

Furthermore, the products will be packaged into secondary forms in which 30 pieces of the small sizes (200ml), 24 pieces of the medium size (300ml) and 12 pieces of the large size (500ml) will each be put together.

**Product classification and Range****Name, Type and Range of product**

EMPRA Company limited will produce a maize food drink. The name of the product will be “Goodlife” which tends to portray the nutritiveness and energy content of the product. The product will come in different sizes which includes

<u>Size</u>	<u>Content</u>
Small	200ml
Medium	300ml
Large	500ml

Product Description**Small**

The small size is mainly for children. It comes in a sachet form with labels in green.

Medium

The medium size will be mini plastic bottle with an opening/seal on top of it. Around the cup will be a plain sticker with green labels on it.

Large

The large sized will be packaged into plastic bottles of size, 500ml. it will always have the company’s ultimate green colour.



Small



Medium



Large

Value Proposition

The management of EMPRA Company limited is poised with the desire to deliver quality but affordable product to its target customers. From a well experienced management team to a professional and qualified working staff, we hope to produce a healthy food drink from fine quality raw materials with the best available production process/technology.

This we hope to achieve through better procurement policies, infrastructural development and quality control.



4.5.2 Price

The management of EMPRA Company limited hopes to use penetration pricing. This is to allow for our policy of creating value at affordable price as we do not want to create something which is customer friendly in terms of product features but to translate into their pockets (purchasing power). However products will be priced at full cost plus relatively low industrial profit margin.

4.5.3 Promotion

It is realized that the major of our target customer groups have inculcated the habit of using the electronic media (Television, radio, internet) as their means of receiving information. The management of EMPRA Company limited though expensive intends to embark on strategic and intensive advertisement for our first year of operation using the electronic media. This will be coupled with product launching at various marketing centres and concentrated public areas. We also hope to institute some consumer promotion tools such as patronage rewards, coupons and premiums. This is focused on consumer relationship building.

Recruitment of sales force will be done to and in the marketing and sales of the product. Products will be earned in company's vans with sales forces that will visit and pursue new and potential customers. However management shall contact customers to find out how the product has been and customers reactions and comments.



4.5.4 Place

EMPRA Company limited plans to implement a selective system of distribution which will be aided by a push strategy in order to maximize profit. By selective distribution, we plan to target and select some distributors who are located at various potential markets to serve as our main intermediaries. These intermediaries will be given some supporting services to encourage them to push our product to the final consumer. Additionally, we will be using the company's vans to distribute some of the product to retailers and also fulfill specific orders. The management of EMPRA believes that the implementation of this strategy will help achieve its stated objectives and subsequently become very competitive in the industry.

Competitors Analysis/Comparison

Apart from the production of this product locally, ice kenkey tends to be a very close substitute with other products from multinationals such as coca-cola and Guinness Ghana. Most of these local producers are stationed at one part and the process as well as condition of preparation and preservation is not presentable.

However we will introduce required process technology to aid in descent and attractive packaging. The fact that these homemade producers carry their food drinks on their head to sell makes us competitive since we have two distribution vans to aid in sales.



5.0 FINANCIAL SUMMARY

5.1 FINANCIAL OBJECTIVES

EMPRA Company Limited hopes to be very profitable whilst ensuring expansion in both its structures and infrastructures. This can be achieved through the build-up of both financial and intellectual capital.

However, the specifics of our financial objectives include:

1. To breakeven within our first year of operation. The possibility of this lies in the fact that, the technology in place does not need any specialized equipment and also relatively cheaper than other equipment used by other food processing companies. This reduces our fixed cost and therefore increases our margin of safety.
2. We hope to minimize the company's exposure to bad debt and any other such eventualities through the establishment of a credit control system to monitor and catalyze debt payment and also chase after overdue accounts.
3. We will adopt the conservative funding policy in financing our working capital to avoid pressure on the cash flow of the business
4. We also hope to adopt the aggressive management policy of managing our working capital to ensure higher profitability at the early stage of the business, take time to build customer base and then employ the moderate management policy of managing our working capital in subsequent years.

Proforma financial statements prepared were based on realistic values taking into consideration economic trends and current market conditions.



It was indicative of the financial ratio analysis that, the ROCE decreased year on year though actual profit increased from year to year. This however could be attributed to capital build-up to allow for future expansion.

Again, the net profit margin for the years 2012, 2013 and 2014 were 22%, 25% and 27% respectively while the gross profit margin for the years 2012, 2013 and 2014 were 41%, 44.5% and 47% respectively. This shows a significant trend in the overall profitability of the company while placing the company in a more liquid position.

A measure of efficiency showed increasing fixed assets turnover i.e. 4.9 times for 2012, 6.39 times for 2013 and 8.37 times for 2014.

It is however realized that the rate at which fixed assets are used to generate sales increased successively. Considering the sale/net current ratio, increasing working capital saw this ratio decreasing, and an indication that the firm will be able to finance its operating activities. As it is working capital must increase with sales if undercapitalization is to be avoided.

The projections showed a positive NPV which is an indication that the business is a viable one.

The following financial assumptions were also made.

1. Operating expenses increased by 10% year on.
2. Unit cost of production will be GH¢ 0.74 for the different product line while selling each small, medium and large size for GH¢ 0.50, GH¢ 0.90 and GH¢ 1.10 respectively.
3. Cost of capital is estimated to be 30%.



4. Production capacity is expected to increase by 15% year on.
5. No credit sales will be made.
6. Discount will be given to customers who bought in large quantities.
7. Depreciation is calculated 10% on all fixed assets using the straight line method.

5.2 RISK ANALYSIS

Like any other business, EMPRA Company limited will be prone to certain uncertainties that might disrupt the course of operation. Among these risks include; Human risk, Economic risk, Natural risk and Political risk.

5.2.1 Human Risk

The unpredictable and incompressible nature of employees and customers are the major cause of human risk. Among the likely human risks to be encountered are;

- ❖ Stealing of raw materials and company's tools.
- ❖ Poor customer relation by individual salesperson.
- ❖ Negligence of employees
- ❖ Legal liability

5.2.2 Economic Risk

The economy sometimes poses systematic risk which tends to affect all business entities. Some of which include; inflation, competition/ Market Demand and Exchange rate.



The effect of this is that, production cost increases, competition becomes keen and volume of trade is affected.

5.2.3 Natural Risk

Basically the ingredients to our production are season-dependent and therefore changes in climatic conditions are likely to disrupt business operations. Naturally, risk likely to be encountered include; Drought, Fire outbreak and Flood/ Stormy Rain.

5.2.4 Political Risk

Differences in political ideology by different government poses credible threat to certain business entities. EMPRA like any other business may have its properties threatened through confiscation or expropriation; ongoing operations and/or safety of employees threatened through changes in laws, environmental standards, tax codes etc; the government's inference with our ability to shift funds into and out of the country.

5.3 Risk Management

The management of EMPRA Company limited hopes to recognize, measure and control the risks likely to be faced by the company so as to eliminate or bring it to its bearest minimum level.

5.3.1 Human Risk

This will be managed by employing competent employees. Employees will be made to undergo rigorous induction training and other medical examination. Management will also follow up successful marketing to establish intimate relationship with our customers to avoid losing them.



Again, safety notes and measures will be put in place to prevent unnecessary accidents from occurring in course of work. We also hope to institute incentive packages to help curb the issue of theft.

5.3.2 Economic Risk

In the course of business, any surplus fund shall be diversified into other risk-free investment to reduce the risk on our portfolio. We also hope to trade in larger quantities to take advantage of trade discount.

5.3.3 Natural Risk

Natural risk will be managed by employing fire alarms, smoke and heat detectors, control of combustible materials, manual fire extinguishers and also production site inspected and approved by necessary authorities.

Shortages of raw materials will be curbed by buying in bulk and storing some to continue production during lean seasons.

We will also use loss financing to cater for possible losses during such eventualities

5.3.4 Political Risk

EMPRA Company limited will be a non-partisan entity whiles fulfilling its corporate obligations as required by law.

**PROJECTED BALANCE SHEET of EMPRA Company Limited for the year**

	2012		2013		2014	
	<u>GH¢</u>	<u>GH¢</u>	<u>GH¢</u>	<u>GH¢</u>	<u>GH¢</u>	<u>GH¢</u>
Fixed Assets		35910		31920		27930
Current Assets:						
Inventories:						
Raw Materials	4000		4120		3450	
Finished Goods	3000		3400		4000	
Bank	50143		100831		165186	
Cash	<u>2500</u>	<u>59643</u>	<u>3000</u>	<u>111351</u>	<u>2500</u>	<u>175136</u>
Total Assets		<u>95553</u>		<u>143271</u>		<u>203066</u>
Financial By:						
Capital	60000		60000		60000	
Profit for the year	35553		47718		59795	
Retained Earnings	<u>----</u>		<u>35553</u>		<u>83271</u>	
Total Capital		<u>95553</u>		<u>143271</u>		<u>203066</u>

**PROJECTED INCOME STATEMENT of EMPRA Company Limited for the year**

	2012	2013	2014
	GH ¢	GH ¢	GH ¢
Sales	176116	203874	233687
Cost of Sales	<u>(103909)</u>	<u>113150</u>	<u>123854</u>
Gross Profit	72207	90724	168403
Marketing & Selling Exp.	(20100)	(24136)	(28273)
Gen. & Admin. Exp.	<u>(13354)</u>	<u>(15620)</u>	<u>(18465)</u>
Operating Profit	38753	50968	63095
Financial Charges	(3200)	(3250)	(3300)
Income Tax	----	----	----
Net Profit	<u>35553</u>	<u>47718</u>	<u>59795</u>

**PROJECTED CASHFLOW STATEMENT of EMPRA Company Limited for the year**

	2012		2013		2014	
Cash Inflow	<u>GH¢</u>	<u>GH¢</u>	<u>GH¢</u>	<u>GH¢</u>	<u>GH¢</u>	<u>GH¢</u>
Capital	60000					
Sales	<u>176116</u>	236116	<u>203874</u>	203874	<u>233687</u>	233687
Cash Outflow						
Marketing & Selling Exp	18100		22136		26273	
Gen. & Admin. Exp.	12384		14650		17495	
Production Equipment	10200					
Office Equipment	3700					
Vehicle	20000					
Borehole	6000					
Production Cost	109889		112650		122764	
Financial Charges	<u>3200</u>	(183473)	<u>3250</u>	(152686)	<u>3300</u>	<u>169832</u>
Net Cash Flow		52643		51188		63855
Cash b/d		<u>-----</u>		<u>52643</u>		<u>103831</u>
Accumulated Cash		<u>52643</u>		<u>103831</u>		<u>167686</u>

**APPENDIX****EMPRA Company Limited's
PROJECTED NET PRESENT VALUE (NPV)**

YEAR	CASH FLOW GH¢	DISCOUNT FACTOR (30%)	PRESENT VALUE PV GH¢
2012	52643	0.769	40483
2013	51188	0.592	30303
2014	63855	0.455	29054
			99840

NPV=PV-Initial Cost of Investment

NPV= GH¢ 99840 – GH¢60000

NPV= GH¢39840

**EMPRA Company Limited's Manufacturing Accounts for the year**

Raw Materials	2012 (GH¢)	2013 (GH¢)	2014 (GH¢)
Opening Inventory	-----	4000	4120
Purchases	92309	94750	104554
Carriage	400	500	620
Closing Inventory	<u>(4000)</u>	<u>(4120)</u>	<u>(3450)</u>
Raw Materials Consumed	88709	95130	105844
Factory Overheads			
General factory Expenses	400	500	450
Lighting and Heating	720	800	840
Insurance	2500	2500	2500
Factory Workers Salary	13200	13200	13200
Depreciation on Prodn Equipment	<u>1020</u>	<u>1020</u>	<u>1020</u>
Total Factory Overhead	17840	18020	18010
Raw Materials consumed	88709	95130	105844
Direct labour	360	400	600
Factory Overhead	<u>17840</u>	<u>18020</u>	<u>18010</u>
Gross Production Cost	106909	113550	124454
COST OF SALES			
Opening Inventory	-----	3000	3400
Gross Production Cost (F.G.)	106909	113550	124454
Closing Inventory	<u>(3000)</u>	<u>(3400)</u>	<u>(4000)</u>
Cost of Sales	<u>103909</u>	<u>113150</u>	<u>123854</u>

**BREAKEVEN ANALYSIS**

Total Fixed Cost - GH ¢ 80300

Total Variable Cost - GH ¢ 104373

GH ¢ **184673**

Estimated Annual Production

Size	Quantity	2012	2013	2014
200ml	120000 units	4000 boxes	4650 boxes	5290 boxes
300ml	72000 units	3000 boxes	3450 boxes	3968 boxes
500ml	<u>58000</u> units	4833 boxes	5558 boxes	6392 boxes
	250000 units			

Unit Variable Cost

104373 = GH ¢ **0.42**

250000

Unit fixed Cost

80300 = GH ¢ **0.32**

250000

Unit Cost of Product

0.42+0.32= GH ¢ **0.74**



Size	Qty Per Box	Unit Cost (GH ¢)	Cost Per Box (GH ¢)
200ml	30	0.74	22.20
300ml	24	0.74	17.76
500ml	12	0.74	8.88

Unit Selling Price

Size	Qty per Box	Selling Price per unit	Selling Price per box (GH ¢)
200ml	30	0.50	15
300ml	24	0.90	21.6
500ml	12	1.10	13.2

Breakeven Point

$$TR = TC$$

$$TR = \text{GH ¢ } 176116 \text{ (1}^{\text{ST}} \text{ Year)}$$

$$TC = \text{GH ¢ } 184673 = \text{B.E}_{\text{Sales}}$$

Time taken to Breakeven

Year	<u>Sales</u>
1	176116
2	203874

$$1 + (8557 \div 203874 \times 12)$$

$$1 + 0.04$$

$$1.04 \text{ yrs}$$



Breakeven in Units

Breakeven in sales

Average Realised Selling price

Average Realised Selling price = estimated sales

Estimated production

= 176116

250000

= 0.70

= 184673

0.7

=263819 units

**Sales Budget (2012)**

Size	Qty boxes	Selling Price per Box (GH¢)	Total Revenue (GH¢)
200ml	3800	15	57000
300ml	2775	21.6	59940
500ml	4483	13.2	<u>59176</u>
			<u>176116</u>

Sales Budget (2013)

Size	Qty boxes	Selling Price per Box (GH¢)	Total Revenue (GH¢)
200ml	4360	15	65400
300ml	3208	21.6	69293
500ml	5241	13.2	<u>69181</u>
			<u>203874</u>

Sales Budget (2014)

Size	Qty boxes	Selling Price per Box (GH¢)	Total Revenue (GH¢)
200ml	5010	15	75150
300ml	3695	21.6	79812
500ml	5964	13.2	<u>78725</u>
			<u>233687</u>



**EMPRA Company Limited's
Administrative Staff Salary Budget**

Position	Monthly Salary GH¢	Annual Salary GH¢
Cordinator	250	3000
Financial Officer	200	2400
Production & Marketing Manager	200	2400
Accountant	200	2400
Personnel Officer	200	2400
Quality Assurance	200	2400
Total		10200

Drivers & Sales Attendants Budget

Position	Number	Monthly Salary GH¢	Annual Salary GH¢
Drivers	2	150	3600
Sales Attendants	2	150	3600
Total			8400

Production Workers Budget

Activity	Number	Amount per Worker GH¢	Annual Salary GH¢
Machine Controlling	2	300	7200
Packaging	2	250	6000
Total			13200

Material Purchase Budget

Period	Quantity Bags	Price per Bag GH¢	Total GH¢
Monthly	96	80	7692
Annually	1152	80	92309

**Material Usage Budget**

Period	Quantity Bags	Price per Bag GH¢	Total GH¢
Monthly	92	80	7359
Annually	1104	80	88308

SSNIT Contribution Assessment

Total Basic Salary 24000

Employees' Contribution (5%) 1200

Employer's Contribution (8.5%) 2040

3240

Fixed Assets Schedule

	Production Equipment GH¢	Office Equipment GH¢	Vehicle GH¢	Borehole GH¢	Total GH¢
Cost/Valuation	10200	3700	20000	6000	39900
2012 Depreciation	(1020)	(370)	(2000)	(600)	(3990)
NPV	9180	3330	18000	5400	35910
2013 Depreciation	(1020)	(370)	(2000)	(600)	(3990)
NPV	8160	2960	16000	4800	31920
2014 Depreciation	(1020)	(370)	(2000)	(600)	(3990)
NPV	7140	2590	14000	4200	27930



Variable Costs	GH¢
Raw Materials	92309
Carriage Inward	400
Direct Labour	360
General Factory	400
Lighting & Heating (Factory)	720
Lighting (Office)	240
General Office Expenses	144
Carriage Outward	5200
Discount Allowed	1400
Bank Charges	200
SSNIT	<u>3000</u>
	<u>104373</u>



Fixed Costs	GH¢
Insurance	2500
Factory Workers Salary	13200
Production Equipment	10200
Rent	1500
Advertising Expenses	1300
Borehole	6000
Office Equipment	3700
Vehicle (Distribution)	20000
Administration Staff Salary	10200
Drivers & Sales Attendants Salary	8400
Registration	200
Sample Analysis (lab.)	100
Product Lunching	<u>3000</u>
	<u>80300</u>

**Selling & Marketing Expenses**

Carriage Outward	5200
Discount Allowed	1400
Advertising	1300
Drivers & Sales Attendant Salary	7200
Product Lunching	3000
Depreciation on vehicle	<u>2000</u>
	<u>20100</u>

Administrative and General Expenses

Lighting	240
General Office Expenses	144
Rent	1500
Administration Staff Salary	10200
Registration	200
Sample Analysis	100
Depreciation on office Equipment & Borehole	<u>970</u>
	<u>13354</u>

Financial Charges

Bank Charges	200
SSNIT	<u>3000</u>
	<u>3200</u>

**Property, Plant and Equipment**

Vehicle	20000
Marketing and Production Equipment	10200
Office Equipment	3700
Borehole	<u>6000</u>
	<u>39900</u>

Production GH¢

Raw Material	38400
Carriage Inward	400
Direct labour	360
General Factory Expenses	400
Lighting & heating (factory)	720
Insurance	2500
Factory Workers Salary	13200
Depreciation on production Equipment	1020

**Initial Capital Outlay****Marketing and Production Equipment**

Item	Quantity	Unit Cost (GH¢)	Total Cost (GH¢)
Distribution Van	2	10,000	20,000
Silo Machine	2	3500	7,000
Barrels	4	40	160
Gas Store	2	600	1,200
Gas Cylinder	2	900	1,800
Filter			40
			<u>30200</u>

**Office Equipment****Marketing and production**

Item	Quantity	Unit Cost (GH¢)	Total Cost (GH¢)
Furniture	1 set	500	500
Cabinet	1	100	100
Computer	1 set	400	400
Fixtures and Fittings			150
			<u>1150</u>

Finance and Administration

Item	Quantity	Unit Cost (GH¢)	Total Cost (GH¢)
Furniture	1 set	500	500
Cabinet	1	100	100
Computer	1 set	400	400
Fixtures and Fittings			150
			<u>1150</u>

**General**

Item	Quantity	Unit Cost (GH¢)	Total Cost (GH¢)
Furniture	1 set	500	500
Cabinet	1	100	100
Computer	1 set	500	500
Fixtures and Fittings			200
Printer			100
			<u>1400</u>

Balance Sheet as at 1/01/2012

	GH¢	GH¢
Fixed Assets		40300
Current Assets:		
Prepayment	2500	
Cash	<u>17200</u>	<u>19700</u>
		<u>60,000</u>
Financed by:		
Capital		<u>60,000</u>

**RATIO ANALYSIS**

Return on Capital employ = $\frac{\text{PBIT} * 100}{\text{Capital Employed}}$

2012	2013	2014
$\frac{38753}{95553} * 100$	$\frac{50968}{143271} * 100$	$\frac{63095}{203066} * 100$
= 40.56%	=35.57%	=31.07%

Net Profit Margin = $\frac{\text{PBIT} * 100}{\text{Sales}}$

2012	2013	2014
$\frac{38753}{176116} * 100$	$\frac{50968}{203874} * 100$	$\frac{63095}{233687} * 100$
=22%	=25%	=27%

Gross Profit Margin = $\frac{\text{Gross Profit} * 100}{\text{Sales}}$

2012	2013	2014
$\frac{72207}{176116} * 100$	$\frac{90724}{203874} * 100$	$\frac{109833}{233687} * 100$
=41%	=44.5%	=47%

**EFFICIENCY RATIO**

Fixed Assets Turnover = $\frac{\text{Sales}}{\text{Fixed assets}}$

Fixed assets

<u>2012</u>	<u>2013</u>	<u>2014</u>
<u>176116</u>	<u>203874</u>	<u>233687</u>
35910	31920	27930
= 4.90 times	=6.39 times	=8.37 times

Sales/Net Current Assets = $\frac{\text{Sales}}{\text{Net Current Assets}}$

Net Current Assets

<u>2012</u>	<u>2013</u>	<u>2014</u>
<u>176116</u>	<u>203874</u>	<u>233687</u>
59643	111351	175136
=2.95 times	=1.83 times	=1.33 times