

CHRISTIAN SERVICE UNIVERSITY COLLEGE - KUMASI

DEPARTMENT OF BUSINESS STUDIES

BACHELOR OF BUSINESS ADMINISTRATION

RACAS COMPANY LIMITED

BUSINESS PLAN

BY

AGYENIM BOATENG RICHMOND

ANABA ROBERT AYINSONGYA

OPOKU SARPONG COLLINS

AFRIYIE ANTWI FOSU

DONKOR SAMUEL

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DEPARTMENT OF BUSINESS STUDIES

BACHELOR OF BUSINESS ADMINISTRATION

RACAS COMPANY LIMITED

BUSINESS PLAN

A BUSINESS PLAN SUBMITTED TO THE DEPARTMENT OF BUSINESS  
STUDIES OF CHRISTIAN SERVICE UNIVERSITY COLLEGE, KUMASI, IN  
PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR THE COURSE  
CSAD 443 TEAM BUSINESS PROPOSAL

BY

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ANABA ROBERT AYINSONGYA

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## 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 does not contain unacknowledged work from any other source. I also declare that I have been under supervision for this Business Plan Herein Submitted.

Name of Student	Index Number	Signature	Date
1. AGYENIM BOATENG RICHMOND	10124093	.....	.....
2. ANABA ROBERT AYINSONGYA	10124104	.....	.....
3. OPOKU SARPONG COLLINS	10124204	.....	.....
4. AFRIYIE ANTWI FOSU	10124090	.....	.....
5. DONKOR SAMUEL	10140751	.....	.....

Certified by

.....

(Supervisor)

Signature

Date

Certified by:

.....

(Head of Business Studies Department)

Signature

Date

## EXECUTIVE SUMMARY

The purpose of this business plan is to serve as a **blueprint** for the operation of RACAS Company Limited.

### **Organization:**

RACAS Company Limited is a registered Ghanaian company in Kumasi, Ghana, producing bottled “ice kenkey” in the food and beverage industry. It is situated at Kaase Plot 20 Blk B off the Ahinsan - Ahodwo Road in Kumasi, Ghana. The company is registered under the Ghana company code 1963 section 119/121, (Act 179), and incorporated under the Food and Drugs Board as a Food and Beverage producer with certification from the Ghana Standard Board.

### **Product:**

RACAS Company Ltd. is producing and distributing to Ghanaians a refreshing traditional sweetened fermented corn and milk drink known as “Ice Kenkey” as a food beverage.

### **Target Market:**

Office workers, youth, students and all non-workers in the central business districts.

### **Ownership and Management:**

The companies is owned by five (5) graduates from Christian Service University College with mutual understanding who contributed in equal proportion the capital required and thus have equal ownership representation. Total funds realized from the 5 graduates is GH¢150,000.00. The management of the company is handled by the co-founders.

**Vision:**

“To be a first class producer of ice kenkey as a food beverage drink to consumers in Ghana and beyond”

**Mission:**

“To provide the nation with high quality nutritious ice kenkey as a food beverage in a hygienic and healthy condition”

**Objectives:**

To promote commercialization and mass consumption of ice kenkey as; to create employment opportunities for the youth; to modernize the production of ice kenkey using the state-of-the-art technology.

**Problem to Solve:**

To provide a healthy nutritious hygienic ice kenkey to consumers.

**Key success factors:**

Quality products and flexible delivery services.

**Status of the Product:**

The product, ice Kenkey, will be launched in August, 2012.

**Financial Highlight:**

RACAS Company Ltd. Projected a sales of 100,000 bottles for year 2012. The company also projected an increase of twenty percent (20%) and thirty percent (30%) in sales for 2013 and 2014 respectively. Break-even will be realized in approximately on the 6<sup>th</sup> month of operation and GHC 31,739.00 as profit after tax in the first year (2012).

## COMPANY PROFILE

NAME: RACAS COMPANY LIMITED

PRODUCTS: PRODUCERS OF ICE KENKEY

LOCATION: KAASE, KUMASI

POST OFFICE BOX AH 331, AHINSAN

TELEPHONE: 03220 44883

MOBILE: 0243481869

FAX: 03220 44883

EMAIL: [info@racas.com](mailto:info@racas.com)

WEBSITE: [racas.com](http://racas.com)

## **0.1 VISION:**

To be a first class producer of ice kenkey as food beverage drink to consumers in Ghana and beyond

## **0.2 MISSION:**

To provide the nation with high quality nutritious mashed kenkey as a food beverage in a hygienic and safe condition.

## **0.3 VALUES:**

- Hardwork
- Innovation
- Competence

## **0.4 OBJECTIVES:**

- To promote the commercialization and mass consumption of ice kenkey as a food beverage drink in Ghana.
- To create employment opportunities for the youth.
- To produce and distribute a well bottled mashed kenkey to consumers
- To modernize the production of ice kenkey using the state-of-the-art technology.

## 1.0 ORGANIZATION

RACAS is a limited liability partnership company registered under the Ghana company code 1963 section 119/121, (Act 179), and incorporated under the Food and Drugs Board as a Food and Beverage producer. The company is into the production of bottled ice kenkey in Ghana, a Ghanaian refreshing traditional sweetened fermented corn and milk drink known as **“Ice Kenkey”** as a food beverage.

Through a thorough and extensive research on the intake and consumption of ice kenkey in Ghana, partners negotiated and agreed on bottled ice kenkey production in Ghana.

This was after a consideration on the recent drive by Ghanaians to consume native products and the recent governments’ campaign to promote the consumption of indigenous Ghanaian products. Again, the recent rise in the consumption of kenkey in the country especially by the weaning children, youth of school going age and workers who find it helpful and nutritious to take ice kenkey as a food beverage drink to replace or replenished lost energy or supplement their solid food intake (It can tide people over until they can have a more filling meal). Ice kenkey is also used as a weaning food for children. It will also ease the time spent on in search of food.

The various units of RACAS Company Ltd. are administrative, production, sales and marketing and account and finance units.

Our business strategy will be differentiation. We intend to produce a totally unique quality and hygienic bottled ice kenkey and to price our product low to gain entry into the food and beverage market and in order to capture a large market share at the shortest possible time. With this RACAS Company Ltd. will gain an advantage over its competitors.

Our mission: To provide the nation with high quality nutritious ice kenkey as a food beverage in a hygienic and healthy condition.

## 1.1 TRADEMARK PROTECTION

RACAS Company Limited is will be registered under the Ghana company code 1963 section 119/121, (Act 179), and incorporated under the Food and Drugs Board as a Food and Beverage producer with certification from the Ghana Standard Board.

The product RACAS company ltd. is offering for sale to Ghanaians or consumers is bottled ICE KENKEY.

## 1.2 STATUS OF THE PRODUCT

Our product (Ice Kenkey) will be launched in August, 2012. However, the necessary activities from funding, factory set up to the commencement of production to product testing and packaging will be carried out from January, 2012 to August, 2012.

## 2.0 PRODUCT IDEA AND REALIZATION OF SCHEDULE

### 2.1 PRODUCT IDEA

Bottling ice kenkey came as a result of an idea by a relative of one of the group members who had this to say about ice kenkey thereby igniting the passion to pursue the venture.

Mr. Kwame Afriyie a resident of Kumasi who said he together with his late grandmother used to enjoy a Ghanaian snack in the early 1970s. It was called "ice kenkey." His grandmother simply crumbled part of a ball of Fante kenkey with her fingers into a cup and added cold water and "plenty" of evaporated milk and sugar (it was sugar cubes in those days), stirred it well, and drank/ate it from a large mug. We had no refrigerator, but if we had I'm sure she would have used ice water to prepare it, he said. I developed a taste for ice kenkey, so I have to prepare the drink myself after her death. It was not easy though, but soon I have to buy ice kenkey from Kejetia. I wish it was available in stores or supermarkets because the Kejetia one is not hygienic and sometimes doesn't taste good, besides you cannot take it home in such containers, the lament of Mr. Kwame Afriyie.

RACAS Company Ltd. will be providing a healthy nutritious bottled ice kenkey to consumers in a hygienic condition to promote mass consumption of the indigenous recipe yet reducing the stigma attached to ice kenkey sold by local women around town as unhealthy.

#### 2.1.1 PRODUCT DESCRIPTION

#### 2.1.2 GENERAL DESCRIPTION:

RACAS Company Ltd. is producing and distributing to Ghanaians a refreshing traditional sweetened fermented corn and milk drink known as **Ice Kenkey** as a food beverage.

### 2.1.3 KEY FEATURES:

Bottled ice kenkey, logo, size: 500ml

Ingredients: kenkey, sugar, water and fresh milk

Nutritional Facts: Protein, Carbohydrates, Fat and vitamins.

### 2.1.4 MAIN BENEFITS:

- Serve as a food beverage drink.
- It can tide people over until they can have a more filling meal.
- Ice kenkey is also used as a weaning food for children.
- Serve as an energy booster
- Very portable and well packaged
- Hygienic and safe
- Highly nutritious

## 2.2 REALIZATION OF SCHEDULE

FIGURE 2.1

ACTIVITIES	MONTH											
	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
FUNDING	X	X										
FACTORY SITING AND SETTING			X									
COMPANY REGISTRATION				X								
ACQUISITION OF MACHINERY				X								
RECRUITMENT AND TRAINING					X							
PURCHASE OF RAW MATERIAL						X						
PRODUCTION COMMENCE						X						
PRODUCT TESTING						X						
MARKETING TESTING							X					
PACKAGING								X				
PRODUCT LAUNCH								X				
ADVERTISEMENT AND PROMOTION								X				

## 3.0 MANAGEMENT TEAM

### 3.4 KEY MANAGEMENT PROFILE

#### GENERAL MANAGEMENT AND ADMINISTRATION

General Manager's position is will be handled by Mr. Anaba Robert Ayinsongya

#### Qualifications:

Holds a degree in Bachelor of Business Administration in Human Resource Management from Christian Service University College.

Holds a certificate in Entrepreneurship and Business Management (DUES)

Pursuing a post graduate degree in Professional Human Resource Management, Ghana

#### Working Experience:

Coordinating Director, Graduates' College, Kumasi 2006 – 2009

Administrative Management, SWAT Consults, Kumasi 2008 – April, 2011.

#### Responsibility:

- Oversees the general operations of RACAS Company Limited.
- Over sees the drawing of the company policy statement.
- Receives reports from departmental heads
- Assists the department to develop and implement the short and long term objectives.
- Co-ordinates the internal and external affairs of the company to ensure internal equity and external competitiveness.

## SALES AND MARKETING DEPARTMENT

The sales and market department will be supervised by Mr. Samuel Donkor

### Qualifications:

Holds a degree in Bachelor of Business Administration in Marketing from Christian Service University College

HND (Higher National Diploma) in Marketing from Sunyani Polytechnic

Chartered Institute of Marketing (CIM) UK – ongoing

### Working experience:

National service – Okomfo Anokye teaching hospital (Quality Assurance Department),  
2009/2010

Enquiry Officer, Customer Service Division, Atwima Rural Bank Ltd, Kwadaaso Branch,  
2007

### Responsibilities:

- Product development
- Product distribution
- Sales management of products.
- Develop marketing communication strategies (advertising, promotion, pricing, customer service and market research).

## ACCOUNTING, FINANCE AND RISK DEPARTMENT

This department will be supervised by Mr. Collins Opoku Sarpong

Qualifications:

Holds a degree in Bachelors of Business Administration in Accounting from Christian Service University College

Diploma in Business Studies, Kumasi Polytechnic

Association of Certified Chartered Accountants (ACCA), ongoing

Working experience:

Revenue officer, Atwima Kwanwoma District Assembly

Examiner of Accounts at Audit Service, Agona district

Responsibilities:

- Handles all financial affairs of the company
- Prepares the organization's budget
- Controls organization's income and expenditure
- Report financial matters to management team
- Assists in business planning process

## PRODUCTION DEPARTMENT

The operations department will be supervised by Mr. Agyemin Boateng Richmond

Qualifications:

Holds a Bachelor of Business Administration degree In Accounting from Christian Service University College

Responsibilities:

- Supervise laborers'
- To make sure that raw materials are available
- Oversees the acquisition and maintenance of equipments and machinery

RACAS has one general manager and three supervisors who are also the co-founders. The company is located at Kaase Plot 20 Blk B in Kumasi of the Ahinsan to Ahodwo road. It has an office space as well as factory facility. The office is an open office setting with 13 employees occupying various positions.

### 3.3 MANAGEMENT STRUCTURE

1. SHAREHOLDERS
2. GENERAL MANAGER
3. SALES AND MARKETING DEPARTMENT
  - SALES/MARKETING SUPERVISOR
  - SALES AGENTS
4. PRODUCTION DEPARTMENT
  - PRODUCTION SUPERVISOR
  - QUALITY ASSURANCE/NUTRITION OFFICER
  - FACTORY HANDS
  - DRIVERS
  - SECURITY
5. ACCOUNTS, FINANCE AND RISK DEPARTMENT
  - ACCOUNTS AND FINANCE SUPERVISOR
  - ACCOUNTS CLERK

## ORGANOGRAM OF RACAS COMPANY LIMITED

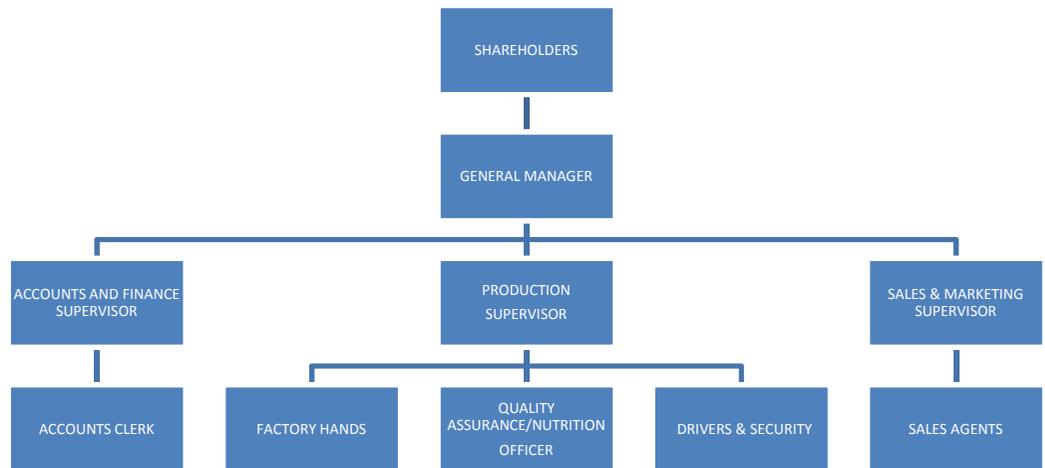


FIGURE 3.1

## 4.0 MARKETING ANALYSIS

### 4.1 Business Systems and Operations

Ice kenkey is a sweetened traditional indigenous Ghanaian beverage. Its main ingredient being: kenkey, fresh milk, sugar and water. The product has no preservatives and not flavored thereby giving it its natural taste.

The raw materials undergo the following processes before arriving at the final product. Production starts when all raw materials are available. The company is a capital intensive one with automated machines.

**Stage 1:** Kenkey usually comes with leaves covering it, the kenkey leaves are peeled off

**Stage 2:** The kenkey is put into the milling machine to mash the kenkey. At this stage water is add to make it semi liquid.

**Stage 3:** The mashed kenkey will be transferred to the mixing machine where all the ingredients (kenkey, raw milk, sugar and water) will be added and mixed.

**Stage 4:** The Quality Assurance & Nutrition Officer will then inspect to ensure that the food is in good condition for human consumption and meets the standard required.

**Stage 5:** After the Food Scientist and the Quality Assurance Officers inspection, the mixture is then filled into bottles using the filling machine.

**Stage 6:** The filled bottles are capped with the capping machine

**Stage 7:** Labeling is done with the help of a labeling machine.

**Stage 8:** The finished products are packaged

**Stage 9:** The products are ready for distribution

#### **4.1.2 Recruitment and Training of Employee:**

RACAS Company Ltd will start its recruitment and then training in the month of May. We will train both the managerial and non-managerial staff. The company's objectives, policies, rules and regulations, production procedures, safety precautions and sanitation at the work place shall form part of the training program.

#### **4.1.3 Research and Development:**

RACAS Company Ltd considers Research and Development as an integral part of our operation strategy. This will involve product testing and market testing. There shall be internal laboratory testing and external being the Food and Drug Board and Standard Board. With the market testing, a survey will be conducted, a sample of our product will be given to potential customers for them to taste our product and base on their feedback we shall refine our product to suit consumers. Modernized technology will be researched on and adopted where necessary to improve product quality. We intend to use computer aided programs to design and develop our products, statistical data gathering and product testing in our internal laboratory shall all be executed as part of research and development.

### **4.2 ENVIRONMENTAL ANALYSIS**

#### **4.2.1 Industrial Analysis**

RACAS Company Ltd. is in the Food and Beverage Industry.

Recent reports indicate that the Food and Beverage sector in Ghana is about 101 companies currently – 84 food companies and 17 producing beverages.

In spite of this, Ghanaian customers are still faced with shortages and sometimes have to rely on imported products. With recent policies and programs by governments to promote made in Ghana products and to encourage the consumption and exportation of local products, we believe the future is bright and our sweat will be paid off.

The ice kenkey industry is not regulated. Businesses in this sector are fragmented. There is no available data on the growth rate of the industry, but over the past years few individual market women are coming into the processing of ice kenkey.

#### 4.2.2 MACRO ENVIRONMENTAL ANALYSIS

The key dimensions or factors of the environment that will be affecting RACAS Company Ltd. include Political, Economical, and Social and Technological but sometimes legal and Environmental are added (PESTLE). These factors will help to understand the market growth as well as the position, potential and direction of the company.

**Political:** Due to the political stability in Ghana, therefore the environment will be a good place for us to do our business. And also there is a government policy to promote locally made products. Therefore RACAS Company Ltd. has the support of the nation in terms of government policies to embark on production.

**Economical:** Recently, the Ghana economy is very volatile in a way that the cedi frequently depreciated against its major trading currencies. The result of high inflation rate will affect the purchase of raw materials for our production. With this, we believe will affect our business but the good news is that RACAS Company Ltd. will be producing products that will be affordable by our consumers or products that will best fit the needs of our customers.

**Social:** Since the product is a traditional food beverage which does not go contrary to our culture that is Ghanaians especially residents of Kumasi and its environs enjoy taking in natural products.

RACAS Company Ltd's product 'ice kenkey' will be a suitable food beverage for the people of Kumasi and Ghana in general.

With the high growth rate in population in Ghana particularly urban cities like Kumasi and rural-urban migration being high as well as the proliferation of educational institutions and offices in the city, the environment will be very profitable for us to do business.

**Technological:** The operation of the business will be aided by the use of computer technology to gather data on the market. Telephones and distribution vans will also assist us in our operation. Modern technological innovation and the use of the state of the art technology will aid in quality and safe production process.

**Legal:** Currently there are laws governing the food and beverage industry of which RACAS Company Ltd. shall comply in term of company registration, industry incorporation, trademark protection, and food and drug board certification and so on. For instance, the food and drugs board require the following from the company as part of the legal registration.

- Company registration certificate
- Application letter indicating product name and premises location
- Health certification for all the workers on the production line
- Three labels for evaluation
- Pay licensing of manufacturing premises fee valid for three years
- Arrange for premises inspection
- If premises is approved collect letter from food and drug board office for lab analysis at recognized and Appropriate research institutions

**Environmental:** Environmental Protection Agency rules and regulations governing the use of land and the waste disposal by manufacturing bodies are all considered.

### 4.2.3 SWOT ANALYSIS

#### STRENGTH:

- Safety product.
- Competent management team.
- Dedicated employees.
- Modernized production process.
- Flexible delivery terms.

#### WEAKNESS:

- Lack of operational experience in the business.
- Challenges of establishing brand equity as a start-up company.

#### OPPORTUNITIES:

- Ghanaians drive for local products.
- Increasing health consciousness of Ghanaians.
- High growth potential for the market.
- Certification by food and drug board and Ghana standard board
- Favorable economic indicators in the Ghanaian economy.

#### THREATS:

- Challenges of establishing a mass commercial market for ice kenkey: since bottled ice kenkey is new to Ghanaians, we will have to do intensive promotion and advertisement and this could put pressure on our funds, again we face a challenge of meeting all the legal regulations and requirements from the Standard Board, the Food and Drug Board and the Environmental Protection Agency
- Easy entry into market by potential competitors

- High cost of advertisement
  - Availability of substitutes
- How to overcome our weakness
- Research, networking, operational winning attitude

#### 4.3 MARKET SEGMENTATION:

We have segmented the Kumasi market in which we will operate to give us best results.

Geographically the central business district shall be our focus, demographically the working and non-working class, the youth of school going age and weaning children will be at the epicenter of our market. The product will be sold to all without gender preferences.

#### 4.4 TARGET MARKET:

RACAS Company Ltd. target market is Kumasi, the capital of the Ashanti region.

The target group is office workers, youth and workers in the central business district. Kenkey fresh can be as a food beverage or snack. It will help to replenish workers energy and also to serve as a food supplement.

#### **Major Customer Groups**

- Commercial – Restaurants, schools canteen operators, office workers, supermarkets and stores.
- Domestic – households (for weaning children).

#### **Problem to solve:**

To provide a healthy nutritious bottled ice kenkey to consumers in a hygienic condition to promote mass consumption of the indigenous recipe yet reducing the stigma attached to ice kenkey sold by local women around town as unhealthy

A survey around the major cities in Ghana indicates most of the local ice kenkey sellers produce and sell the beverage with no safety measures in terms of health and nutrition. A glance in the street and you will see market women busy selling the product in an unhygienic condition, dusty areas, used bottles, polythene bags, and unhygienic containers.

RACAS company ltd. will be solving these problems by using modern equipment to produce ice kenkey in a more safe and hygienic condition. The product will be bottled and supervised by the Quality Assurance Officer which shall meet the needs of the Ghana Standard Board and the Food and Drugs Board.

Our beverage will be supplied to supermarkets, stores, restaurants, schools canteens. To give ice kenkey a superior quality, the product will be certified by the quality assurance board, Ghana standard board and the food and drug board. Since Customers expect a product that adds value or gives them value for their money then kenkey fresh is just what they need.

### **Competition:**

RACAS bottled Ice Kenkey has competitors all over the country offering ice kenkey in the various central business districts in Ghana. However, other food beverages like vitamilk, fresh yoghurt, incolac, etc, are indirect competitors.

### **SUPPLIERS:**

The main suppliers of the ingredients include:

Kenkey from Yamoransa, Cape Coast

Sugar from Future Impex Ltd, Kumasi

Raw Milk from Sanusi Dariry Farms, Tamale

### **PRICING STRATEGY:** Penetration

## Competitive Advantage

We intend to price our product low to gain entry into the food and beverage market and to capture a large market share at the shortest possible time. With this RACAS Company Ltd. will gain an advantage over its competitors. For us to achieve this, we will make sure that we will reduce per unit cost to the barest point minimum.

Ice Kenkey has an advantage over its competitors in a number of ways. These are:

- Produced under Safe and hygienic environment.
- Quality nutritious kenkey fresh is rich in vitamins.
- Can be taken as a food beverage to supplement solid foods.
- Can be served as an energy booster.
- Well packaged and bottled product.
- Certified by Standard Board and Food and Drugs Board.
- Modern technological production processes.
- Available in supermarkets and stores across the major cities.

Positioning: We want our customers to perceive our product (bottled ice kenkey) as a high quality nutritious and healthy product.

Key to success:

- Production under hygienic conditions.
- Efficiency in production processes.
- Market knowledge.
- Quality product.
- Flexible delivery services.

## 4.5 MARKETING MIX

For RACAS Company Ltd. to achieve its corporate objectives we will adopt the use of marketing mix elements: Product, Price, Promotion and Place. This will help us develop products that will meet our customers' needs, communicate its benefits to our target customers and ensuring that the product will be available in the right place at the right time with the right price and quality.

**PRODUCT:** The product, RACAS Company Ltd. is offering consumers, is bottled **Ice Kenkey**: a Ghanaian refreshing traditional sweetened fermented corn and milk drink. Its main features are: plastic bottle, size of 500ml with our logo on the label. The ingredients include: kenkey, fresh milk, sugar and water. The nutritional facts: energy, protein, carbohydrates, fat and vitamins. The product has no preservatives and not flavored thereby giving it its natural taste.

The raw materials undergo the following processes before arriving at the final product (ice kenkey). After peeling off the leaves, the kenkey is mashed with a milling machine - at this stage water is added to make it semi liquid. The mashed kenkey is transferred to a mixing machine where all the ingredients are added and mixed. The mixture is then inspected and tested to ensure that it is safe for human consumption after which the mixture is then filled into bottles using a filling machine. The bottles are capped and labeled with machines. The finished products are packaged into cartons of 6 each. The product has a life span of one (1) month from the day of manufacture.

**PRICE:** We will adopt the penetration pricing strategy; we will charge lower prices for our products since the product (bottled ice kenkey) is new to consumers, this will give us an edge to attract more customers in the market and increase prices afterwards when we have gained a large market share. In a market sector where there is ease of entry, penetration will be our best pricing strategy to emerge at the top.

PLACE: RACAS Company Ltd. distribution strategy will be intensive. We will use multiple distribution channels. Ice kenkey will be delivered through stores, restaurants, supermarkets and schools, sales vans will be used to transport the product to our customers. Door-step delivery will be used as well with the help of telephone lines. The product will be delivered right on time for our customers to feel convenient in purchasing our products.

PROMOTION: Promotional strategies such as advertisements, sales promotion and personal selling will also be used in our bid to introduce bottled ice kenkey to the nation and to capture a good market share. We will therefore combine promotion mix variables. We intend to spend sixty percent (60%) of our promotional budget on advertisement. This will include electronic media, print media, and RACAS paraphernalia like T-shirts that will be worn by our sales personnel. Forty percent (40%) of the promotional budget will be spent on sales promotion and personal selling. We will take part in annual trade fairs and exhibitions events organized around the country to showcase our products. These will go a long way to promote our products.

## 5.0 FINANCIAL ANALYSIS

### 5.1 ASSUMPTIONS AND RISK ANALYSIS

In the business world, risk is inevitable but it can be reduced or managed. However, it cannot be eliminated since almost every human endeavor carries some level of risk. The risks that are likely to affect RACAS Company Ltd. include:

**Human risk;** Human risk that is likely to be associated in our field of business is:

Pure risk: the major types of pure risk that are likely to be faced by RACAS Company Ltd. may include:

- The risk of a reduction in the value of the business assets due to physical damages and theft. Where the employees of RACAS do not have any technical know-how of the production process, it will affect production. It could lead to lose of raw materials, funds, quality, quantity and hence low level of productivity.
- The risk of legal liability for damages for harm caused to customers, suppliers, shareholders and other stakeholders.
- The risk associated with paying benefits to injured staffs under workers compensation laws and the risk of legal liabilities for injuries or other harms to employees.
- The risk of death, illness and disability to employees for which the company has agreed to make payments under employee benefit plan including others such as pension and retirement plans. When an employee is sick or dies, it will affect the daily production level of the company. The human capital of every organization is it driving tool and RACAS is no exception.
- The company also faces food poisoning risk.
- The company faces fire outbreaks.

**Economic risk;** The following are the economic risks that are likely to affect RACAS Company's operations:

- Credit risk: RACAS seem to be prone to this type of risk when it lends its products to customers and they delay or default in payment.
- Price risk: this type of risk will be experienced by RACAS when there is an uncertainty over the magnitude of cash flows due to possible changes input prices. Under this risk commodity price risk arising from the fluctuation in the prices of inputs (kenkey, sugar, milk, etc.) and others such as electricity, fuel and water will affect the pricing of the final product.

### 5.1.1 RISK MANAGEMENT

We intend to the following steps below to manage the risks that we may face in our business.

In the area of human risk, the management is explained below.

LOSS CONTROL: RACAS shall reduce the level of risk involved in human activities by increasing precautions. There shall be proper training for employees to enable them to have specialized knowledge of the operation processes. Internal control measures like regular stock taking will be used with proper security measures will also help minimize theft. Periodic health checkups will be conducted for employees to make sure that they are healthy and fit to work. RACAS will make sure all employees have health insurance and we will also finance their health insurances like NHIS. We will organize emergency recruitment in the event of an employee's death. We will also practice job rotation for employees to be able to perform other roles in events like this while we recruit substantive candidates. Precautions shall be taken to avoid fire outbreaks and the company will also be insured against all possible risks.

Food Poisoning: The following shall be applied in managing this kind of risk.

Just-In-Time production method will be used so as not to keep the kenkey for long. This has an impact of reducing fungal infections.

Pasteurization:

RACAS will use ultra-heat treatment (UHT) also called ultra-pasteurization to sterilize the ice kenkey by heating it for an extremely short period, about 1–2 seconds, at a temperature exceeding 135°C (275°F), which is the temperature required to kill spores in milk. The process is designed such that the milk is heated evenly. UHT milk has a typical shelf life of six to nine months, until opened.

We will combine ultra-heat treatment (UHT) process with sterile handling and aseptic packaging. Aseptic food preservation methods will allow the processed ice kenkey to be kept for long periods of time without preservatives, as long as they are not opened.

The method will comply with standards set by the Food and Drugs Board and the National Standard Board.

The effects of pasteurization on our product (bottled ice kenkey) are:

The standard is designed to achieve a 5-log reduction, killing about 99.999% of the number of viable micro-organisms in milk. This is considered adequate for destroying almost all yeasts, molds, and common spoilage bacteria and also to ensure adequate destruction of common pathogenic heat-resistant organisms.

This can help prevent diseases and kills harmful bacteria which are associated with raw milk.

Aseptic processing makes worldwide export economical and safe food products possible.

This can even allow the ice kenkey to be stored unrefrigerated for up 9 months.

Under the economic risks the following are some of the measures that RACAS Company Ltd will put in place to mitigate them.

Price risk: RACAS will put some storage measures in place to avoid raw materials' costs controlling the final price of our products. We will also buy our main raw material (kenkey) in bulk and direct from the producers. On credit risk: the sales & marketing department shall keep accurate data on our reliable or main customers and suppliers. Production levels will be subjected against these figures and storage facility will be created to store excesses. About 95% of our product will be sold cash in order to reduce the credit risk involve.

5.2

RACAS COMPANY LIMITED

PROJECTED MANUFACTURING INCOME STATEMENT FOR THE  
YEARS ENDED DECEMBER 31<sup>ST</sup> 2012, 2013 AND 2014

	2012		2013		2014	
<u>RAW MATERIALS</u>	GH¢	GH¢	GH¢	GH¢	GH¢	GH¢
					37,00	
PURCHASES	28,000		34,000		0	
ADD CARRIAGE	<u>300</u>		<u>350</u>		<u>400</u>	
		<b>28,300</b>		<b>34,350</b>		<b>37,400</b>
 <u>FACTORY OVERHEADS</u>						
SALARIES	1,488		1,488		1,488	
UTILITIES	480		504		530	
REPAIRS & MAINT.	810		850		893	
STAIONERY	140		147		154	
RENT	1,500		1,500		1,500	
DEPRECIATION	2,260		2,260		2,260	
FUEL	800		840		882	
INSURANCE	<u>700</u>	<u>21,570</u>	<u>700</u>	<u>21,681</u>	<u>700</u>	<u>21,799</u>
COST OF PRODUCTION		<b><u>49,870</u></b>		<b><u>56,031</u></b>		<b><u>59,199</u></b>
 GROSS MARGIN						
(20% X PROD. COST)		<u>9,974</u>		<u>11,206</u>		<u>11,840</u>
		<b><u>59,844</u></b>		<b><u>67,237</u></b>		<b><u>71,039</u></b>

FINISHED GOODS

SALES	100,000	120,000	130,000
COST OF PRODUCTION	<u>49,870</u>	<u>56,031</u>	<u>59,199</u>
GROSS PROFIT	50,130	63,969	70,801
GROSS MARGIN	<u>9,974</u>	<u>11,206</u>	<u>11,840</u>
	<b>60,104</b>	<b>75,175</b>	<b>82,641</b>

LESS OPER. EXPENSES

SALARIES	6,000	6,000	6,000
UTILITIES	120	126	132
REPAIRS & MAINT.	90	95	99
STATIONERY	560	588	618
RENT	1,500	1,500	1,500
DEPRECIATION	565	565	565
INSURANCE	300	300	300
AUDITS FEES		800	800
TELEPHONE BILLS	150	158	165
LEGAL REGISTRATION	500		
RECR'T & TRAINING	<u>800</u>		
	<b>-10,585</b>	<b>-10,132</b>	<b>-10,179</b>

SELLING & DIST. EXP.

SALARIES	4,800	4,800	4,400
PRODUCT LUANCHING	600	600	600
FUEL	200	210	221
RESEARCH & DEV'T	300	315	331
SELLING & DIST.	800	840	882
PROMO. & ADVERT.	<u>500</u>	<u>-7,200</u>	<u>525</u>
		<u>-7,290</u>	<u>551</u>
			<u>-6,985</u>

NET PROFIT BEFORE TAX	<b><u>42,319</u></b>	<b><u>57,753</u></b>	<b><u>65,077</u></b>
CORPORATE TAX (25%)	10,580	14,438	16,269
NET PROFIT AFTER TAX	<b><u>31,739</u></b>	<b><u>43,315</u></b>	<b><u>48,808</u></b>

5.3 **RACAS COMPANY LIMITED**

**BREAK-EVEN ANALYSIS**

<u>FIXED COST</u>	GH¢
DEPRECIATION	2,825
RENT	3,000
INSURANCE	1,000
SALARIES	25,680
PRODUCT LAUNCHING	<u>600</u>
	33,105
<u>VARIABLE COST</u>	
RAW MATERIALS	28,300
FUEL	1,000
CARRIAGE	300
RESEARCH & DEVELOPMENT	300
TELEPHONE BILLS	150
SELLING & DISTRIBUTION	800
STATIONERY	700
REPAIRS & MAINTENANCE	900
UTILITIES	600
PROMOTION & ADVERTISING	<u>500</u>
	33,550

CONTRIBUTION = SALES - VARIABLE COST

$$= 100,000 - 33,550$$

$$= 66,450$$

$$\text{BREAK-EVEN POINT} = \frac{\text{FIXED COST}}{\text{CONTRIBUTION}}$$

$$\begin{aligned}\text{CONTRIBUTION/SALES RATIO} &= \frac{66,450}{100,000} \\ &= 0.6645\end{aligned}$$

$$\begin{aligned}\text{BREAK-EVEN POINT (SALES)} &= \frac{\text{FIXED COST}}{\text{C/S RATIO}} \\ &= \frac{33,105}{0.6645} \\ &= \text{GH}\text{¢}49,819\end{aligned}$$

$$\begin{aligned}\text{BREAK-EVEN POINT} &= \frac{49,819 \times 12}{100,000} \\ &= 5.97\end{aligned}$$

5.4

RACAS COMPANY LIMITED

PROJECTED CASH FLOW STATEMENT FOR THE YEARS

ENDED DECEMBER 31<sup>ST</sup> 2012, 2013 AND 2014

	2012	2013	2014
<u>INFLOWS</u>	GH¢	GH¢	GH¢
SALES	100,000	120,000	130,000
CAPITAL	<u>150,000</u>		
	<b>250,000</b>	<b>120,000</b>	<b>130,000</b>
 <u>OUTFLOWS</u>			
NON-CURRENT ASSETS	35,000		
COST OF PRODUCTION	49,870	56,031	59,199
ADM, SELLING & DIST.			
EXPENSES	18,585	17,422	17,564
TAX PAID	<u>10,380</u>	<u>14,438</u>	<u>16,269</u>
TOTAL OUTFLOWS	<b>113,835</b>	<b>87,891</b>	<b>93,032</b>
NET CASH FLOW	136,165	32,109	36,968
		<u>136,165</u>	<u>168,274</u>
	<b><u>136,165</u></b>	<b><u>168,274</u></b>	<b><u>205,242</u></b>

5.5 RACAS COMPANY LIMITED

PROJECTED STATEMENT OF FINANCIAL POSITION AS AT

31<sup>ST</sup> DECEMBER, 2012, 2013 AND 2014

	2012	2013	2014
<u>NON-CURRENT ASSETS</u>	GH¢	GH¢	GH¢
PROPERTY PLANT AND			
EQUIPMENT	32,175	29,350	26,525
<u>CURRENT ASSETS</u>			
CASH/PAID	136,165	168,274	205,242
PREPAYMENT	<u>13,399</u>		
	<b><u>181,739</u></b>	<b><u>197,624</u></b>	<b><u>231,767</u></b>
EQUITY SHARE AND LIABILITY			
TRADE PAYABLES		4,309	32,959
STATED CAPITAL	150,000	150,000	150,000
INCOME SURPLUS	<u>31,739</u>	<u>43,315</u>	<u>48,808</u>
	<b><u>181,739</u></b>	<b><u>197,624</u></b>	<b><u>231,767</u></b>

CALCULATION OF INTERNAL RATE OF RETURN (IRR)

YEAR	CASHFLOW	DISCOUNTED FACTOR	PRESENT VALUE
0	-150,000	5%	-150,000
1	136,165	0.952	129,629.08
2	32,109	0.907	29,122.86
3	36,968	0.8638	31,932.96
			<b>40,685</b>

YEAR	CASH FLOW	DISCOUNTED FACTOR	PRESENT VALUE
0	-150,000	30%	-150,000
1	136,165	0.7692	104,738
2	32,109	0.5917	18,998.89
3	36,968	0.4551	16,824.13
			<b>-9,439</b>

$$IRR = R_1 + (R_2 - R_1) \times \frac{NPV_1}{NPV_1 - NPV_2}$$

$$NPV_1 - NPV_2$$

$$5 + (30 - 5) \times 40685$$

$$(40685 - (-9439))$$

$$5 + (25) \times 40685$$

$$50,125$$

$$5 + 1,017,125$$

$$50,125$$

$$5 + 20.29$$

$$\underline{= 25.29\%}$$

## ACCOUNTING RATIOS

### PROFITABILITY RATIO:

$$\text{GROSS PROFIT MARGIN} = \frac{\text{GROSS PROFIT}}{\text{SALES}} \times 100$$

2012

$$\begin{aligned} \text{GROSS PROFIT MARGIN} &= \frac{50,130}{100,000} \times 100 \\ &= 50.13 \end{aligned}$$

2013

$$\begin{aligned} \text{GROSS PROFIT MARGIN} &= \frac{63,969}{120,000} \times 100 \\ &= 53.31 \end{aligned}$$

2014

$$\begin{aligned} \text{GROSS PROFIT MARGIN} &= \frac{70,801}{130,000} \times 100 \\ &= 54.46 \end{aligned}$$

$$\text{NET PROFIT MARGIN} = \frac{\text{NET PROFIT BEFORE TAX}}{\text{SALES}} \times 100$$

2012

$$\begin{aligned} \text{NET PROFIT MARGIN} &= \frac{41,519}{100,000} \times 100 \\ &= 41.519\% \end{aligned}$$

2013

$$\begin{aligned} \text{NET PROFIT MARGIN} &= \frac{57,753}{120,000} \times 100 \\ &= 48.13\% \end{aligned}$$

2014

$$\begin{aligned} \text{NET PROFIT MARGIN} &= \frac{65,077}{130,000} \times 100 \\ &= 50.06\% \end{aligned}$$

There is successive increase in gross and net profits from 2012 to 2014 respectively. This indicates that profits could increase in subsequent years.

RACAS Company Ltd. is therefore a good Production company to invest in.



## APPENDIX

### FINANCIAL HIGHLIGHT

NAMES OF SHAREHOLDERS	CONTRIBUTION (GH¢)
AFRIYIE ANTWI FOSU	30,000.00
AGYENIM BOATENG RICHMOND	30,000.00
ANABA ROBERT AYINSONGYA	30,000.00
DONKOR SAMUEL	30,000.00
OPOKU SARPONG COLLINS	30,000.00
<b>TOTAL</b>	<b>150,000.00</b>

The shareholders of RACAS Company Ltd. intend to plough back the company's profit of the years 2012, 2013 and 2014 respectively into the business operation in 2015.

#### SALES FORECAST

RACAS Company Ltd. Projected a sales of 100,000 bottles for year 2012. The company also projected an increase of twenty percent (20%) and thirty percent (30%) in sales for 2013 and 2014 respectively.

Year	Quantity (bottles)	Amount per Unit (GH¢)	Sales (GH¢)
1	100,000	1.00	100,000.00
2	120,000	1.00	120,000.00
3	130,000	1.00	130,000.00

NB: Rent charged amounted to GH¢ 15,000.00 and was spread over a 5-year duration.

Expenses incurred are expected to increase by 5% in the second year and the third year respectively except; Wages and Salaries, Training and Recruitment, Legal Registration, Product Launching, Insurance, Depreciation and Auditors Fees.

Raw materials purchased for production would be increased according to the procurement committee sittings.

NON-CURRENT ASSET	DEPRECIATION RATE
Plant and Machinery	10%
Furniture and fitting	5%
Van	5%
Computer	5%

Depreciation was calculated based on straight line method.

### HUMAN RESOURCE SCHEDULE

#### ANNUAL SALARY

EMPLOYEE	NUMBERS	(GH¢)
GENERAL MANAGER	1	400X1X12 = 4,800
SUPERVISORS	3	300X3X12 = 1,0800
ACCOUNTS CLERK	1	100X1X12 = 1,200
NUTRITIONIST	1	100X1X12 = 1,200
SALES AGENTS	2	100X2X12 = 2,400
DRIVER	1	100X1X12 = 1,200
SECURITY	1	100X1X12 = 1,200
LABOURERS	3	80X3X12 = 2,880
<b>TOTAL</b>	<b>13</b>	<b>25,680</b>

#### PURCHASES

	2012	2013	2014
	GH¢	GH¢	GH¢
KENKEY	5,000	8,000	10,000
BOTTLES	8,000	10,000	9,000
FRESH MILK	8,000	9,000	10,000
SUGAR	7,000	7,000	8,000
<b>TOTAL</b>	<b>28,000</b>	<b>34,000</b>	<b>37,000</b>

NON-CURRENT ASSETS (GH¢)

MILLING MACHINE	1,000
MIXING MACHINE	500
FILLING, CAPPING & LABELING MACHINE	20,000
FITTING & FURNITURE	2,000
COMPUTERS	1,500
VAN	10,000
<b>TOTAL</b>	<b>35,000</b>

NON-CURRENT ASSETS SCHEDULE

	PLAN &				TOTAL
	MAC.	FUR. & FIT.	VAN	COMP	
2012	(GH¢)	(GH¢)	(GH¢)	(GH¢)	(GH¢)
COST	21,500	2,00	10,000	1,500	35,000
DEPRECIATION	-2,150	-100	-500	-75	-2,825
<b>NET BOOK VALUE</b>	<b>19,350</b>	<b>1,900</b>	<b>9,500</b>	<b>1,425</b>	<b>32,175</b>
2013					
COST	19,350	1,900	9,500	1,425	32,175
DEPRECIATION	-2,150	-100	-500	-75	-2,825
<b>NET BOOK VALUE</b>	<b>17,200</b>	<b>1,800</b>	<b>9,000</b>	<b>1,350</b>	<b>29,350</b>

2014

COST	17,200	1,800	9,000	1,350	29,350
DEPRECIATION	-2,150	-100	-500	-75	-2,825
<b>NET BOOK VALUE</b>	<b>15,050</b>	<b>1,700</b>	<b>8,500</b>	<b>1,275</b>	<b>26,525</b>

GENERAL ADMINISTRATION, SELLING AND DISTRIBUTION EXPENSES

	2012	2013	2014
	GH¢	GH¢	GH¢
WAGES AND SALARIES	25,680	25,680	25,680
PRODUCT LAUNCHING	600	600	600
RECRUITMENT & TRAINING	800		
LEGAL REGISTRATION	500		
INSURANCE	1,000	1,000	1,000
DEPRECIATION	2,825	2,825	2,825
AUDITORS FEES		800	800
PROMOTION AND ADVERT.	500	525	551
UTILITIES	600	630	662
REPAIRS AND MAINTENANCE	900	945	992
STATIONERY	700	735	772
SELLING AND DISTRIBUTION	800	840	882
RENT	3,000	3,000	3,000
TELEPHONE BILLS	150	158	165
RESEARCH & DEVELOPMENT	300	315	331

FUEL	1,000	1,050	1,103
PURCHASES	28,000	34,000	37,000
CARRIAGE	300	350	400
<b>TOTAL</b>	<b>67,655</b>	<b>73,453</b>	<b>76,763</b>

RATES

ITEM	FACT.	ADMIN.
UTILITIES	80%	20%
REPAIRS & MAINT.	90%	10%
STATIONERY	20%	80%
RENT	50%	50%
DEPRECIATION	80%	20%
FUEL	80%	20%
INSURANCE	70%	30%

WORKINGS

	FACT.	ADMIN	FACT.	ADMIN	FACT.	ADMIN
	2012	2012	2013		2014	2014
	GH¢	GH¢	GH¢	2013 GH¢	GH¢	GH¢
UTILITIES	480	120	504	126	530	132
REPAIRS & MAINT	810	90	850	95	893	99
STATIONERY	140	560	147	588	154	618
RENT	1,500	1,500	1,500	1,500	1,500	1,500
DEPRECIATION	2,260	565	2,260	565	2,260	565
FUEL	800	200	840	210	882	221

INSURANCE	700	300	700	300	700	300
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**SALARY SPREAD**

**GH¢**

ADMINISTRATION	4,800 + 1,200	=	6,000
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FACTORY	10,800 + 2,880 + 1,200	=	14,880
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SELLING & DIST.	1,200 + 1,200 + 2,400	=	4,800
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TOTAL			<b>25,680</b>
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# THE FINISHED PRODUCT

**RACAS COMPANY LIMITED**

**Low in Cholesterol**  
Free from any artificial flavor preservative or added colour

Prepared in a unique blend of carefully selected ingredients, produced and packed under strictly hygienic conditions

**PREPARATION METHOD:**  
REFRIGERATION

**PERIOD OF VALIDITY:**  
1 month

**Nutritional Contents**  
Protein  
Carbohydrates  
Fats  
Vitamins

A Product Of  
**RACAS COMPANY LIMITED**  
For Bulk Purchase Contact Us  
0322 344 883  
024 348 18890  
www.racas.com  
email: info@racas.com

**ICE KENKEY**

Always Keep Refrigerated 0.5L

**FDB**  
Ghana Food & Drug Authority

**ISO 9001**  
Ghana Standards Authority

