

ROSEP – NATMUSH COMPANY LIMITED

EXECUTIVE SUMMARY

Rosep – Natmush is a company that is set to be producing and selling exotic variety of edible oyster mushrooms both fresh and dried. The idea was carried out by two of the co-directors when offering entrepreneurship at Tamale Polytechnic. The target market for the product will be market women, hotels and restaurants, vegetarians and the household all in the Kumasi metropolis. The competitive advantage of Rosep-Natmush will be the attractive packaging of our products in polythene and sealed by a vacuum sealer machine and the usage of a mushroom dryer machine to dry some of the Oyster mushroom. Rosep natural Oyster mushroom offers at hand to customers basic nutrients that are necessary for the human body. Rosep natural Oyster mushroom can be produced at a low unit cost. This will mean that the Company will need a small turnover to break even. Rosep-Natmush will concentrate on this product for the first three years to ensure it reaches all of its potential market in Kumasi. The Company would be directed by Board of Directors who will be the shareholders. The company is yet to be registered with the Registrar General's Department as a limited liability company by the end of December 2011.

The purpose of this business plan is to serve as a blue print for operational guidance. Funds would be contributed by the shareholders to inject into the operations of the business as a working capital.

Rosep – Natmush would secure sorghum grain spawns which would be used as seeds for the oyster mushroom from the food and crop research institute of Ghana and would be grown under care of experts.

The company would be located at Sokoban, a suburb of Kumasi where there will be proximity to basic raw material which would be sawdust. Overall, Rosep – Natmush will have employee strength of seven. The operations of the business is scheduled to take off on the 1st of January 2012 after all the necessary registration processes has been met.

Rosep – Natmush will employ low pricing strategy and will come up with product packages that are of high quality but relatively low priced as compared to other oyster mushroom prices already in the market. The system of employing price penetration would attract more customers for the company to enjoy a high rate of market share.

The future direction of the company would be the securing of a processing plant that would make it possible to export processed oyster mushrooms to the international market to earn more foreign exchange for expansion and also to establish affiliates in the other parts of the country

The financial forecasts indicate that breakeven will be achieved in the first year of operations, and in the third year the return on investment will be about forty four percent .Sales too will be around GHC115,200 while gross profit will be about GHC65,000.00 and profit after tax will be about GHC 18,137.00.

Rosep-Natmush will require an initial investment of GHC 50,000.00 to implement our strategy, which each Shareholder will contribute an amount of GH¢ 10,000.00.

MISSION STATEMENT

Rosep- Natmush mission is to produce highly nutritious edible Oyster Mushroom for inhabitants of the Kumasi and its environs.

VISION STATEMENT

The vision of Rosep-Natmush is to achieve excellence in the Oyster Mushroom industry by ensuring constant vigilance from production to Marketing.

CORPORATE OBJECTIVES

To provide the best variety of Oyster Mushroom

To increase production by ten percent in each year of operation by effective and efficient strategies

To achieve sales objectives in the first year of operation

TABLE OF CONTENT

Content	Page
Executive summary	i
Mission and Vision Statement	iii
1.0 ORGANIZATION	1
1.1 Organogram of Rosep Natmush	2
2.0 PRODUCT IDEA AND REALIZATION OF SCHEDULE	3
2.1 Product Idea	3
2.2 Realization of Schedule	4
3.0 MANAGEMENT TEAM	5
4.0 MARKETING ANALYSIS	6
4.1 Business Systems and Operations	6
4.1.1 Business Systems	6
4.1.2 Operations	6
4.1.2.1 Production Stage	6
4.1.2.2 Packaging Stage	8
4.2 Environmental Analysis	9
4.2.1 Competitors Analysis	9
4.2.2 Competitor Capabilities	10
4.2.3 Marketing Strategy	10
4.2.4 Sales Strategy	10
4.2.5 Competitive Pricing	10

4.2.6 Packaging	11
4.2.7 Macro Environmental Analysis	11
4.2.7.1 Political	11
4.2.7.2 Economic	11
4.2.7.3 Social	12
4.2.7.4 Technological	12
4.2.8 SWOT Analysis of Rosep Natmush	13
4.3 Market Segmentation	13
4.4 Target Market	14
4.4.1 Distribution Channel	16
4.5 Marketing Mix	16
4.5.1 Product	16
4.5.2 Price	17
4.5.3 Promotion	18
4.5.4 Place	18
5.0 ROSEP – NATMUSH FINANCIAL ANALYSIS	20
5.1 Assumptions and Risk Analysis	20
5.1.1 Assumptions	20
5.1.2 Risk Analysis	21
5.2 Projected Income Statement	23
5.3 Projected Break even analysis	24
5.4 Projected Cashflow	25
Projected statement of Financial Position as at 2014	26
Appendix	27-36

CHRISTIAN SERVICE UNIVERSITY COLLEGE – KUMASI
DEPARTMENT OF BUSINESS STUDIES
BARCHELOR OF BUSINESS ADMINISTRATION

BUSINESS PLAN
ROSEP – NATMUSH COMPANY

BY
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ROSEMARY ASANTE
OWUSU – ANSAH PAUL
STEPHEN ADEBAYO

DECEMBER, 2011

CHRISTIAN SERVICE UNIVERSITY COLLEGE – KUMASI

DEPARTMENT OF BUSINESS STUDIES

BACHELOR OF BUSINESS ADMINISTRATION

ROSEP – NATMUSH 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 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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1.0 ORGANIZATION

Rosep – Natmush Company Limited is jointly owned by five share holders namely David Oppong, a Bachelor of Business Administration degree holder from Christian service University College, Adebayo Stephen, a Bachelor of Science in Business Administration degree holder from Kwame Nkrumah University of Science and Technology, Paul Owusu-Ansah, a Bachelor of Science in Business Administration degree holder from Garden City University College, Anokye Elizabeth, a Bachelor of Business Administration degree holder from Pentecost University College and Asante Rosemary, a Bachelor of Science in Business Administration degree holder from Ashesi University. The Company would be situated at Sokoban wood village in the Kumasi Metropolis where there would be proximity to basic raw material which is sawdust. The Company would be managed by board of directors who are also share holders.

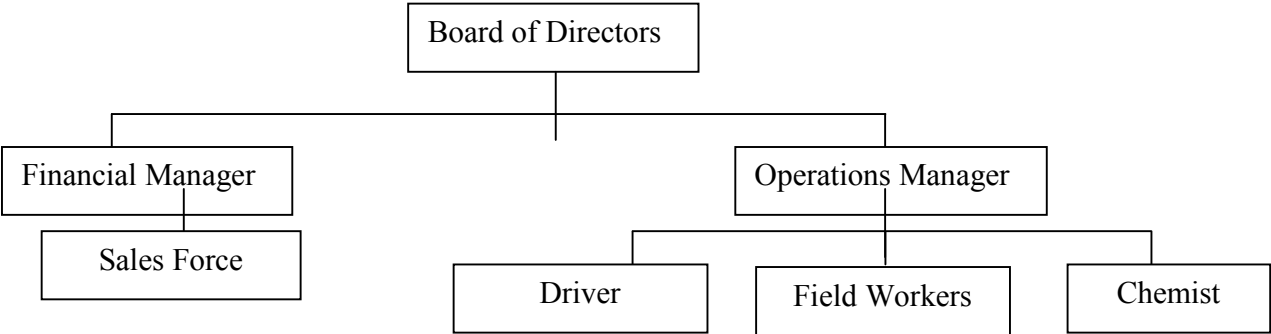
The company plans to recruit seven personnel. The operational units of Rosep – Natmush will comprise the production department, finance department and a laboratory.

The company is yet to be registered as a limited liability company with the Registrar General's Department. The choice of Limited Liability is to restrict the effect of liability if any on the part of the shareholders as management will plan to go for loan to expand the operations of the business in due course. The commencement of the operations of Rosep-Natmush is scheduled on the 1st of January 2012.

The Business strategy of Rosep-Natmush is to employ price penetration strategy by entering the market with low prices as compared with that of competitors and that of potential competitors.

The Company will take unique and innovative approach to planting, harvesting and storing natural Oyster Mushrooms that will help minimal the perennial need gap for Mushrooms in the Kumasi Metropolis. The future direction of Rosep-Natmush would be the opening of affiliates in other regions of the Country and also to export our products into the international market.

1.1 ORGANOGRAM OF ROSEP NATMUSH



2.0 PRODUCT IDEA AND REALIZATION OF SCHEDULE

2.1 PRODUCT IDEA

The idea of Rosep-Natmush going into the production of Oyster mushroom was carried out by two of the shareholders while in Tamale Polytechnic pursuing entrepreneurship. They observed that the current rate of bush burning, deterioration and over exploitation of timber and non timber products in Ghana were greatly threatening the availability of mushrooms in the country.

They also noticed that the mushroom business was known to have a virgin market to be discovered by many people because most people purchase mushroom from the hunters and those peasant farmers at the road side, which reports have shown that many people want the product from a more hygienic source which would be harmless to their health.

They also came up with the view that mushrooms are known to offer the same source of nutrients like the animal protein and do not contain any cholesterol like the red blooded meat to cause a stroke or heart attack. But since mushrooms are seasonal fungus, its availability becomes impossible to fill the perennial need gap of mushroom for the majority of people who have identified its benefits and are looking for the right people to supply them.

The above mentioned problems have lead to the idea of establishment of Rosep-Natmush to go into the production of Oyster mushrooms to bring the problem at hand to the bearest minimal. Rosep-Natmush intends to adopt a vacuum-sealing technology where Oyster Mushrooms would be packaged in polythene and sealed by a vacuum sealer machine to ensure that the final product comes from a hygienic source and will also add value to the product. The company will also

employ the services of a Chemist to ensure that the production process of Oyster Mushroom from planting through to harvesting is devoid of contamination.

2.2 REALIZATION OF SCHEDULE

ACTIVITY	TIME: 2011 - 2012													RESPONSIBILITY
	JAN	FEB	MAR	APRIL	MAY	JUNE	JULY	AUG	SEP	OCT	NOV	DEC	JAN	
Funds														All Owners
Acquisition of Office														Board of Directors
Company Registration														Company Lawyer
Recruitment														Board of Directors
Planning for Product Launching														Management
Product Lunching														Management

3.0 MANAGEMENT TEAM

Rosep-Natmush will have an efficient staff base capable in the implementation of the proposed business project. Administratively, Rosep-Natmush will be managed by the Shareholders who will be the Board of Directors of the company. The Directors will supervise the daily activities of the Business.

Management will consist of Rockson Otoo who will be the financial manager. He holds a Bachelor of Science degree in finance and accounting from Garden City University College. He has two years working experience in accountancy. He will be responsible for the preparations of the financial statement of the Company. He has undergone numerous trainings, workshops and seminars on poultry, livestock and Oyster Mushroom production.

Mavis Johnson will be in charge of Operations. She will be responsible for the production of Oyster mushrooms by ensuring constant vigilance from planting to harvesting. She will also double up as the human resource personnel by coordinating all activities with the other workers. She holds a Bachelor of Business Administration degree in Banking and Finance from Christian Service University College. She has worked as an operations manager at Bat-Mushroom company. She has two years working experience. She has extensive knowledge of the industry and has been tracking the Mushroom trends for the past two years.

Linda Barffour Awuah will be the Chemist of Rosep-Natmush Company. She will be responsible for ensuring quality of the product for human consumption. She will also assist in the promotion of the product. She holds a Bachelor of Science degree in Bio-Chemistry from the University of Ghana. She has a year working experience. There will be field employees responsible for planting and harvesting the mushroom and also a driver.

4.0 MARKETING ANALYSIS

4.1 BUSINESS SYSTEMS AND OPERATIONS

4.1.1 Business Systems

The basic core competences of Rosep-Natmush will be the introduction of a vacuum sealing technology where matured Oyster Mushrooms will be attractively packed in polythene and a vacuum sealer used to seal it to add value to the product. Also an electric Mushroom dryer will be introduced to dry some of the fresh Mushrooms to cater for those who prefer the dried Oyster Mushroom. However, the weakness of Rosep-Natmush will be its inability to serve a greater percentage of the inhabitants of Kumasi and beyond due to financial constraints and competition.

4.1.2 Operations

The project shall undergo two stages of operation to achieve its objectives of creating a large scale oyster mushroom production. These are the production and packaging stages.

4.1.2.1 Production Stage

The production process will involve five steps to be followed in growing oyster mushrooms. The first step will be the preparation of the sawdust to be used in the growing of the mushroom. The sawdust would be scooped into a plastic bag. Then water would be sprinkled on it after which it will be heated in boiling water for half an hour and then the sawdust would be removed and spread on a clean surface to cool down. The second step will be the packing of the plastic bags. Now will be the time to pack the plastic bags with the sawdust and a sorghum spawn. About three inches of sawdust would be packed into the plastic bag and then lightly the sorghum spawn would be sprinkled on top.

This process would be repeated until the plastic bag would be almost filled. Then the top of the plastic bag would be closed and holes would be poked in the plastic bag. The third stage would be the time for incubation.

Now the growing area would be kept around 78 degrees F. The bags would be placed on a shelving unit. Threats of natural lights getting into the incubation room would be stopped since it can affect the fruiting of the mushroom. Necessary monitoring would be done to ensure that windows and cracks are covered. When it is noticed that tiny pin head mushrooms are fruiting near the air holes in the bag, then it would be ready to be moved to the fruiting room.

Tiny pinhead oyster mushrooms fruiting near the holes of the plastic bag



The fruiting room will require a high level of humidity. The temperature of the room would be about 65 to 70 degrees F. Unlike the incubation room, the fruiting room will require a lot of natural light at least twelve hours a day. In order to shock the mycelium which will force the mushroom to fruit, the bags will be moved to a cool place for a day and then will be moved back to the fruiting room. The next thing will be to cut away the bag which will allow the mushroom growth to take place. It will take between 21-28 days for it to mature.

The last stage would be the harvesting of the matured oyster mushroom. Just before the mushroom caps are ready to be harvested, the stem of the mushroom would be carefully twisted off as near to the growing block and then harvest them.

Harvested oyster mushrooms ready for packaging.



4.1.2.2 Packaging Stage

Some of the harvested fresh oyster mushroom will be artificially dried. An electric dryer would be used to dry the selected oyster mushroom. The harvested oyster mushrooms would be peeled clean with sharp knife and would be carefully collected to avoid the nodules stems from breaking as well as the comb.

The carefully peeled oyster mushroom would be weighed according to their various prices and therefore sealed in an attractive polythene bags with a vacuum sealer machine. (Clingfilm vacuum sealer machine). The sealed fresh products would be carefully packed into cartons and be distributed to our various customers. An electric dryer would be used to dry the selected fresh oyster mushrooms and afterwards would be packed into a vacuum sealed polythene bags for distribution. Some of both fresh and dried oyster mushrooms too would be stored in a refrigerator.



Sample of a packaged oyster mushroom

4.2 ENVIRONMENTAL ANALYSIS

4.2.1 Competitors Analysis

The indirect competitors of Rosep – Natmush will comprise those people who collect natural mushrooms from the wild during the onset of the rainy season and sell them. Also the main direct competitors are few small scale producers like Bencom Youth Association/Enterprise who are into the production of oyster mushrooms who also use the plastic bag method.

4.2.2 Competitor Capabilities

The strength of our competitors is that they also use the technology like the plastic bag method of producing the oyster mushroom. However, the weakness of our competitors is that there is a lot of contamination of their final product. This happens as a result of the fact that, they do not keep a clean room during incubation and this affects the quality and higher yield of their product.

4.2.3 Marketing Strategy

Rosep – Natmush will initially market and supply its products to target customers who would be identified within Kumasi. The company will especially design special packages for bulk buyers who will hold a large segment of the market. The company will again explore marketing opportunities on the internet. To this extent, the company will set up a website to market its products.

4.2.4 Sales Strategy

Rosep – Natmush's sales process will be primarily concentrated on the smaller and more local orders which will automatically increase the overall sales within the first two years. The market women will be possible target group until Rosep – Natmush will stand on its feet to supply the bulk orders.

4.2.5 Competitive Pricing

Rosep – Natmush will set its pricing based on market rates. The company will employ low pricing strategy that will allow it to come up with products packages that are high in quality but relatively low priced as compared to other oyster mushroom prices already in the market.

4.2.6 Packaging

Rosep – Natmush will use attractive polythene bags designed to catch the eyes of customers when supplying the oyster mushroom. A vacuum sealer machine will be acquired within the first year of operation to facilitate this technology

4.2.7 Macro Environmental Analysis

4.2.7.1 Political

Relatively, Ghana has enjoyed peace and stability for the past twenty years. This has indeed created an enabling environment for businesses to grow and realize set organizational goals. These factors would surely have a positive impact on Rosep – Natmush to be in business for a longer period. Additionally, the Government in its fiscal policy statement has introduced a Venture Capital Fund to support business starters. Export Development and Investment Fund [EDIF] also offers big loans at 12.5% per annum to organizations that export their produce. Rosep-Natmush will surely explore such opportunities inherent in the government initiative so as to maximize share holders worth.

4.2.7.2 Economic

The key economic indicators in the year (2011) such as the Gross Domestic Product (GDP), income levels, inflation etc are all favorable to the consumer pattern of agricultural products. The bank of Ghana lending rate has fallen to 12.5 % which would be favorable for businesses to contract loans.

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Also, currently Ghana is experiencing a single digit inflation rate of 8.5 % which is also conducive for businesses. All these indicators in the economy will have a positive impact on Rosep- Nat mush's operations.

4.2.7.3 Social

Reports has shown in Ghana recently that people have become more educative and sensitive to their health needs and as a result Rosep – Natmush would want to cease this opportunity to produce oyster mushrooms which has many health benefits to human life. Rosep-Natmush intends to change the perception of Ghanaians who are used to the consumption of red blooded – meat which reports have shown that it contributes greatly to heart attacks and strokes due to its high percentage of cholesterol and change to the consumption of mushrooms.

4.2.7.4 Technological

A vacuum sealing technology will be introduced to package the mushrooms attractively in polythene which air will be sucked from it and be sealed with a vacuum sealer to add value. Mushroom dryer machine will also be introduced to dry some of the mushroom for those who prefer the dried ones.

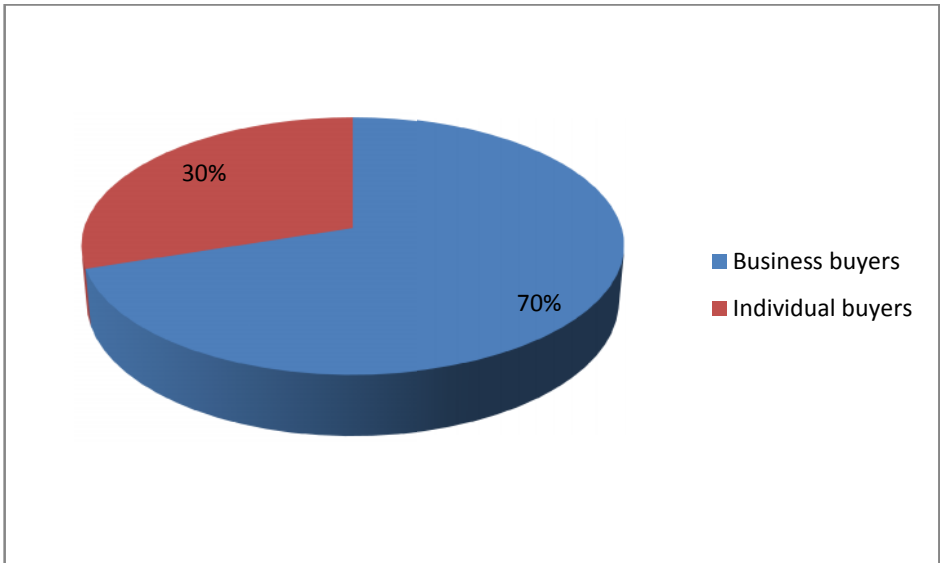
4.2.8 SWOT Analysis of Rosep Natmush

STRENGTH	WEAKNESS
<ul style="list-style-type: none"> • Product uniqueness • Production of dried mushroom and usage of Clingfilm vacuum sealer to add value • Good marketing strategies Competent and qualified workforce • Innovativeness and creativity of different team players 	<ul style="list-style-type: none"> • Inadequate financial capacity to expand the business quickly • Cannot produce to meet the full size of the high demanding market.
OPPORTUNITIES	THREAT
<ul style="list-style-type: none"> • The product has an already market • Rising number of hotels and restaurants as well as increase in the population of the inhabitants of Kumasi • Available consultants and technocrats • Introduction of venture capital fund by Government to support business starters. 	<ul style="list-style-type: none"> • Rising cost of business as a result of increase in taxes and utility tariffs. • Ghanaian perception on intentionally grown mushrooms • Increase in competition during mushroom season

4.3 MARKET SEGMENTATION

Rosep-Natmush will segment the market base on geographic variables. We intend divide the oyster mushroom production into regions and focus basically in the Ashanti region specifically Kumasi for the first three years. The Company's segmentation will consist of mainly two components that are made of business buyers and individual buyers. The business buyers will be

depending on Rosep-Natmush to also satisfy their clients. They will be serving as middle men and will be buying in bulk quantity. However, the individual buyers will be buying for use within a short period of time.



4.4 TARGET MARKET

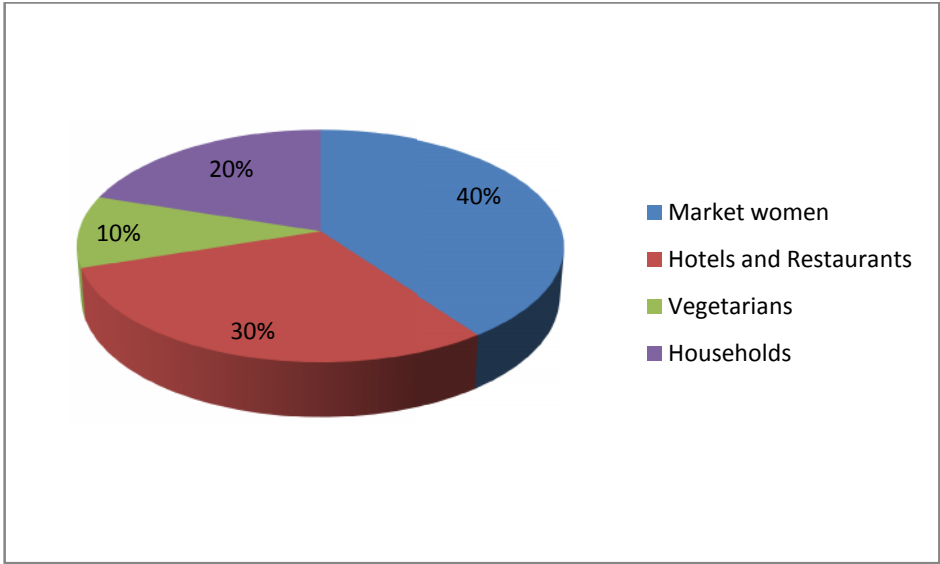
The customer base of Rosep-Natmush will comprise of market women, restaurants and hotels, vegetarians and the households in Kumasi.

The market women will be the largest target group within the first year of operation. This group consist of women in the central and other satellite markets in Kumasi and its environs that have for a while been dependent on peasant farmers for their supply. This group is most of the time concentrated at a point and supply could be easy. This group will be the largest of the business buyers.

Hotels and Restaurants will be the second largest group of Rosep-Natmush target market. There are so many hotels and restaurants springing up in and around Kumasi. Most of these

organizations have clients most of whom are careful with their food intake and are therefore very mindful with the type of nutritious food they take at these places. Therefore a demand from customers would increase the orders of hotels and restaurants for our products. This group is also the second largest of the business buyers.

The individual buyers of Rosep-Natmush’s product will consist of the household. This group comprises of the people who have intentionally decided to make Mushroom products a component of their daily or weekly menu. Mushrooms have become a delicacy for them and they will be willing to spend a certain percentage of their income in fulfilling that need almost every day. The second individual buyers from Rosep-Natmush products will be vegetarians. The Company has identified this group in and around Kumasi who have decided not to take red blooded meat because of its negative effects on their health. This group has made it a point to neglect the normal source of protein from meat and as a result they have set aside not less than twenty percent of their food expenses on Mushrooms.



4.4.1 Distribution Channel

Rosep – Natmush will use direct delivery to customers. To ensure prompt delivery by road, Rosep – Natmush will acquire a Mercedes Benz sprinter van for its delivery within the first three years. Rosep – Natmush will provide the customers with the mushroom all year round.

4.5 MARKETING MIX

4.5.1 Product

17

Rosep – Natmush would be producing oyster mushroom both fresh and dried for selected inhabitants of Kumasi. Oyster mushrooms are varieties of fleshy umbrella shaped fungi. They are macro fungi with characteristics fruiting bodies which can be picked by hands or a knife. The brand name for our products would be known as Rosep natural Oyster mushroom. The product would be different from those in the market because a vacuum sealing technology would be introduced to package the mushrooms in a polythene bag. The safety of the process is that it will be hygienic and free from contamination where as the quality of the process would be assured. Oyster mushrooms are known to contain all the nine [9] amino acids that are essential for the human body and are especially rich in lysine which is lacking in most cereal food. Oyster mushrooms are also considered as healthier food because their minerals and vitamins content are higher than that of meat and fish as well as vegetables. Oyster mushroom also contain medicinal values and compounds which are anti cancer, anti viral and anti hypertensive. Oyster mushroom is devoid of starch and is low in calories and carbohydrates. They fight kidney and heart troubles and are good for diabetic patients. Therefore Rosep natural Oyster mushroom would have a positive contribution to society by improving the health of people who would consume them.



A collection of dried oyster



A collection of fresh oyster mushroom

4.5.2 Price

Rosep – Natmush’s pricing strategy would be the adoption of price penetration strategy, where the company will come up with low prices as compare to the prices of competitors. The retail price of a bunch of our fresh mushroom as well as that of the dried mushroom would be sold for GH¢1.70 pesewas. There would be a five percent discount for bulk purchases .Also the wholesale price for the fresh mushroom would be GH¢1.50 pesewas as well as that of the dried mushroom. There would be three percent discount of our products for cash and early payments. This condition will not be fixed; rather it will be reviewed based on the market demands and the activities of our competitors.

Rosep – Natmush is aware that profit is essential to create capital growth, job security and overall financial success. To give our customers value for their money by providing quality, affordable and nutritious products, Rosep – Natmush would be able to capture a larger market share.

4.5.3 Promotion

Rosep – Natmush in trying to reach out to our prime target customers, the company through its sales force shall embark upon direct one on one discussion with the target groups. The advantage is that customers will have the opportunity of meeting the sales personnel directly and ask questions. Sales personnel will also have the opportunity of presenting to customers the benefits, importance and uniqueness of the company's products.

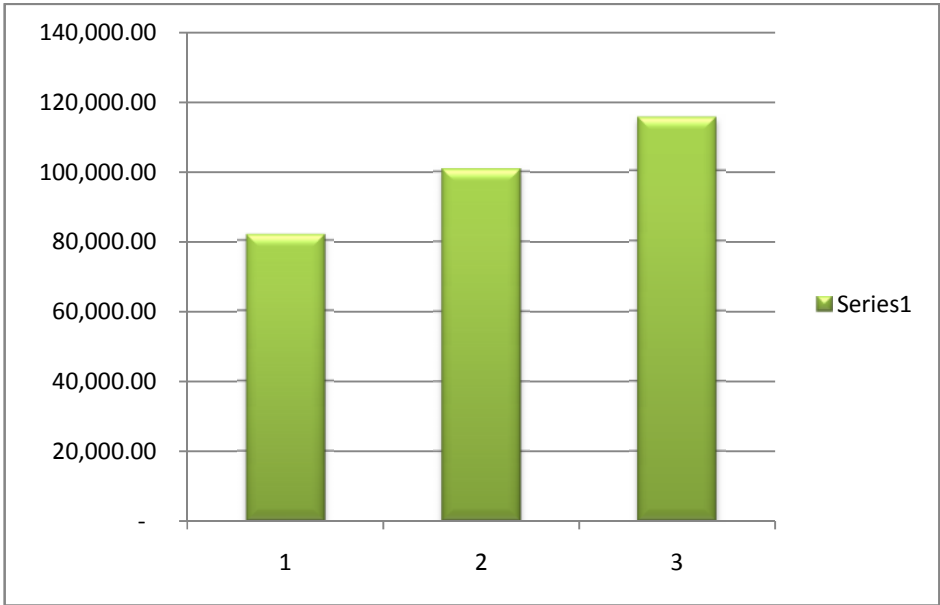
In line with this, services of a Bio-Chemist would be sought for in order to sensitize our target group about the health benefits of the product and the necessity to include in daily delicacies. The direct one-on-one interaction with our target group about the benefits of the product would be the leading tool of our promotion. The supporting promotion strategy would be the granting of radio discussions on all radio stations identified to be the most influential in Kumasi between the hours of 8 am to 5 pm twice a week involving the Bio-Chemist to sensitize the public about the health benefits of oyster mushroom consumption. Banners will also be hanged at vantage places.

4.5.4 Place

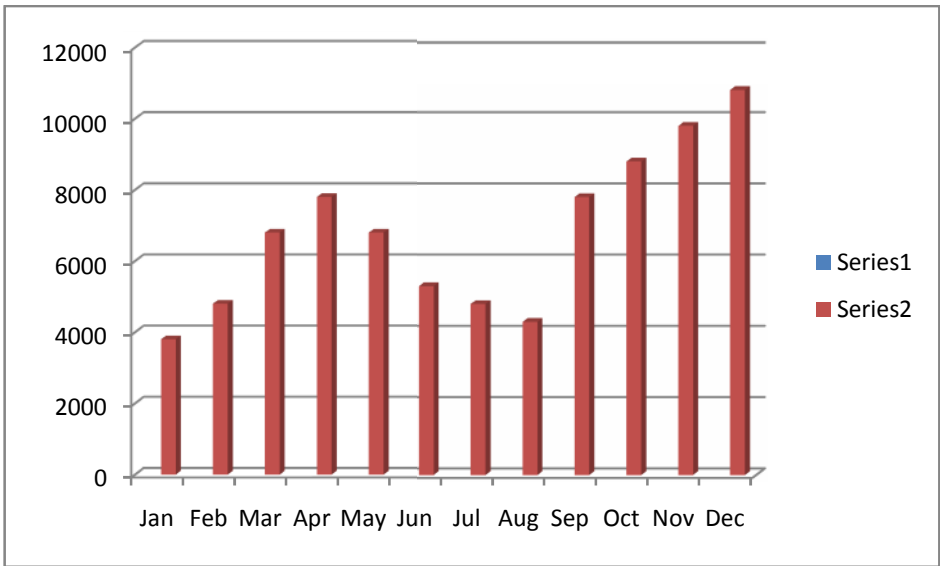
Rosep – Natmush is aware that production is not complete until products reach the final consumer. In line with that Rosep – Natmush will adopt an exclusive distribution channel where we would directly distribute our products by road to our target group on demand.

To ensure prompt delivery by road, Rosep – Natmush will acquire a Mercedes Benz sprinter van for its distribution. Rosep-Natmush will produce to meet the orders from customers. The company will also create distribution centres near to our target customers.

ROSEP-NATMUSH PROJECTED YEARLY SALES FORECAST FOR (2012-2014)



MONTHLY SALES FORECAST FOR 2012



5.0 ROSEP – NATMUSH FINANCIAL ANALYSIS

5.1 ASSUMPTIONS AND RISK ANALYSIS

5.1.1 Assumptions

The principal accounting policies used in the preparation of the accounts has been disclosed appropriately as follows;

The financial statements have been prepared under the historical cost convention.

Fixed assets are depreciated using the straight line method in order to reduce the book value of the assets to NIL at the expiration of their effective economic useful lives at the following rates;

Plant and Equipment 20%

Motor Vehicle 10%

Furniture and Fittings 15%

Computer and Data handling 20%

Office Equipment 20%

Cost of Capital 25%

Stock is valued at stock

No acquisition and disposal of assets will take place during the first three years of operation.

There shall be no capital withdrawal during the period

Projected sales will be increased by 6.5% in 2013 and 4.8% in 2014.

Projected net profit will be increased by 41.6% in 2013 and 12% in 2014.

Projected net cash flow will be increased by 25.6% in 2013 and 2% in 2014.

Projected Wages and Salaries, the year 1(2012) and year 2 (2013) rate will be the same and it will be increased by 6.2% in 2014.

Projected General and Administration expense will be increased by 0.4% in 2013 and 2% in 2014.

Projected Selling and Distribution expense will be increased by 3.6% in 2013 and 7.2% in 2014.

Projected Factory Overhead will be increased by 0.8% in 2013 and 1.5% in 2014.

The company needs to produce 30,169 units of Oyster mushroom to break even. Or the company needs to sell GH¢ 51,287.30 in other to break even. Based on the information provided, the company will break even in the first year of production.

The entity will achieve a positive NPV of GH¢ 6,995.62 showing the viability of the project for the next three years.

The projected cost of sales will be increased by 3.7% in 2013 and 3.2% in 2014

Return on Capital employed at the end of the operational period of the first three years will be 12.38%, 34.32% and 43.87% respectively.

Finally the overall projected performance of Rosep – Natmush would be profitable comparing the Return on Capital Employed ratios, all of them are higher than risk free rate and therefore it will be acceptable and viable for Rosep – Natmush to embark on the project.

5.1.2 Risk Analysis

Risk is generally defined as any situation where there is uncertainty about what outcome will be.

Risk in any activity or business venture is very costly. Higher risk therefore tends to imply greater cost and lower risk vice versa.

Rosep – Natmush has identified some possible situations that may happen in the course of its operations as far as risk is concerned. Below is some of the risk analysis that is expected to erupt.

One of the risks that would be associated with Rosep Natmush would be the high rate of rotten mushroom when over wet. Usually, most of the matured Oyster mushrooms contain some percentage of liquid. For this reason, when the moisture content becomes more, it induces rotten. This situation would be predominant mainly in the rainy season and therefore poses more threat to the company.

Rosep Natmush in managing this kind of a threat will adopt the strategy of storing all harvested Oyster mushrooms under appropriate constant temperature. Another risk that has been identified to be associated with Rosep Natmush would be the effect and influence in pricing as a result of high harvest of mushroom from the wild during the onset of the rainy season. The rate of people who will be buying from Rosep Natmush under this condition will reduce thereby affecting revenue. Rosep Natmush in managing this risk situation will continue to maintain high quality and healthy product that will be attractively packaged to win the market share even in such threatened season.

Another risk that would be associated with Rosep-Natmush's operations will be the threats of natural light getting into the incubation room which can affect the normal fruiting of the mushroom. In order to manage this risk which can greatly affect output and anticipated revenue, effort would be made to ensure that constant monitoring to cover all cracks and windows during incubation are strictly adhered to.

5.2

ROSEP - NATMUSH

PROJECTED INCOME STATEMENT FOR THE THREE YEAR ENDING 2014

	2012 GH¢	2013 GHS	2014 GHS
SALES			
REVENUE	81,610.00	100,800.00	115,200.00
RETURN INWARDS	-	-	-
NET SALES	81,610.00	100,800.00	115,200.00
LESS COST OF SALES	39,972.48	45,007.65	49,283.76
GROSS PROFIT	41,637.52	55,792.35	65,916.24
GENERAL AND ADMINISTRATION EXPENSES	20,213.50	20,473.50	21,733.50
SELLING AND DISTRIBUTION EXPENSES	14,300.00	16,100.00	19,700.00
FINANCE CHARGE	<u>300.00</u>	<u>300.00</u>	<u>300.00</u>
	6,824.02	18,918.85	24,182.74
PROVISION FOR TAXATION	1,706.01	4,729.71	6,045.69
NET PROFIT	<u>5,118.01</u>	<u>14,189.14</u>	<u>18,137.06</u>
INCOME SURPLUS	2,012.00	2,013.00	2,014.00
	GHS	GHS	GHS
BALANCE B/F	-	5,118.10	19,307.24
PROFIT FOR THE YEAR	<u>5,118.10</u>	<u>14,189.14</u>	<u>18,137.06</u>
	<u>5,118.10</u>	<u>19,307.24</u>	<u>37,444.29</u>

5.3

ROSEP-NATMUSH PROJECTED BREAK EVEN ANALYSIS

	GH¢
CONTRIBUTION MARGIN=	
Sales	81610
Less variable costs	<u>26908</u>
	<u>54702</u>
CONTRIBUTION MARGIN RATIO=	
CONTRIBUTION MARGIN/	<u>54702</u>
Sales	81610
	0.67
BREAK EVEN SALES VOLUME=	
Fixed Costs/	<u>20213.5</u>
Contribution Margin Ratio	0.67
	30169 units
BREAK EVEN REVENUE=	
Break Even units x selling price	
30169 x GHC 1.7 =	GHC51287.3

INTERPRETATION;

The company needs to produce 30169 units of Oyster mushroom to break even.

The company can also sell GH¢51287.3 in other to break even.

Based on the above information provided, the company will break even in the first year of production.

5.4

ROSEP- NATMUSH

PROJECTED CASHFLOW FOR THE THREE YEAR ENDING 2014

	2012	2013	2014
<u>CASH INFLOW</u>			
CAPITAL	50,000.00	-	-
CASH SALES	80,000.00	98,000.00	110,000.00
RECEIPT FROM DEBTORS	<u>-</u>	<u>1,610.00</u>	<u>2,800.00</u>
	130,000.00	99,610.00	112,800.00
<u>LESS CASH OUTFLOW</u>			
PURCHASE OF ASSET	52,445.00	-	-
PURCHASES OF MATERIAL	19,400.00	22,000.00	24,000.00
PAYMENT OF CREDITORS	-	800.00	1,500.00
DIRECT LABOUR	9,720.00	9,720.00	10,500.00
FACTORY OVERHEAD	6,800.00	7,100.00	7,650.00
CARRIAGE INWARDS	800.00	850.00	950.00
GENERAL AND ADMINISTRATION	19,330.00	19,590.00	20,850.00
SELLING AND DISTRIBUTION	12,300.00	14,100.00	17,700.00
TAXATION		1,706.01	4,729.71
FINANCE COST	300.00	300.00	300.00
	<u>121,095.00</u>	<u>76,166.01</u>	<u>88,179.71</u>
CASH AND BANK BAL	8,905.00	23,443.99	24,620.29
BALANCE B/F	<u>-</u>	<u>8,905.00</u>	<u>32,348.99</u>
TOTAL	<u>8,905.00</u>	<u>32,348.99</u>	<u>56,969.28</u>

5.5

**ROSEP- NATMUSH
PROJECTED STATEMENT OF FINANCIAL POSITION AS AT
2014**

	2012	2013	2014
PROPERTY, PLANT AND EQUIPMENT	44,053.50	35,662.00	27,270.50
CURRENT ASSETS			
INVENTORY			
RAW MATERIALS	1,390.00	1,630.00	1,820.00
FINISHED GOODS	1,665.52	3,095.87	4,330.11
TRADE RECEIVABLES	1,610.00	2,800.00	5,200.00
CASH AND BANK	<u>8,905.00</u>	<u>32,348.99</u>	<u>56,969.28</u>
	13,570.52	39,874.86	68,319.39
TOTAL ASSETS	<u><u>57,624.02</u></u>	<u><u>75,536.86</u></u>	<u><u>95,589.89</u></u>
EQUITY AND LIABILITY			
CURRENT LIABILITIES			
CREDITORS	800.00	1,500.00	2,100.00
TAX PAYABLES	<u>1,706.01</u>	<u>4,729.71</u>	<u>6,045.69</u>
	2,506.01	6,229.71	8,145.69
CAPITAL	50,000.00	50,000.00	50,000.00
INCOME SURPLUS	<u>5,118.01</u>	<u>19,307.15</u>	<u>37,444.20</u>
	55,118.01	69,307.15	87,444.20
	<u><u>57,624.02</u></u>	<u><u>75,536.86</u></u>	<u><u>95,589.89</u></u>

APPENDIX 1

ROSNUTMUSH MANUFACTURING ACCOUNTS FOR THE THREE YEAR ENDING 2014

	2012 GHS	2013 GHS	2014 GHS
OPENING STOCK OF RAW MATERIALS	-	1,390.0	1,630.0
PURCHASES	20,200.00	23,500.00	24,100.00
CARRIAGE INWARDS	800.00	850.00	950.00
LESS CLOSING INVENTORY	<u>1,390.00</u>	<u>1,630.00</u>	<u>1,820.00</u>
	19,610.00	24,110.00	26,860.00
DIRECT LABOUR	<u>9,720.00</u>	<u>9,720.00</u>	<u>10,500.00</u>
PRIME COST	29,330.00	33,830.00	37,360.00
ADD FACTORY OVERHEAD	<u>12,308.00</u>	<u>12,608.00</u>	<u>13,158.00</u>
COST OF PRODUCTION	41,638.00	46,438.00	50,518.00
ADD OPENING INVENTORY OF FINISHED GOODS	-	1,665.52	3,095.87
LESS CLOSING INVENTORY OF FINISHED GOODS	<u>1,665.52</u>	<u>3,095.87</u>	<u>4,330.11</u>
COST OF SALES	<u>39,972.48</u>	<u>45,007.65</u>	<u>49,283.76</u>

APPENDIX 2

PURCHASES OF RAW MATERIALS				
DETAILS		2012 GHS	2013 GHS	2014 GHS
SORGHUM SEEDS	SPAWN	12,500.00	14,600.00	16,000.00
FERTILIZER ADDITIVES	AND	2,000.00	2,500.00	3,000.00
PACKAGING RUBBER		2,100.00	2,600.00	3,000.00
RUBBER JUTE SACKS		3,600.00	3,800.00	4,100.00
		<u>20,200.00</u>	<u>23,500.00</u>	<u>26,100.00</u>
CLOSING INVENTORY				
		2012	2013	2014
SORGHUM SEEDS	SPAWN	1,100.00	1,250.00	1,300.00
FERTILIZER ADDITIVES	AND	150.00	200.00	300.00
PACKAGING RUBBER		60.00	80.00	100.00
RUBBER JUTE		80.00	100.00	120.00
		1,390.00	1,630.00	1,820.00

**APPENDIX 3
GENERAL AND ADMINISTRATION
EXPENSES**

	2012	2013	2014
WAGES & SALARIES	12,240.00	12,240.00	13,600.00
TELEPHONE & POSTAGE	900.00	1,100.00	800.00
STATIONERY	560.00	720.00	800.00
INSURANCE	1,080.00	1,080.00	1,050.00
BUSINESS REGISTRATION	300.00	-	
RENT	800.00	800.00	800.00
LEGAL FEES	1,200.00	1,200.00	1,200.00
RESEARCH AND DEVELOPMENT	450.00	600.00	700.00
UTILITY BILLS	1,800.00	1,850.00	1,900.00
DEPRECIATION:	-		
FURNITURE & FITTINGS	292.50	292.50	292.50
COMPUTERS	520.00	520.00	520.00
OFFICE EQUIPMENT	71.00	71.00	71.00
	<u>20,213.50</u>	<u>20,473.50</u>	<u>21,733.50</u>

SELLING AND DISTRIBUTION EXPENSES

TRAVEL & TRANSPORT	1,800.00	1,900.00	2,000.00
PROMOTION	2,000.00	1,800.00	1,600.00
COMMISSION	2,500.00	3,500.00	4,500.00
SALESMEN SALARY	4,800.00	5,600.00	8,000.00
ADVERTIZEMENT	1,200.00	1,300.00	1,600.00
DEPRECIATION OF VAN	<u>2,000.00</u>	<u>2,000.00</u>	<u>2,000.00</u>
	<u>14,300.00</u>	<u>16,100.00</u>	<u>19,700.00</u>
FACTORY OVERHEADS			
RENT	4,000.00	4,000.00	4,000.00
REPAIRS & MAINTAINENCE	800.00	1,000.00	1,500.00
DEPRECIATION OF PLANT AND EQUIPMENT	5,508.00	5,508.00	5,508.00
UTILITY BILLS	<u>2,000.00</u>	<u>2,100.00</u>	<u>2,150.00</u>
	<u>12,308.00</u>	<u>12,608.00</u>	<u>13,158.00</u>
FINANCIAL COST			
BANK CHARGES	300	300	300

APPENDIX 4

COMPUTATION OF BREAK EVEN ANALYSIS

PROJECTED VARIABLE COST 2012	GHC
Selling and Distribution Expences=	14300
Factory Overheads	12308
Financial Cost	<u>300</u>
	<u>26908</u>
 PROJECTED FIXED COSTS	
General and Administration Expenses	<u>20213.5</u>
 SALES	<u>81610</u>

APPENDIX 5

ROSEP – NATMUSH PROJECTED NET PRESENT VALUE STATEMENT

NET PRESENT VALUE

YEAR	CASH FLOW GH¢	DISCOUNT FACTOR 25%	NPV GH¢
0	-50,000	-	-50,000
1	8905.00	0.80	7,124.00
2	32248.99	0.64	20,703.35
3	56969.28	0.51	29,168.27
NET PRESENT VALUE			<u>6,995.62</u>

The entity achieved a positive NPV of GH¢6,995.62 showing the viability of the project for the next three years.

APPENDIX 6

ROSEP – NATMUSH

RETURN ON CAPITAL EMPLOYED

ROCE = $\frac{\text{PROFIT BEFORE INTEREST AND TAX} \times 100}{\text{CAPITAL EMPLOYED}}$

CAPITAL EMPLOYED =	GH¢
TOTAL ASSETS	57624.02
LESS TOTAL LIABILITIES	2506.01
	55118

2012

$$\text{ROCE} = \frac{6824.02 \times 100}{55118} = 12.38\%$$

2013

$$\frac{18918.85 \times 100}{55118} = 38.32\%$$

2014

$$\frac{24182.74 \times 100}{55118} = 43.87\%$$

The overall performance of Rosep – Natmush would be profitable comparing the three years performances respectively, which is 12.38%, 38.32%, and 43.87%. Both of them are higher than risk free rate therefore making the project viable.

APPENDIX 7**WAGES
&
SALARIES
SCHEDULE**

	2012	2013	2014
MANAGEMENT TEAM			
OPERATION MANAGER	4,920.00	4,920.00	5,300.00
FINANCIAL MANAGER	4,920.00	4,920.00	5,300.00
	<u>9,840.00</u>	<u>9,840.00</u>	<u>10,600.00</u>
 PRODUCTION STAFF			
FIELD WORKERS	4,800.00	4,800.00	5,200.00
CHEMIST	<u>4,920.00</u>	<u>4,920.00</u>	<u>5,300.00</u>
DIRECT LABOUR	<u>9,720.00</u>	<u>9,720.00</u>	<u>10,500.00</u>
 SALES FORCE			
DRIVER	2,400.00	2,400.00	3,000.00
	2,400.00	2,400.00	3,000.00

APPENDIX 8**SALES**

DETAILS	2012 GH¢	2013 GH¢	2014 GH¢
PRODUCTION COST	41,638.00	46,438.00	50,518.00
QUANTITIES PRODUCED	50,000.00	60,000.00	70,000.00
COST PER UNIT	0.83	0.77	0.72
SALES IN QTY	<u>48,006.00</u>	<u>56,000.00</u>	<u>64,000.00</u>
SELLING PRICE	1.7	1.8	1.8
	81,610.20	100,800.00	115,200.00
STOCK	2,000.00	4,000.00	6,000.00
COST	<u>1,665.52</u>	<u>3,095.87</u>	<u>4,330.11</u>

APPENDIX 7

PROPERTY PLANT AND EQUIPMENT

		2012			2013			2014	
	COST	DEP	NBV	BAL	DEP	NBV	BAL	DEP	NBV
	GHS	GHS	GHS	GHS	GHS	GHS	GHS	GHS	GHS
Plant and Machinery	27,540.00	5,508.00	22,032.00	22,032.00	5,508.00	16,524.00	16,524.00	5,508.00	11,016.00
Furniture and Fittings	1,950.00	292.50	1,657.50	1,657.50	292.50	1,365.00	1,365.00	292.50	1,072.50
Computers	2,600.00	520.00	2,080.00	2,080.00	520.00	1,560.00	1,560.00	520.00	1,040.00
Office Equipment	355.00	71.00	284.00	284.00	71.00	213.00	213.00	71.00	142.00
MOTOR VEHICLE	<u>20,000.00</u>	<u>2,000.00</u>	<u>18,000.00</u>	<u>18,000.00</u>	<u>2,000.00</u>	<u>16,000.00</u>	<u>16,000.00</u>	<u>2,000.00</u>	<u>14,000.00</u>
TOTAL	<u>52,445.00</u>	<u>8,391.50</u>	<u>44,053.50</u>	<u>44,053.50</u>	<u>8,391.50</u>	<u>35,662.00</u>	<u>35,662.00</u>	<u>8,391.50</u>	<u>27,270.50</u>

APPENDIX 6

WAGES & SALARIES SCHEDULE

	2012	2013	2014
MANAGEMENT TEAM			
OPERATION MANAGER	4,920.00	4,920.00	5,300.00
FINANCIAL MANAGER	4,920.00	4,920.00	5,300.00
	<u>9,840.00</u>	<u>9,840.00</u>	<u>10,600.00</u>
PRODUCTION STAFF			
FIELD WORKERS	4,800.00	4,800.00	5,200.00
CHEMIST	<u>4,920.00</u>	<u>4,920.00</u>	<u>5,300.00</u>
DIRECT LABOUR	<u>9,720.00</u>	<u>9,720.00</u>	<u>10,500.00</u>
SALES FORCE	2,400.00	2,400.00	3,000.00
DRIVER	2,400.00	2,400.00	3,000