

CHRISTIAN SERVICE UNIVERSITY COLLEGE

**DEPARTMENT OF BUSINESS STUDIES
BACHELOR OF BUSINESS ADMINISTRATION**

**NOVAS FARMS LIMITED
(MUSHROOM CULTIVATION)
BUSINESS PLAN**

**BY
AFIA AGYEIWAH EUNICE
YAW OWUSU BANAHE
YEBOAH BERNARD
NAOMI ATTA BAAH
SEMWAH YAA**

DECEMBER, 2011

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BUSINESS PLAN

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

BY

AFIA AGYEIWAH EUNICE

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DECEMBER, 2011

STATEMENT OF AUTHENTICITY

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

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Supervisor ()	Signature	Date
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Head of Business Department	Signature	Date
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EXECUTIVE SUMMARY

NOVAS Farms Limited formally known as Green Farms was started on 1st October 2002 with its principal activity in vegetable cultivation in the Kumasi metropolis. In January 2011, Green Farms was changed to NOVAS Farms which ventured into organic farming to produce mushrooms (Domo) because of the perishable nature of vegetables. The company is now focusing on the cultivation of mushrooms due to its scarcity in the dry season.

The company is looking at a capital investment of GH¢100,000 of which 50% will be contributed by its founders and the remaining will be sourced as loan. The company is now concentrating on only the production of mushrooms to address its scarcity in the dry season. The mushroom will be packaged in nice sealed or zipped plastic bags which can be stored in the refrigerator for a longer period before use. Scientists have proved that if one eats 10.0gm of mushrooms every day, he will be able to increase his life span by ten (10) years.

The management team consists of twenty one employees with a four member board who have agreed to give free consultation to the company for the next three years.

The corporate strategy of the company is focusing on providing high quality product at reasonable prices to our customers.

The company expects to make sales of GH¢113,135, GH¢143,745 and GH¢158,710 in the first, second and third years respectively. It is noteworthy that our expected net cash flows will produce a positive Net Present Values (NPV) of GH¢ 29385.62 which shows that our business will be aptly viable beyond every reasonable doubt.

MISSION STATEMENT

- To cultivate Domo under a hygienic conditions, create many job opportunities and to promote organic food for the healthy lives of Ghanaians.
- To make Domo available to our cherished customers and the supply chain markets as a whole all the year round.

VISION

To provide Ghanaians with cheap food based in vitamins and minerals.

CORPORATE OBJECTIVES

- To design and manufacture our products in the most cost-effective and efficient manner for timely distribution to our network of customers.
- To undertake new and rigorous research and development programs aimed at developing new lines of products geared toward the food market.
- To provide the highest level of customer service possible that gives value for their money in the catchment areas.
- To provide support for challenging, rewarding and satisfying work environment for our employees.
- To enforce business code of ethics in its operations that will make normal profit to achieve its return on investment.

1.0 ORGANISATION

NOVAS Farms Limited started as a small enterprise in vegetable cultivation with few farm hands on an acre plot of land in Boadi in 2002. It was then called Green Farms. Since the vegetables were perishable goods and the market was unpredictable, Green Farms started to look at ways of diversifying and increasing its operations. In 2011, it sought expert advice from the Ministry of Food and Agriculture (MoFA), Ghana. It was from this time that Green Farms considered the cultivation of mushrooms.

In 2011, Green Farms engaged the services of a mushroom consultant to assist it to grow mushrooms on a commercial scale. The old name was changed to NOVAS Farms Limited. The enterprise was motivated by the fact that papers of all forms are available everywhere. The used papers were difficult to be disposed. Most often, such papers were burnt releasing the green house gases into the atmosphere to cause ozone layer depletion, increasing global warming and causing environmental pollution. The enterprise developed the interest in contributing to riding the environment with used paper litter. It also decided to make good and productive use of such paper wastes in the system by producing mushrooms out of them. A survey was conducted to produce a feasibility report on mushroom production, packaging, market opportunities, consumption and profit margins. The comprehensive feasibility report was carefully studied and thereafter, Novas Farms Limited decided to go all out in mushroom production.

The company is a small scale enterprise which needs a capital of GH¢100,000. The founders will be contributing 50% of the capital which each giving GH¢10,000 and the remaining amount will be sourced as loan.

The company intends to complete its registration in the month of March 2012 and operation starts thereof. The company intends to have an office complex and a farm house which can be located at Boadi near the Technology Senior High School off the Accra road.

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Telephone: 0322-60061, 60069

Fax: 233-3220-60062

Email: novasfarms@yahoo.com

Website: [www/http/novasfarms.com.gh](http://www.novasfarms.com.gh)

Anything that helps consumers quickly identify and remembers a particular company contributes to that company's brand identity. The corporate strategy indicates the amount of resources to be allocated for each item in the marketing mix. This can include different media, such as television, radio, and print advertising.

Our corporate strategy to be used is concerned primarily with the decisions over the scope of the firm's activities, including;

- i. Product scope; how specialized our firm will be in terms of the range of products it supplies? NOVAS will engage in a single industry sector by producing mushrooms only.
- ii. Geographical scope: What is the optimal geographical spread of activities for the firm? In the food processing business, NOVAS being a new company will only focus on our target area and strengthen our target before expanding to cover the vast area in the market.
- iii. Vertical scope: What range of vertically linked activities should the firm encompass? NOVAS Company is a vertically integrated company: it produces its own mushrooms, distributes them itself to customers within the target market and through its own retail shop and outlets to the buyers within the target area.

2.0 PRODUCT IDEA AND REALIZATION OF SCHEDULE

2.1 PRODUCT IDEA

NOVAS Farms Ltd was originally a vegetable farm enterprise (Green Farms) which was agricultural based. However, due to the high costs of inputs, market instability and unpredictability and the perishable nature of the products, it was the desire of the enterprise not only to stay in the agricultural business but to ensure its sustainability. The company was always looking for new hybrids of the vegetables and the farms hands were always on training programmes in the cultivation of newly developed vegetable varieties that sold on the markets.

Market demands kept changing with times, made forecasting and promotions difficult. The perishable nature of the vegetables without proper storage facilities and lack of processing companies in Ghana demanded that the company had to find a better way of surviving in the agribusiness.

The raw material (paper) abounds in Ghana and the used papers are considered waste. Therefore, after the feasibility report, the company was convinced that mushroom production was a better agribusiness since there are many vegetarians, its delicacy among Ghanaians and the fact that it could be produced within a very short time (two weeks) and the ready market for the product. It is easy also to be stored, canned and processed.

2.2 REALIZATION OF SCHEDULE

Schedule of activities

Activity	Time (Months)												Responsibility
	J	F	M	A	M	J	J	A	S	O	N	D	
Funding			x										Management Team
Office Accommodation				x									Production Manager
Registration			x										Production Manager
Training			x										Purchasing officer
Recruitment				x									Management Team
Production				x									Management Team
Launching					x								Management Team

3.0 MANAGEMENT TEAM

The company has a four member board of directors and are composed of an expert in mushroom cultivation, personnel from the food and drugs board, a risk manager and the general manager of the company.

PROFILE

GENERAL MANAGER- Afia Agyeiwaa Eunice

Miss Eunice is 30 years who has a diploma in Accounting and Undergraduate at the Christian Service University College. She has ten years working experience in the banking industry and is currently working with Forestry Research Institute as an accountant.

Accountant- Yaa Semwaah

She is 27 years old and has ACCA Part1 and Undergraduate at the Christian Service University College, Kumasi. She has over five years working experience in the commodity market and has worked for Akuafo Adamfo Cocoa as an Accountant.

Production Manager- Yaw Owusu Banahene

He is 28 years, a HND holder and Undergraduate at the Christian Service University College. He currently works with Zoom lion as the operations manager in Kumasi.

Marketing Manager- Bernard Yeboah

He is 29 years and Undergraduate at the Christian Service University College. He has one year working experience with the Advertising industry.

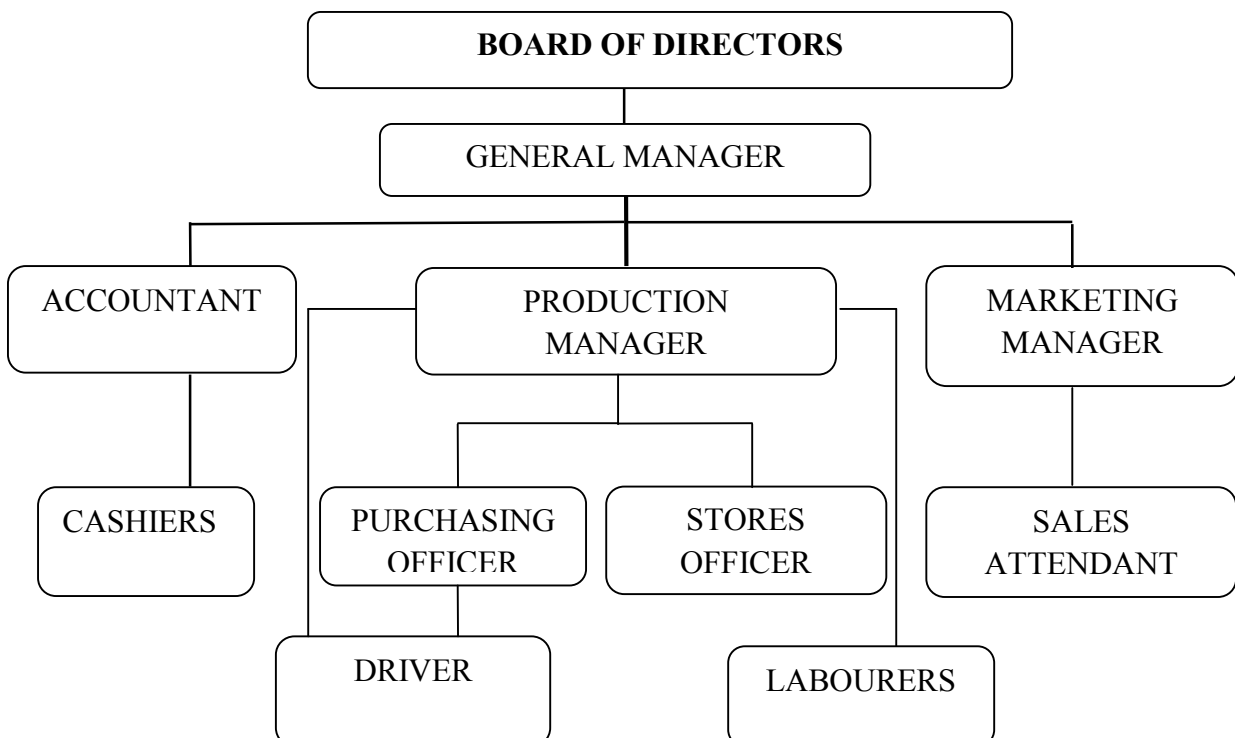
Purchasing Officer- Naomi Atta Baah

She is 25 years and Undergraduate at the Christian Service University College. She has three years working experience in Human Resource management Danny Praise Computers and now an international businesswoman.

Management Summary

The quality and quantity of employees we hire will be very necessary to our process. The quality of people we hire will impact on production. Employees to be hired will be people who have background in agriculture and more necessarily have idea about what we are into. We will be giving training to them to enhance their skills in new scientific methods of growing mushrooms and etc. NOVAS FARMS will have 20 people as total number of employees; one General Manager, one Accountant, one Marketing Manager, one Production Manager. We will employ one Purchasing Officer, one Stores Officer, three Sales Attendants, one Cashier, one Driver for sales attendant and nine farm labourers.

ORGANIZATIONAL CHART



MANAGEMENT STRUCTURE

The highest decision making body shall be the Board of Directors, one of the Directors will act as the General Manager (GM) to implement the decision of the Directors. The GM form management team with the Accountant, Marketing Manager, and Production Manager. The middle managers shall be the purchasing, sales and stores Officers. They will report to any of the senior superiors as when it becomes necessary. There shall be managers some of whom will direct to the top management whilst the rest report to the middle managers.

4.0 MARKETING ANALYSIS

4.1 BUSINESS SYSTEMS AND OPERATIONS

These are the process through which our products are produced. Our operation will be based more on scientific approach of producing the mushrooms than the use of machines and manpower. So we will be careful in handling our people, since they are what we take through the process.

Production of mushroom starts with collection of waste paper or any cellulosic materials from all sources. If the paper is newsprint, the ink is removed by soaking for three hours. If the pulp material is without ink, soaking is done for only 30 minutes. The defaced newsprint or the other cellulose materials the water is allowed to drain off freely. When it is adequately soft, they are bundled onto a platform in a mushroom house. Hot steam is flooded over the substrate to sterilize it. The setup is allowed to cool to room temperature (27 ° C) and the mushroom seed is planted in the substrate. The seeded bed is covered with black polythene sheet to contain heat and prevent moisture loss and light.

The black polythene sheet is removed after six days. Water uniformly from a fine nozzle spray equipment on the bed. Watering should be done twice daily i.e. morning and late afternoon. Mushrooms will start to appear when the whole bed is covered with the mushroom mycelia (cells of mushroom) and the bed looks whitish in colour. Edible mushrooms will appear from the 10th day onwards and harvesting can begin immediately. The mushroom is made clean with a knife and shaped into the desired sizes in a nice sealed rubber. Mushrooms produced by NOVAS farms will stand out from others by way of branding that is, given our product a unique identity, supported by a logo and packaging the product in a well-sealed and healthy rubber which will attract customers and also differentiate our goods from our competitors.

4.2 ENVIRONMENTAL ANALYSIS

Competitor Analysis

Competitors, through our research and development we have a fair idea about our competitors on what they sell, the price they sell and the place they sell and etc. through these we will craft a strategy to deal with our competitors. Our main competitors will be those in the market, thus the market women in the market who sell mushrooms. But the competitive advantage we have over them is that not all buyers will go to the busy market to buy from there because of the human traffic congestion in the market, so our new way of packaging of mushrooms and selling them at convenient shops like shell shops supermarkets, grocery shops and etc.

Functional Area	COMPETITORS	NOVAS FARMS LTD.
Corporate	1. Has no formal financial management in it could collapse at any time. 2. Has no corporate value.	1. Financial management. 2. Expert in strategic control. 3. Effectiveness in motivating and coordinating business units.
Research and Development	1. Has no method of assessing the taste and preference of customers and consumers.	1. Capability in basic research, to innovate to satisfy customers and consumers needs and wants.
Product Packaging	1. Has no means of packaging it in a hygienic way, just the ordinary way of wrapping it with black polythene bags.	1. It is packaged in a hygienic and transparent plastic cover with a label and looks attractive to buy.
Marketing	1. There is on brand on it, it only thrives if only the seller is	1. Brand management and promotion and exploiting

	healthy to take it to the market to sell.	reputation for quality. And since it is distributed to various sales points it is always in sales either rain or shine.
Place of sales	1. Since it is sold at a congested market it makes it difficult for some buyer to buy them, also it is sold in an unhygienic conditions where it is exposed to direct sunshine and houseflies and etc. This deters people from buying in markets.	1. The sales of our products are in a convenient shopping environment where there is no human congestion. Since it has been package nice and neatly lies in a fridge, it protects it from direct sunshine and houseflies. This condition makes it attractive to be bought at a higher rate and it is price comparative to that of competitors.

The above table elaborates critically the competitors analysing it with NOVAS capabilities and competencies.

SWOT ANALYSIS OF NOVAS FARMS LTD.

STRENGTHS	WEAKNESS
1. Healthy and Hygienic Environment. 2. Competent staff. 3. Availability of raw materials. 4. Innovative method of packaging.	1. Financial capability
OPPORTUNITIES	THREATS

<p>1. Less competition in the market.</p> <p>2. Ready market for raw materials and final products.</p> <p>3. Easy to produce mushrooms under limited risk.</p>	<p>1. The strange perception to cultivated mushrooms.</p> <p>2. A slowing economy with higher levels of inflation affecting the price of food and greater fuel costs impacting transportation cost</p> <p>3. Cost conscious consumers will shift their buying habits to less high-end foods which put us at risk to charge low prices.</p> <p>4. A serious contamination can damage the company's brand and hurt corporate profits since the products are perishable.</p>
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4.3 MARKET SEGMENTATION

Due to the type of product we are dealing in, we intend to use the B2B market segmentation. Thus our product would be distributed from our company to other businesses such as supermarkets, hotels, restaurant etc. In our B2B market, our industry sector would be the distribution sector. Geographically, our market is located in and around Kumasi metropolis. Thus, we intend to do business with other businesses within and around Kumasi.

4.4 TRAGET MARKET

Customers, we will study needs and wants of our customers and consumers on how they want their mushrooms, through research and development and we will produce to satisfy their needs. Most especially we have to influence and answer their needs and wants on;

- Who to buy from?
- Why to buy from?
- Where to buy from?
- What type of mushrooms to buy?

The major customers of the farm produce will be the operators of hotels, restaurants, grocery shops, supermarkets, etc. There is the possibility of food canning industries both small and medium scale that are likely to spring up as the result of our farm produce. In such situations, there is the tendency for our enterprise to broaden its scope of customers. It therefore has the potential of becoming the hub of mushroom production throughout the country.

NOVAS Farms is a novelty that seeks to capitalize on the fact that mushroom production is new in Kumasi Metropolis and it is the only company that depends on used papers for its operations. It is an innovative business venture with no direct competitor in the Kumasi Metropolis.

Size and Growth, The size of the market in the sales of mushrooms is not high because you will not find market women who is selling only mushrooms at the market since it is a seasonal type of product, so they sell it mixed with other products, even if there some who sell only mushrooms then it will be a pockets in the market. So NOVAS has the advantage of capturing the market since it will only focus on mushrooms and produce it all year round. The growth rate has not been singly been set since they are classified to food stuff which the growth rate in foodstuff sales is at an appreciable rate over the country. The driving forces behind sales trends are because everybody is trying daily to put food on the table for families and individual consumption. Since it's a seasonal product, it has a pattern of sales where they

buy them in seasons, but NOVAS has eliminated the seasonality of this product and through its scientific approach and process has made it an all year round product that will be available for sale all the time.

4.4 MARKETING MIX

The marketing mix is better explained as the 4ps. These are Product, Price, Place, and Promotion. Novas farms' aim is to meet the needs of the customers and make substantial profit for the company.

4.1.1 Product

NOVAS mushrooms are a product that we are producing based on the customers preference on how they need their mushrooms. Our product is slightly different from what is on offer at present so that people can be persuaded to 'give them a try'.

4.1.2 Price

Our price has to cover costs and make a profit but low enough to attract customers. There are a number of possible pricing strategies to be used and the most appropriate one to be used is the cost based, where our products will be priced according to the cost incurred in production. That is costs are totaled and a margin is added on for profit to make the total price.

4.1.3 Promotion

The kind of promotional tool to be adopted will be the advertisement of our products on some of the radio station in the Kumasi metropolis to enable us reach our target market. Some of these radio stations will be the ones that are well listened by the consumers, begin targeted example are Fox FM, kessben FM etc. The distribution of handbills at prominent

transport stations, supermarket, and hotels will help our product well known to the public; that's the details of our company will state on the handbills to enable attract consumers and help them know more about the product sale. The introduction of paying in instalment will be introduced to our customers after 60% of the amount of the product is paid. Consumers will be given a period of time to pay for their purchases. There will be the introduction of free delivery of products to consumers to make purchasing easy. Also another promotional tool to be adopted by Novas Company is personal selling.

We will send our marketing personals to interact face to face with our target market that is the supermarkets, hotels, restaurant and grocery shops to educate, influence and also know their problem and the benefits they will derive from the product.

4.1.4 Distribution

The channel of distribution of ours is done in a simple and effective way where it gets to the buyer quicker with no intermediary transfer cost . Mushrooms will be made available at the door steps of customer with the help of the distribution van. Mushrooms will also be delivered on order bases to fulfil our promise of on time delivery and also our product will be made available at some reliable places such as supermarkets and grocery shops around market centres.

5.0 FINANCIAL ANALYSIS

5.1 ASSUMPTIONS AND RISK ANALYSIS

Natural Risk: High rate of rotten mushrooms when over wet. The body of mushroom contain 70% of water. For this reason, it can rot easily. This situation is predominant in the rainy season and it possesses more threat than in the dry season. The company has planned to combat this problem by carefully storing all harvested mushrooms in cold environment.

Economic Risk: Effect and what is likely to influence pricing will be the bumper harvest from the wild in the rainy season. There is the tendency that more mushrooms will be available in the markets, the rate of people purchasing from the company may reduce thereby affecting the earnings of the company. It has been resolved that the company will maintain high quality and healthy products in attractive packages to win the market target even in such threatened season.

5.2 PROJECTED INCOME STATEMENT

NOVAS FARMS LIMITED **STATEMENT OF COMPREHENSIVE INCOME**

	NOTES	2012 GH¢	2013 GH¢	2014 GH¢
Sales revenue	6	113,135	143,745	158,710
Cost of sales	7	<u>(6,100)</u>	<u>(26,860)</u>	<u>(27,376)</u>
GROSS PROFIT		107,035	116,885	131,334
LESS EXPENSES				
Mushroom seed		1,000	1,500	2,000
Waste paper		500	650	845
Polythene sheets		75	79	84
Salaries/wages	8	45,000	49,500	54,450
SSNIT contribution	9	8,658	9,524	10,476
Rent		2,500	2,500	2,500
Formation and launching	10	2,000	-	-
Depreciation		17,043	17,043	17,043
Bad debt provision		1,500	1,000	500
Travelling & transport		3,000	3,400	4,000
Advertisement	11	1,500	1,000	500
Insurance		790	840	871
Stationery		500	300	200
Packaging bags		735	882	1,000
Utilities	12	2,090	2,550	2,990
Repairs and maintenance		980	1,050	1,400
Bank charges		340	360	375
Office expenses		570	630	776
Total expense		<u>88,211</u>	<u>92,178</u>	<u>99,234</u>
Net profit before interest		18,824	24,707	32,100
Interest charge	16	4,000	3,200	2,400
NET PROFIT		14,824	21,507	29,700

NOVAS FARMS LIMITED

5.3 BREAK EVEN ANALYSIS

	BREAK-EVEN		
	2012	2013	2014
	GH¢	GH¢	GH¢
Sales Revenue (A)	113135.00	143745.00	158710.00
Variable Cost (B)			
Waste papers	500	650	845
Polythene sheets	75	79	84
Stationery	500	300	200
Utilities	2090	2550	2990
Packaging bags	735	882	1000
Travelling & transport	3000	3400	4000
Repairs and maintenance	980	1050	1400
Office expenses	570	630	775.6
Provision for bad debt	1,500	1,000	500
Total Variable Cost	9950	10541.05	11794.63
Contribution	103185.00	133203.95	146915.38
Fixed Cost			
Formation expenses	2000	-	-
Salaries/wages	45000	49500	54450
Snitt contribution	8658	9523.8	10476.18
Rent	2500	2500	2500
Advertisement	1500	1000	500
Bank charges	340	360	375
Insurance	790.3	840	870.75
Depreciation	17,043	17,043	17,043
Total Fixed Cost	77831.25	80766.75	86214.88

$$\text{Break-even} = \frac{\text{FC} * 1}{\text{Contribution/Sales Ratio}}$$

	2012	2013	2014
FIXED COST	77831.25	80766.75	86214.88
C/S RATIO	0.912052	0.926668	0.925684
1/C/S RATIO	1.096429	1.079135	1.080282
BREAK EVEN	85336.42	87158.2	93136.36

Where FC – Fixed Cost, C – Contribution, S - Sales

5.4 PROJECTED CASH FLOWS

NOVAS FARMS LIMITED STATEMENT OF CASH FLOW STATEMENT FOR THE YEAR ENDED 2012,2013,2014

	2012 GH¢	2013 GH¢	2014 GH¢
Cash Inflow			
Cash sales	104,135.00	137,745.00	155,710.00
Capital	50,000.00	-	.
Loan	<u>50,000.00</u>		
Total Cash Inflow	204135	137745	155710
Cash Outflow			
Fixed assets	85,859		
Waste paper	500	650	845
Polythene sheets	75	79	84
Salaries/wages	45000	49500	54450
Direct labour cost	21600	23760	26136
SSNIT Contribution	8658	9523.8	10476.18
Rent	2500	2500	2500
Formation expenses	2000	-	-
Travelling & transport	3000	3400	4000
Advertisement	1500	1000	500
Insurance	790.3	840	870.75
Stationery	500	300	200
Packaging bags	735	882	1000
Utilities	2090	2550	2990
Repairs and maintenance	980	1050	1400
Bank charges	340	360	375
Office expenses	<u>570</u>	<u>630</u>	<u>775.6</u>
Total Cash Outflow	176,697	97,025	106,603
Net Cash Flow	27,438	40,720	49,107

NET PRESENT VALUE OF CASH FLOW

YEAR	CASHFLOW GH¢	DISC. FACTOR 18.5%	PRESENT VALUE GH¢
0	50,000.00	1	50000
1	25,938	0.843882	21888.35
2	39,720	0.712137	28286.17
3	<u>48,607</u>	<u>0.600959</u>	<u>29211.09</u>
PV			79385.62
NPV			29385.62

STATEMENT OF FINANCIAL POSITIONAS AT 2012,2013,2014

	NOTES	2012		2013		2014
NON-CURRENT ASSETS	<i>1</i>	GH¢		GH¢		GH¢
Motor van		64,000.00		48,000.00		32,000.00
Computers and accessories		2,400.00		1,800.00		1,200.00
Boiler		<u>1,600.00</u>	68,000.00	1,200.00	51,000.00	800.00
						34,000.00
CURRENT ASSET:						
Inventories		15,500.00		12,400.00		11,160.00
Trade receivables	2	9,000.00		6,000.00		3,000.00
Provision for bad debt	3	-1,500.00		-1,000.05		-500.03
Prepayment (rent)	4	10,000.00		7,500.00		5,000.00
Bank and Cash		17,823.75		53,630.95		95,770.97
TOTAL ASSETS			<u>50,823.75</u>	<u>78,530.90</u>		<u>114,430.95</u>
			<u>118,823.75</u>	<u>129,530.95</u>		<u>148,430.9</u>
EQUITY AND LIABILITIES						
Stated capital	5	50,000.00		50,000.00		50,000.00
Income surplus		<u>14,823.75</u>		<u>36,330.95</u>		<u>66,030.95</u>
			64,823.75	86,330.95		116,030.9
NON-CURRENT LIABILITY						
12% debenture			50,000.00	40,000.00		30,000.0
CURRENT LIABILITY						
Debenture interest			4,000.00	3,200.00		2,400.00
			<u>118,823.75</u>	<u>129,530.95</u>		<u>148,430.9</u>

RATIOS

Return on capital employed	18.82%	24.71%	32.1%
Profit margin	16.64%	17.19%	20.23%
Asset turnover	1.13times	0.25times	0.32times
Liquidity ratio	1:9	1:16	1:3

APPENDIX

FOOTNOTES TO THE FINANCIAL STATEMENT

1. NON-CURRENT ASSET

	ASSET SCHEDULES		NET BOOK VALUE
	COST	DEPRECIATION	
PROPERTY, PLANT AND EQUIPMENT	GH¢	GH¢	GH¢
Motor van	80,000	16000	64,000
Computers and accessories	3,000	600	2,400
Boiler	2,000	400	1,600
	85,000	17,000	68,000
EQUIPMENT			
Jet sprays	300	15	285
Baskets	100	5	95
Packing cases	65	3.25	62
Knives	15	0.75	14
Spades	144	7.2	137
Polythene sheets	85	4.25	81
Pipes	150	7.5	143
	859	42.95	816.05
Total	85,859	17,043	68,816

Depreciation is determined at 20% the cost of motor van, computer and accessories and boiler. Depreciation of all other assets is provided as 5%.

2. TRADE RECEIVABLES

We expect trade receivables to be 8% of total sales of the accounting year. With laid down processes and procedures to cut down the accounts receivables, we anticipate trade receivables of 4% with respect to sales in the second year. Accounts receivable is 2% of sales in the third year.

3. PROVISION FOR BAD DEBT

We will provide for bad debt at 16.67% of account receivables each year for the first three years.

4. RENT PREPAYMENT

GH¢

Rent prepaid for 5 year	=	12,500
Year 1 (rent)	=	(2500)
Balance to be carried down	=	10000
Year 2 (rent)	=	(2500)
Balance to be carried down	=	7500
Year 3 (rent)	=	(2500)
Balance to be carried down	=	5000

5. STATED CAPITAL

We will need GH¢100,000 capital to start the business. Each of the five financiers (management team) will contribute GH¢10,000 to get GH¢50,000 and we will go a 12% debenture of GH¢50,000 from any interested investor.

6. SALES REVENUE

Our well packaged mushrooms will be sold at GH¢5 per unit. We expect to produce 22,627 units, 28,749 units and 31742 units of packaged mushrooms in the 1st, 2nd and 3rd years respectively. Our price per unit is expected to increase to GH¢6 after the third year simply because we would have expanded our market size and demand for our unique product would have increased.

Year 1 -	GH¢ 5 × 22, 627 =	GH¢113,135
Year 2 -	GH¢5 × 28,749 =	GH¢143,745
Year 3 -	GH¢5 × 31742 =	GH¢158,710

7. COST OF SALES

	2012	2013	2014
Opening inventory	-	15,500.00	12,400.00
	=	=	=
Closing stock	<u>15,500.00</u>	<u>12,400.00</u>	<u>11,160.00</u>
Cost of goods sold	-15500	3100	1240
Direct labour cost (9)	<u>21600</u>	<u>23760</u>	<u>26136</u>
Cost of sales	6100	26860	27376

8. SALARY

POSITION	NUMBER OF EMPLOYEES GH¢	MONTHLY SALARY GH¢	SSNIT CONTRIBUTION GH¢	ANNUAL SALARY GH¢
General manager	1	500	65	6000
Accountant	1	400	52	4800
Marketing manager	1	400	52	4800
Production manager	1	400	52	4800
Purchasing officer	1	300	39	3600
Stores officer	1	300	39	3600
Cashiers	1	300	39	3600
Sales attendant	3	900	117	10800
Driver	1	250	32.5	3000
Total	11	3750	487.5	45000

Salaries are expected to increase by 10% each year.

9. The business pays SSNIT contribution of 13% of monthly salary. The amount to be paid as SSNIT is expected to increase by 10% in consonance with salaries.

Annual SSNIT	=	487.5 * 12	5850
SSNIT (9 labourers)	=	21600 * 0.13	<u>2808</u>
TOTAL SSNIT			8658

10. FORMATION AND LAUNCHING EXPENSES

		GH¢
Registration	=	200
Launching programme	=	1800
	=	2000

11. ADVERTISEMENT

		2012	2012	2014
		GH¢	GH¢	GH¢
Radio	=	700	1000	500
Banners	=	300	-	-
Bill boards	=	500	-	-
Total	=	1500	1000	500

12. UTILITIES

		2012	2012	2014
		GH¢	GH¢	GH¢
Water	=	400	600	850
Electricity	=	1690	1950	2140
Total	=	2090	2550	2990

RATIOS

RETURN ON CAPITAL EMPLOYED= operating profit/ capital employed*100%

$$2012 = 18824/100000*100\% = 18.82\%$$

$$2013 = 24707/100000*100\% = 24.71\%$$

$$2014 = 32100/100000*100\% = 32.1\%$$

PROFIT MARGIN = operating profit/ sales * 100%

$$2012 = 18824/113135*100\% = 16.64\%$$

$$2013 = 24707/143745*100\% = 17.19\%$$

$$2014 = 32100/158710*100\% = 20.23\%$$

ASSET TURNOVER =Sales/capital employed

$$2012 = 113135/100000 = 1.13\text{times}$$

$$2013 = 24707/100000 = 0.25\text{ times}$$

$$2014 = 32100/100000 = 0.32\text{ times}$$

LIQUIDITY RATIO = (current asset –stock) /current liabilities

$$2012 = (50823.75 - 15500.00) / 4000.00 = 1:8.8$$

$$2013 = (63707.20 - 12400) / 3200.00 = 1:16.03$$

$$2014 = (78100.10 - 11160) / 2400.00 = 1: 28$$