

CHRISTIAN SERVICE UNIVERSITY COLLEGE – KUMASI

ADEHYE ENTERPISE

BUSINESS PLAN

DEPARTMENT OF BUSINESS STUDIES

BARCHELOR OF BUSINESS ADIMISTRATION

BY

SARFO ADU-YEBOAH STEPHEN

NKETIA BEDIAKO PATRICK

SARFO KUFFFOUR CHARLES

CHRISTIANA ASIEDU

ELIZABETH DENTAA APPIAH

DECEMBER 2011

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**A BUSINESS PLAN SUBMITTED TO THE DEPARTMENT OF
BUSINESS STUDIES OF CHRISTIAN SERVICE UNIVERSITY**

COLLEGE, KUMASI IN PARTAIL FULFILLMENT OF

REQUIREEMENTS FOR THE COURSE

CSAD 443 TEAM BUSINESS PROPOSAL

BY

SARFO ADU-YEBOAH STEPHEN

NKETIA BEDIAKO PATRICK

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STATEMENT OF AUTHENTICITY

I have read the Christian service University College's Regulation relating to plagiarism and certify that this Business Plan is all my work and does 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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Date

EXECUTIVE SUMMARY

The name of the company shall be **Adehye Enterprise**. Its contact shall be as follows;

(i) Postal address	P.O. Box KS 12554, Adum-Kumasi
(ii) Telephone/Fax	(233)0266792184,0242163360
(iii) Email:	adehyekoko@gmail.com
(iv) Enterprise Banker	Standard Chartered Bank

Adehye Enterprise is into production of porridge (Koko), “koose” and sandwich with well package which is to be produce. It shall be located at Adum Industrial Area, Kumasi. The rational for choosing this location is how the workers are busy with their work, and need to take breakfast for their busy schedules.

The company shall be registered on the 1st of September, 2012 and business shall commence on 1st December, 2012.

Adehye Enterprise will be a micro business made up of board of directors and five executive members who will oversee the activities of the organization from marketing and sales unit, production and operation unit, management team, catering unit and account units. The executive will be divided to take charge and be heads over the various units.

Purpose: To reach workers such as bankers, doctors, police personnel’s and other high ranking workers with good, hygienic, nutritious koko in Kumasi Metropolis. To exist as the best entity that you can trust and purchase your daily breakfast (koko) which will be well packaged, at affordable price and hygienically accepted.

Market and Marketing: Adehye enterprise will reach its potential customers with well package product at their door steps . Our Initial pricing will be very affordable in the market.

Adehye enterprise as new merging company in the market will propose to have about 50% of the market share with its innovative and attractive packaging of their product

Financial Analysis

The financial projections indicate that Adehye Enterprise will achieve its profitability and objectives within its first three years of operation. The Dividend will be charge Three years after enterprise has been in the operation. After three years 50% will be charge on the Net profit before tax before tax at the end of every accounting year.

The interest on loan will be charge 10%on the principal at the end of every accounting year.

Depreciation will also be charge after three years the enterprise has been on operation.

Based on the financial analysis of our needs and the nature of our proposed plan, the total funds required are estimated at the initial total project cost is estimated at GH¢38500.00

The Capital proposed is GHC 20200.00 which is 52.5% and the Financing sponsors Equity is GHC 18300 which is 47.5% .And it will sum up as GHC 38500.00.

The financial forecasts indicate that the company will expects a 27.52% returns on capital employed at the end of the first year of operation.

Adehye enterprise will break-even within 7.48 months. And the remaining will be profit for business. Gross profit Margin will be about 72.3%, and in third year the retune on equity Will be 60.86%, by then the sales turnover will be 93725.7. Net profit After tax for the first year will be 7458.5, second year 12819.88 and Third year 33207.76.

We will need an investment of GHC60, 000 to implement our strategy,

To open different branches one (1) in Accra and one (1) at Tema within the 3rd year of its operations. And to introduce another line of business (Cereal farming) within the 4th year .

We are able and willing to maximize profit with five years.

MISSION AND VISION STATEMENT

1.1 Mission Statement:

Adehye is thrilled to offer customers with a range of healthy and quality readily prepared nutritious porridge, through commitment to innovation, service and value in a mutual profitable relationship.

1.2 Vision:

Adehye enterprise will reach its potential customers at their door step and always stay close to where they are by providing good, hygienic and nutritious porridge at affordable price.

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1.0 ORGANIZATION

Adehye Enterprise possesses a resourceful and highly skilled and knowledgeable catering team committed to giving full satisfaction to its customers and giving them the edge to start their daily routine as we provide them with our product. We can boldly say that we will be the right company in terms of serving break fast.

The Adehye Enterprise will be a Micro business made up of five executive members who will oversee the activities of the organization in relation to the following departmental units; the Production, Account, Catering and the General Manager inclusive. These executives will be divided to take charge and be heads over the various units of the firm.

Purpose: To reach workers such as bankers, doctors, police personnel and other high ranking workers and students at the tertiary level as well with a good and hygienic porridge (Koko) in the Kumasi metropolis. To exist as the best entity that you can trust and purchase your daily breakfast “koko” which will be well packaged, at a moderate price.

Our Team

Our team will consist of highly characterized individuals who will be intellectuals in terms of providing good catering services and building strong customer relations. Our team will be preferred by consumers since they will be thought on how to dress and address consumer situations.



The name of the company will be **Adehye Enterprise**. Its contacts will be as follows;

(i) Postal address	P.O. Box KS 12554, Adum-Kumasi
(ii) Telephone/Fax	(233)0266792184,0242163360
(iii) Email:	adehyekoko@gmail.com
(iv) Enterprise Bank	Standard Chartered Bank

VISION AND MISSION STATEMENT

Mission Statement:

Adehye is thrilled to offer consumers with a range of healthy and quality readily prepared nutritious porridge, through commitment to innovation, service and value; in a mutual profitable relationship.

Vision:

Adehye enterprise will reach its potential customers at their door step and always stay close to where they are by providing good, hygienic and nutritious porridge at affordable price.

DATE AND PLACE OF REGISTRATION

Adehye Enterprise will be incorporated under the Ghana Company's Code, 1963 (Act 179) on 1st, September 2012, Accra. The company also wishes to receive Certificate to Commence Business on 1st December, 2012.



CORE VALUES

- Core Values
 - ➔ Respect
 - ➔ Efficiency
 - ➔ Serving with Integrity
 - ➔ Passion for Customers
 - ➔ Excellent Delivery
 - ➔ Confidentiality
 - ➔ Trust

SHAREHOLDERS / OWNERS

Name	Nationality	No. Of Shares	Share %	Cash Value Gh¢
1. Sarfo Adu-Yeboah Stephen	Ghanaian	8,000	20	1200
2. Nketia Bediako Patrick	Ghanaian	8,000	20	1200
3. Elizabeth Dentaa Appiah	Ghanaian	8,000	20	1200
4. Sarfo Kuffour Charles	Ghanaian	8,000	20	1200
5. Christiana Asiedu	Ghanaian	<u>8,000</u>	<u>20</u>	<u>1200</u>
TOTAL		<u>40,000</u>	<u>100</u>	<u>18300</u>



2.0 PRODUCT IDEA AND RELISATION OF SCHEDULE

2.1 PRODUCT IDEA

The interest of this business sprung up in August 2010 when we saw workers from ministries rushing to get their breakfast even to the expense of starting their duties late which may lead to shoddy work sometimes in the long run. We saw some workers in a queue waiting. We approached them and asked what was happening, we were told those in the queue are waiting to buy porridge. We therefore saw an opportunity in setting up a business with better packaging in the ministries and other reputable companies. The project was also setup to sensitize and educate the public on the need and relevance in buying good, nutritious and hygienic foods for their breakfast.

The objective of the business will be:

SMART which means S~ for Simply, M~ for Measurable, A~ Achievable, R~ Realistic and T~ for Timely.

- (i) S ~ Adehye is thrilled to reach at Maximize profit and Minimize cost for the least inputs or resources available.
- (ii) M~ To reach out high ranking personnel such as Police, Bankers, Doctors, etc
- (iii) A~ Make porridge attractive packaging accessible to workers at their comfort of their offices.
- (iv) R~ Adehye will be able to create employment and educate the public on the need to use light food in breaking their fast
- (v) T~ Adehye will be the best at providing customer satisfaction in breakfast provision on time.



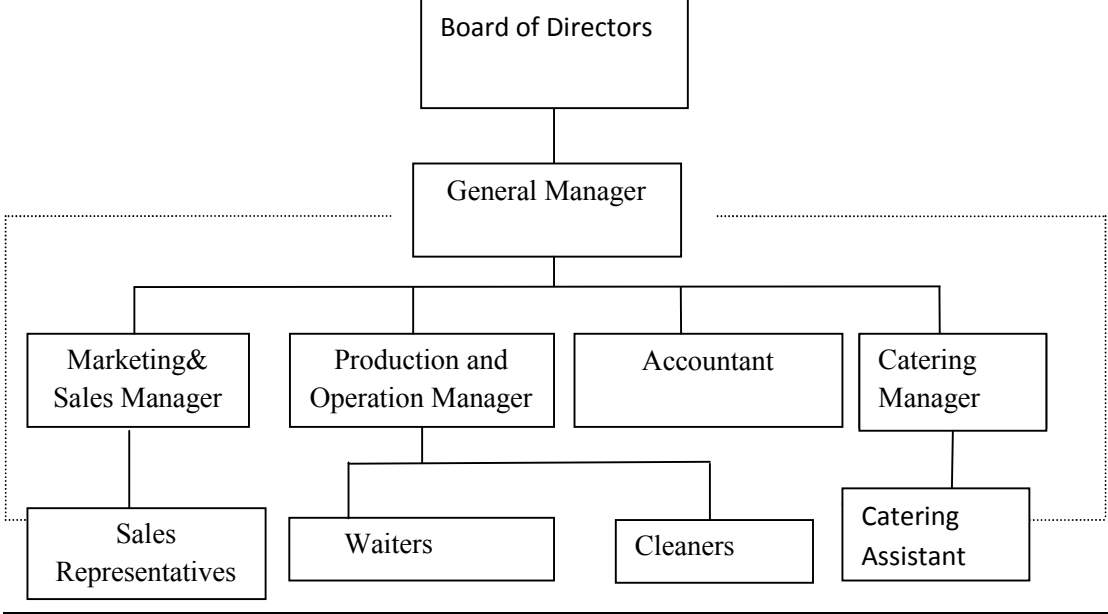
2.2 RELISATION OF SCHEDULE

These are some of the ways with our goals can be realized;

SN	Activities	Time	Year	Responsible Unit	Cost GH ¢
1	Funding	January to March	2012	All owners	10
2	Location	February	2012	Operation Manager	500
2	Business Registration	January to March	2012	Legal adviser	100
3	Recruitment	April to June	2012	General Manager	200
4	Launching	December	2012	Marketing Manager	500



3.0 MANAGEMENT TEAM



BOARD OF DIRECTORS

Mr. David Abbam

Chief Accountant

Kumasi Metropolitan Assembly

Kumasi .

Mrs Gloria Agyei

Customer Service Manager

Agric Development Bank

Kumasi Adum Branch

Mr. Agyei-Mensah K. Ben

General Manager

New Generation Investment Services



DSP Samuel Aboagye
Ghana Police Service
Head Quarters
Asante Region

Miss Abigail Asamoah
Lecturer at Christian Service University College, Kumasi
Department of Bachelor of Business Administration

EXECUTIVES QUALIFICATIONS, EXPERIENCE AND THEIR RESPONSIBILITY AND DUTIES:

Christiana Asiedu ~General Manager

She is the General manager of Adehye Enterprise who holds a Higher National Diploma in Management and secretary ship from Kumasi polytechnic. She is also a resource personnel and a carrier woman who serve as a board member in other organization in solving their managerial constraints and helping them reach their organizational aspirations and goals. She is currently pursuing her degree in human resource management at Christian Service University College.

She was an administrative assistance in Chaplaincy and education unit in Ghana Police Service before assuming the position as a managing Director. Due to her administrative experience, she will help in administration work of the enterprise, Oversee the total working output of workers in the organization, to supervise the activities of the other managers, check on the monthly,



quarterly and yearly review for improvement and assess problems as well as find solutions to all constraints. She is also the head of the planning and policy committee.

Patrick Nketia Bediako ~Accountant

He is an SSSCE certificate holder and he is apparently pursuing a degree in Business Administration (accounting option) at Christian Service University College. He has being a sale executive for Angel Herbal Product before assuming the position as an operational manager for Adehye Enterprise. His responsibilities and duties as an Accountant as far as Adehye Enterprise is concern is as follows;

- Keeps a record of all financial transaction
- Keeps a separate account for all customers
- Sends out monthly statements to all the customers
- Keeps a separate account for all suppliers
- Helps to set departmental budget
- Keeps relevant records on internal spending for each department for budget control purpose
- Deals with the taxation of the business works

Elizabeth Denta Appiah ~ Catering Manager

She is one of the workers the organization can boost of and really proud of due to her knowledge in the banking and financial field and effective execution of her responsibilities and duties. She holds an SSSCE certificate and currently pursuing a programme in Business Administration



(banking and finance option) at Christian Service University College. She has being a health assistant at Ejura Government Hospital and has also being internship at the national health insurance scheme in claims unit as well as has internship with Ghana Commercial Bank as the counter service personnel before assuming a position as a Catering manager in Adehye Enterprise.

She undertakes the following duties and Responsibilities at the company;

- i. To organizes, Plans and Develops the food and service at events organizations and business
- ii. To prepare food and food services for client
- iii. To make sure the packaging of the food is done properly to satisfaction of the client.
- iv. To transport the food off the premises on time.
- v. Setting up, though catering staff to set up all tables, chairs, linens and places
- vi. Cleaning Up, the final step in off the premises is clean up and tearing down the dining area and all the dishes and cooking utensils clean up.

Charles Kuffour Sarfo - Marketing and Sales Manager

➤ Qualification:

- CIM Level I – Chartered Institute of Marketing
- Undergraduate BBA Marketing – Christian Service University College
- A diploma certificate in sales management – Kumasi Polytechnic
- Experience and skills in sales for five years in Super Form Enterprise
- Manager of Super Form Enterprise (dealers in merchant goods)



Duties & Responsibilities

- To do market research to see what quantities where how and when they should be sold
- To identify customer needs
- To plan the distribution of finished products
- To advertise the company products
- To give a feed-back to the operation's manager on customer needs

Sarfo Adu-Yeboah Stephen~ Production and Operational Manager

He is an SSSCE certificate holder and he is apparently pursuing a degree in Business Administration (accounting option) at Christian Service University College He is an SSSCE certificate holder and he is apparently pursuing a degree in Business Administration (accounting option) at Christian Service University College

Duties & Responsibilities

- i) Check the day-to-day activities of the organization.
- ii) Receive information from the top management and ensure that other subordinates perform their functions accurately.
- iii) To produce the right quality of goods
- iv) To produce goods at the right time
- v) To research and develop new products
- vi) To control cost of production
- vii) To control and manage the various sections of the operations



Other Key Personnel

CATEGORY	NO.	QUALIFICATION	DESCRIPTION OF DUTIES
Catering Assistants	2	Catering Stroke 1	Cooking
Cleaner	1	SSSCE/WASSCE	Cleaning
Waiter	1	SSSCE/WASSCE	product delivery
Sales Representative		SSSCE/WASSCE	Product delivery

Decision Making

The General Manager receives advice directly from the board of directors of the firm and will ensure its implementation. Adehye believes in transparency and accountability, it therefore encourages participatory decision-making processes in terms of decisions and policy implementation. Effective communication remains the hallmark of Adehye. Majority decision making is always a sustainable option for its operations.

3.1 HUMAN RESOURCE MANAGEMENT

The general manager of Adehye Enterprise will be in charge of the recruitment, selection and training of staff and the negotiation of staff remunerations. She will also be responsible for the wellbeing of staff, protecting them from occupational hazards by providing them with gloves, aprons and cap, nose mask.



For motivation, Adehye Enterprise has decided to adopt employee recognition by not punishing employees when they make a mistake but rather will organize on and off the job training as and when necessary to foster employee retention. Staffs that perform extremely well will be awarded yearly or half yearly.



4.0 MARKET ANALYSIS

4.1 BUSINESS SYSTEM AND OPERATION

4.1.1 Business System

We therefore saw an opportunity in setting up a business with better packaging in the ministries and other reputable companies. The business was also setup to sensitize and educates the public on the need and relevancy in buying good and hygienic foods for their breakfast. The company seeks to establish good relationship with her customers through personal sales which will help to bring mutual understanding between the company and the customers and as well as establish trust between the two parties. Based on these issues, we would therefore be located at Adum the centre of Kumasi

4.1.2 Operation

These stages are where our raw materials are processed into finished products. Because we are new entrants in this business we have decided to use new strategy of production whereby Adehye is thrilled to offer customers with a range of fine and quality readily prepared nutritious porridge, through commitment to innovation, service and value, in a mutually profitable relationship.

In the course of activities, Adehye enterprise will reach its potential customers at their door step and always stay close to where they are by providing good and hygienic porridge at a standard cost. It will also be our policy that clients who continuously purchased our food will be offered a discount.



Regular check ups on the performance of our Employees will be made to ensure customer satisfaction. These check ups will enable us to determine whether or not to upgrade the standard of our employees and the services of the company as a whole.

The operational processes of cooking activities

- General Manager will give the orders.
- Hand over the order to the operations and production manager to coordinate with the catering manager for all the cooking activities.
- The operations manager makes requisition and receives the items needed for the order from the store.
- Cleaning of food items by the cooks which will supervise with the catering manager to ensure all food items has be clean well.
- Transfer the items to the main kitchen and sort the food items to various sections of the kitchen.
- Food preparation by the catering manager and the catering assistants
- Packaging or serving of food

4.1.3 Preparation

There are many varieties of porridge; banana, plantain, barley, rice, maize, millet, and sorghum, just to name a few Porridge is liked by every person in respect of the person status. In case of our porridge Adehye Enterprise will specialize on maize, sorghum and millet which is preferred by our customers. Therefore porridge (Koko) prepare though the following process .

The necessary requirements needed for maize or millet as well as sorghum, pepper, ginger and spices such as(pepere, Hwentea, Esurowesa)



4.1.3.1 Preparation of Porridge (Koko)

The millet, sorghum or maize is pour in water in a clean big bowl for some hours, and you then send it to the corn mill together with all the spices to mill . After that you add a lot of water into flour, then you put it down for sometime for the unwanted water to come out, after this the next step is to boil water. You then use a clean net to sieve it into a big bowl you want to cook the koko in it, after that, you will than add some of the boil water to mix whiles staring it with wooden laddle, you continue to add the boiling water until you get the thickness you want and make sure it is well cooked.

4.1.3.2 Preparation of “Koose”

“Koose” is made up of Beans, Eggs, Milk and oil

The first step in preparing “koose” is where the beans will be pour into water for some hours and then you send for milling, after that you add eggs and milk and mix it with water in a clean bowl and stir it till you get the thickness needed. After this the frying aspect is the next. You then fry the beans doe to the shapes you want it to be and about five minute it will be ready.

4.1.3.3 Preparation of Bread

Bread is made up of flour, margarine, Sugar, nutmilk, yeast etc. The bread will be made in the process of sending the flour together with the margarine, sugar, nutmilk, yeast to the flour mill for it to be process. And you will cut it according to the size you want and you will then baked it and about 30 minute it will be ready to be use . The sandwich will be made up of meat, eggs, salad levers and cream, onions and tomatoes



4.1.3.4 Process of Packaging

Adehye Enterprise will package our product with Disposable bowls, cups with covers, bags, tissue and spoons which has our company's names, address, locations, logo as well as our contact numbers.

The package will be in the following forms:

- i) The porridge (koko) will be in the disposable cups with covers.
- ii) The koose, bread in the form of sandwich ,sugar and milk will be in disposable bowls.
- iii) The disposable spoon ripped with tissue will be in our disposable bag.

4.2 ENVIRONMENTAL ANALYSIS

4.2.1 Pest Analysis

- Political

The political environment is liberalized which encourages private business. The Government is currently promoting small and medium scale enterprises and as a result Adehye koko is taking advantage of this opportunity and the peace which is being enjoyed in the country.

Economic

Currently factors that influence market operations are;

◆ Prime Rate	12.5%
◆ Base Rate	24.75%
◆ Average Bank Rate	27%
◆ Inflation Rate	8.41%
◆ Exchange Rate:	
GH¢ 1.54 :	\$ 1.00
◆ Minimum Wage :	GH¢ 3.80



Since these factors influence the buying power of customers, Adehye enterprise will constantly analyze these factors to set a fair price or charge for our service in order to beat competition and to stay in business.

Social

The society in general is gradually changing its perception on work and life. More and more people are having less or limited times to do important tasks like cooking in the morning. Adehye enterprise has now become convenient for them to get their breakfast to help out for a few hours. However people are also becoming health conscious and would want to employ professional hands in cleaning and preparation of their food instead of the buying koko from road side.

Technology

Technology has advanced so much in Ghana that our company will have access to the facilities that will promote efficient and effective service to our clients by using computers for our cash flows and client information.

4.2.2 Competitive advantages

Affordable pricing

Taking into consideration the cost of production, the Company will make a standard cost of production provided as compared to that of its competitors. Price standardizations will help our product to attract more customers, since our pricing is very affordable.



Packaging of the koko

It is believed that consumers are attracted by what they see; it is our aim to brand our product for consumer attraction. Our package products are durable, portable and convenient to handle and as well, it will advertise the product.

Marketing

The company seeks to establish good relationship with our customers through personal sales long queues. which will help to bring mutual understanding between the company and the customers and as well as establish trust between the two parties.

Our product delivery will be on time.

Since one of our priorities is distribution, we will make it a concern to distribute or supply it just when it is needed by the customer.

Proximity to customers

Since the company is located in the ministries and it is closer to workers, they would not have to walk a long distance outside the ministries to buy the product.

Less queues

Since there are competent people to attend to customers, fast services will be rendered to avoid



4.2.3 SWOT Analysis

Strength

- Human Resources (Well Motivated Staff)
- The company can boast of well trained and experienced employees who are heads of various departments compared to its key competitors
- Excellent Customer Service
- Good Location

Weakness

- Difficult to determine the extent where our services end in that, in the instances where there is food poisoning, theft, food spoilage etc.
- Lack of goodwill.

Opportunities

- Government Policy
- A favourable labour market at a relatively low cost
- Location – The strategic location of our business
- Ready Market

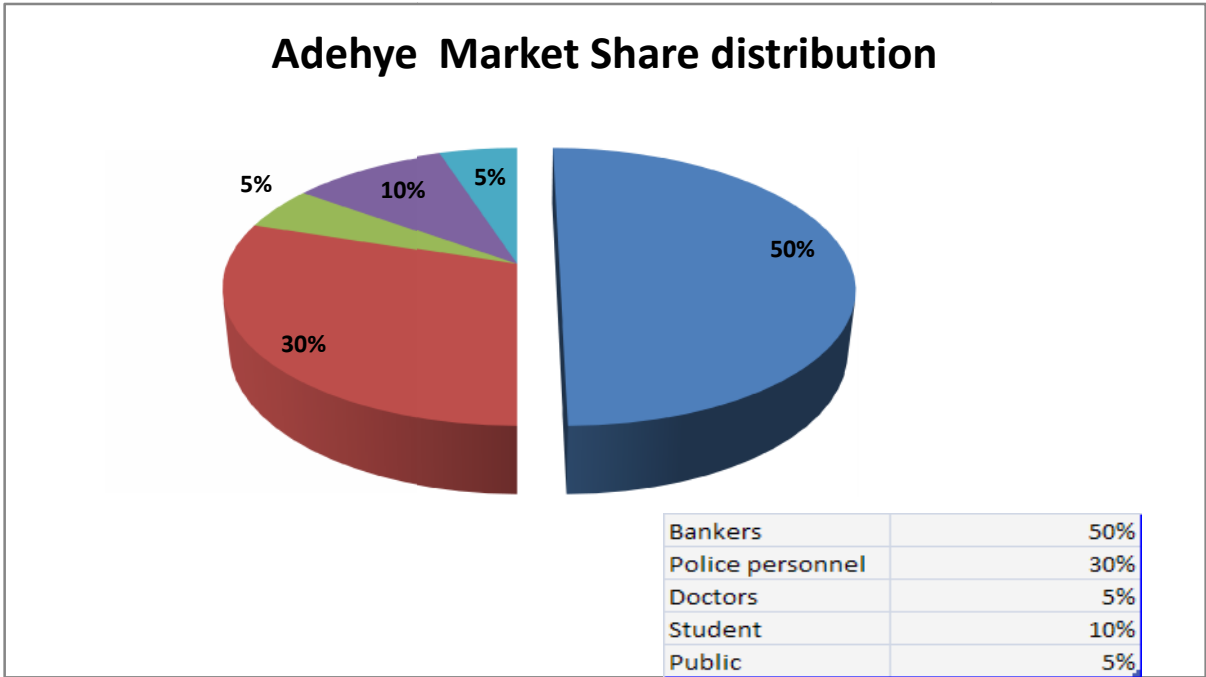
Threats

- Competitors
- Some Government policies such as tax increment.
- Likely entry of new competitors
- Threats of Legal suit



4.3 MARKET SEGMENTATION

Adehye Enterprise has decided to adopt psychographical market segmentation that is segmenting four hundred (400) people of market base on social class, lifestyle and personal characteristics of customers such as Bankers, Doctors, Police personnel, student and other high ranking workers. We believe that considering the target market of our company and the intended customers, this type of segmentation will be very effective. The chart blow represents the segment of customers.



4.4 TARGET MARKET

Market target shall be 50% Bankers, 30% Police personnel 5% Doctors and 5% public. The enterprise has competitors in the area that provide almost the same services.



Adehye enterprise will reach its customers such as bankers, doctors, police personnel, students and General public with good and hygienic koko in Kumasi metropolis. Due to the delaying of their breakfast even to the expense of starting their duties late which may lead to shoddy work sometimes in the long run. Adehye enterprise will therefore reach its potential customers at their door step and always stay close to where they are by providing good and hygienic porridge at an affordable cost on time.

Market Size

Adehye enterprise as a new merging company in the market will propose to have about 50% of the market share with its innovative and attractive packaging of their products. This will help us outpace our existing competitors in the market. With our proposed strategies and entry plans; we believe to achieve this target size of the market at the end of the three years of operation. The size of the market is the entire Ashanti region

4.5 MARKETING MIX

Adehye enterprise plans to adopt the 7Ps of marketing to market our products and services. The 4Ps are

- Product
- Promotion
- Price
- Place



4.5. 1 PRODUCTS

Koko (porridge) is a dish made by boiling maize or other cereal meals in water, milk, or both. It is usually served hot in a bowl or dish. Other grains or legumes may be used, although dishes prepared with other ingredients are often referred to by other names, such as polenta or grits.

Koko (porridge) is the most popular beverage in different varieties in many countries. In addition to porridge, cereal meals used for porridge include rice, wheat, maize, millets and sorghum such as Pease meal can also be used to make porridge.

Koko (porridge) is a traditional food in Northern Europe and Russia. Barley was a common grain used, though other grains and yellow peas could be used, depending on local conditions. It was primarily a savory dish, with a variety of meats, root crops, vegetables, and herbs added for flavor. Porridge could be cooked in a large metal kettle over hot coals, or heated in a cheaper earthenware container by adding hot stones until boiling hot. Until leavened bread and baking ovens became commonplace in Europe, porridge was a typical means of preparing cereal crops for the table. It was also commonly used as prison food for inmates in the UK prison system and so "doing porridge" became a slang term for a sentence in prison.

There are many varieties of porridge; banana, plantain, barley, rice, maize, millet, and sorghum, just to name a few Porridge is liked by every person in respect of the person status in life both the young and the old of which bankers, security officers, lecturers, ministers etc. are inclusive because they;



- Are rich in energy, protein and micronutrients, especially iron, and are not watery
- Are easy to eat and digest;
- Contain no bones or hard pieces that might cause choking;
- **Koko** (porridge) can also be served to patients in most health centers and at homes

4.5.2 PROMOTION

Promotion will be done through;

Advertising

Sign post will be erected to direct clients to a company's location. News paper and radio advertising will be made in the first six months of operation. Because of public nature, it will help us to reach many people quickly for them to know our product.

Personal Selling

Major stakeholders will be contacted to know the services they require from the company through our marketing manager. This is due to the fact that our sales personnel will build up buyers preferences, convictions and actions. Comparable the sales personnel will use personal selling in selling and distribution of our product.

Sales promotion:

Adehye Enterprise will embark on sales promotion which includes a wide range of assortment of tools like coupons, contests, price reductions, premium offers, free goods and others .this will help us to invite and reward quick response for our product.



Public Relation

There will be talk shows, foods for their breakfast and eating competitions to promote our product.

4.5.3 Price

Our product will be priced using the price of our competitors as a yard stick. Skimming pricing system will be adopted. This strategy uses high price to stimulate and capture demand. For instance we will sell our special packaged (Koko) which will be in the following forms:

The porridge (koko) will be in the disposable cups with covers. The “koose”, bread in the form of sandwich, sugar and milk will be in disposable bowls. The disposable spoon ripped with tissue will be in our disposable bag. At affordable price between GH¢1.50 and GH¢2.00 which is even more than normal koko they sell at the road side to enable us maximum our revenues. This will help Adehye enterprise segments from larger of the largest who are willing to pay the higher price; this will enable us to make fewer but more profitable sales

4.5.4. Place

The place of our business is very strategic because it is position at near opoku trading in the center of Adum in Kumasi. It is also convenient and suitable for customers and suppliers.



Creating and Maintaining Customers

Cordial relationships will be maintained between staff and customers. Details of customers will be taken to help get in touch frequently. Adehye will keep in touch with its clients to find out their views concerning our services. Systems will be put in place to enhance and monitor all relationships with our clients.

Maintenance

To prolong the life span of our equipments very effective maintenance management system will be put in place. These include daily and weekly maintenance check up. Periodic servicing will also be carried out on all equipments.



5.0 FINANCIAL ANALYSIS

5.1 ASSUMPTIONS AND RISK ANALYSIS

ASUMPTION

Based on the financial analysis of our needs and the nature of our proposed plan, the total funds required are estimated at: [38500.00]. The cost breakdown in the table below.

Cost Element	Cost GH¢
Land and building	10000
Furniture and equipment	1800
Machinery	6500
Production Cost	9135
Selling, distribution and Administration Cost	11065
Total Cost	38500

The Financial Position of the Enterprise wills be;

<u>Fixed Asset</u>	GH¢	GH¢
Land and Building		10000
Furniture and Equipment:		
Office Furniture	400	
Canteen Table and Chairs	400	
Computer	350	
Gas Cooker	400	
Cooking Accessory	<u>250</u>	1800
Machinery:		
Delivery Van	500	
Refrideletor	800	
	26	



Gas and Electric Ovens	700	<u>6500</u>
Current Asset:		18000
Inventory	7535	
Deposits paid to		
Utility Company	1000	
Cash and Bank	<u>11665</u>	<u>20200.00</u>
Total		<u>38500.00</u>
		-
Financed by:		
Estimate Loan Required		20200
Capital Equity Share		<u>18300</u>
Total		<u>38500.00</u>

Financial Objective

- The company will expects a 27.52% returns on capital employed at the end of the first year of operation.
- To break-even within 7.48 month. And the remaining be profit for business

The Enterprise payback period will be 2.71years. Because the Stipulated Payback Period Is longer than this then the investment would be accepted, but if the required period Was less say 1.71 years then it would be rejected.



Dividend

The Dividend will be charge Three years after enterprise has been in the operation. After three years 50% will be charge on the Net profit before tax before tax at the end of every accounting year.

Interest on loan

The interest on loan will be charge 10% on the principal at the end of every accounting year.

Depreciation

Depreciation will also be charge after three years the enterprise has been on operation.

RISK ANALYSIS

Risk in its general sense is used to describe a situation where there is uncertainty about an outcome that will occur. It also has other meanings to different businesses example, to the statistician risk is the variability in outcome around an expected value and to the insurance companies it is expected losses in situations.

Life is full of risk and in whatever risk is looked at it is very costly to an organization and leads to the reduction in business value. Adehye Enterprise therefore hope to cut down all possible risks in order to increase our business value. The various forms of risk associated with our kind of business are as follows:



Risk of Theft and Physical damages: This is a kind of risk that can reduce the value of our business assets through theft, physical damage, etc. This can result if our employees steal company belongings or that of the customer and any damage that can also occur to the building we are operating from, example is fire. It can also come about as a result of negligence on the part of our workers example; improper use of appliances can result in injuries. In this case the Adehye Enterprise is under obligation by the labour act to pay compensations to injured workers. And the necessary safety gadgets will be worn before entry into the kitchen examples Aprons, caps, gloves, etc.

Risk of employee turn over: Frequent resignation of our workers also becomes a risk to us since skilled labor can not be replaced at zero cost, therefore the need to put measures in place so that our workers will not poached by other institutions. Our workers shall be given a lump sum at the end of the first three years and concurrent each year after to serve as a motivator to retain our employees.

Product Liabilities: The risk of product liability, of which the food and drug boards can instruct us to recall produced foods if they are found not wholesome for public consumption. This will bring down the name of the business into disrepute and can send the firm out of business. Adehye Enterprise will ensure that all materials purchased are of high quality standards by having a trust worthy supplier who will supply only the best of materials to us. Also the preparation of the food shall be done under conducive and hygienic environment to ensure that only quality products are produced into the market.



Price Risk: This is a kind of risk that is external to our business. We don't have control over it but then we can adjust our operations to be in tune with it.

Price risk is defined as the uncertainty over the value of cash flows which is due to changes in output and input prices. The price risk comes in the form of commodity, exchange rate and interest rate price risk. As the price for our inputs such as millet, sorghum and maize fluctuates, it will affect the price of our outputs. Therefore in order to manage such a risk, bulk purchases of materials shall be adopted so that when a price of inputs fluctuates, we will have a buffer stock in place to offset any increment.

Since risk is very costly, Adehye Enterprise will make a conscious effort to reduce the number of risks to the best of our ability.

Adehye Enterprise will use the below measures in managing the risks in order to manage other risk that will encountered in our business. To reduce the frequency of losses, the following preventive measures shall be instituted Workers will be trained as to how to conduct themselves in the presence of customers so as not to drive them away.

Routine check up on electrical cooking appliances to prevent electrical shocks .There will be a method used to obtain funds to pay off or offset losses that will occur in our company. This comes in the form of insurance and other contractual risk transfers.



The last method of risk management that our company will adopt is internal risk reduction; this involves a decision to invest or to forgo investing in resources to reduce our expected losses. With this method our company will invest in two ways that is through diversification and investment in information.

Adehye would not want to put all our eggs in one basket; therefore we wish to invest some of our savings in different stocks or would want to venture into other businesses that may seem profitable.



5.2 PROJECTED INCOME STATEMENT

YEAR	2012	GH¢	2013	GH¢	2014	GH¢
Sales		32850		49329		93725.7
LESS: Production cost		<u>9135</u>		<u>13702.5</u>		<u>26034.75</u>
GROSS PROFIT		23715		35626.5		67690.35
LESS: Selling, Dist & Adm Expense						
Salary		8640		12840		16320
Allowance for Director		400		1000		1500
Fuel		600		800		1000
Advertising & Promotion		200		400		600
Legal fees		50		100		200
Maintenance fees		500		600		800
Recruitment & training		200		100		300
Order Processing		50				
Lunching		200				
Permits & License		100				
Team A		30				
Team B		35				
Location		50				
Funding		10				
Total		<u>11065</u>		<u>15840</u>		<u>46970.35</u>



NET PROFIT BEFORE TAX	12650	19786.5	46970.35
Interest (10% of principal)	(2020)	(2020)	(2020)
Tax (25% of Net profit)	(3171.5)	(4946.625)	(11742.59)
NET PROFIT AFTER TAX &			
INTEREST	<u>7458.5</u>	<u>12819.88</u>	<u>33207.76</u>



5.3 BREAKEVEN ANALYSIS

Breakeven is given by $TC = TR$

Where TC is = Production Cost + Selling, Distribution and Administration thus is

Production cost	9135
Selling, Distribution and administration	<u>11065</u>
	<u>20200</u>

Where $TR = 90Q$: where Q = Number of days

$$\text{Breakeven; } 20200 = 90Q \implies \frac{20200}{90} = \frac{90Q}{90}$$

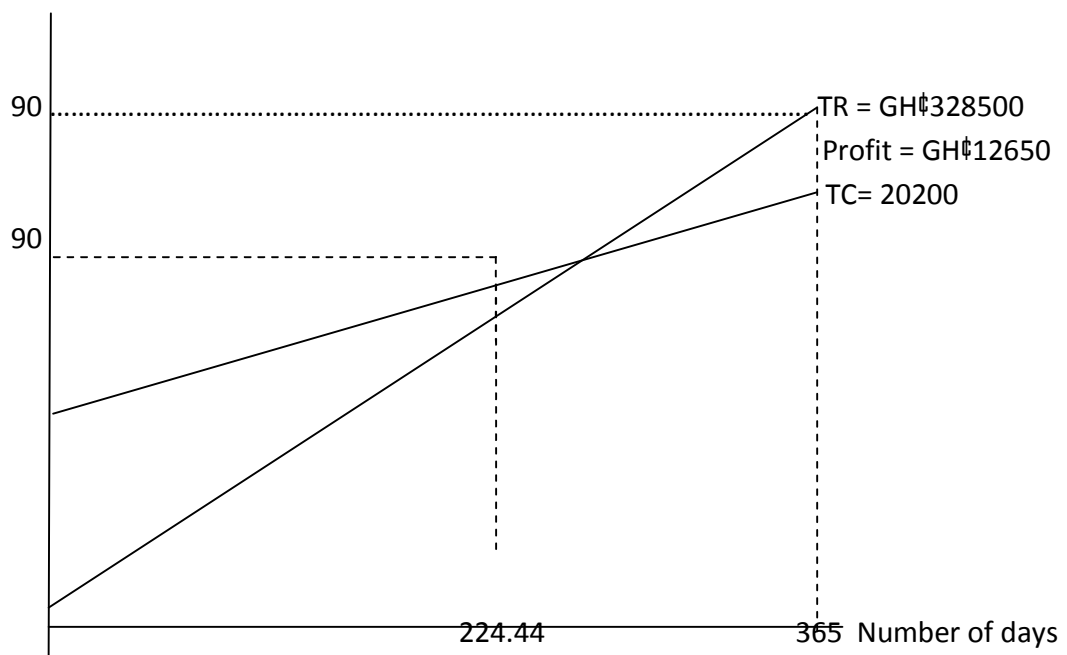
$$Q = 224.444 \text{ days}$$

$$\text{Month} = \frac{224.444}{30} = 7.48$$

The Adehye Enterprise will breakeven at 7.48 months before the end of the first Year

Breakeven Analysis for a product

Total sale for a day



5.4 PROJECTED CASH FLOW

Initial capital	38500	-	-
Sales	<u>32850</u>	<u>49329</u>	<u>93725.1</u>
	71350	49329	93725.1
Less			
Fixed Asset	18300	-	-
Production cost	9135	13702.5	26034.8
Selling, distribution and administration	11065	15840	20720
Interest	2020	2020	2020
Tax	<u>3171.5</u>	<u>4946.63</u>	<u>11742.59</u>
Total	(43691.5)	(36509.13)	(60517.39)
Net Cash flow	27658.5	12819.87	33207.71
Add open balance	<u> </u>	<u>27658.5</u>	<u>40478.37</u>
Total	<u>27658.5</u>	<u>40478.37</u>	<u>73686.08</u>



5.5 PROJECTED BALANCE SHEET

	GH¢	GH¢	GH¢
Noncurrent Asset	18300	18300	18300
Current Asset			
Inventory	7535	1130.25	2147.48
Cash	<u>20123.5</u>	<u>39348.12</u>	<u>71538.6</u>
Total	<u>45958.5</u>	<u>58778.37</u>	<u>91986.08</u>
Financed by			
Stated Capital	38500	38500	38500
Income surplus	<u>7458.5</u>	<u>20278.37</u>	<u>53486.08</u>
Total	<u>45958.5</u>	<u>58778.37</u>	<u>91986.08</u>



APPENDIX

Note 1 : Salary

YEAR	POSITION	NUMBER OF EMPLOYEES	RATE PER HEAD	MONTHLY SALARY	ANNUALLY SALARY
2012	General M	1	100	100	1200
	Caterer	1	80	80	960
	Marketing M	1	100	100	1200
	Operation M	1	100	100	1200
	Accounting M	1	100	100	1200
	Sales Representative	1	50	50	600
	Waiters	1	50	50	600
	Catering Assistants	2	50	100	1200
	Cleaners	1	40	40	600
					8640
2013	General M	1	180	180	2160
	Caterer	1	100	100	1200
	Marketing M	1	150	150	1800
	Operation M	1	150	150	1800
	Accountant	1	150	150	1800



	Sale Representative	2	60	120	1440
	Waiters	1	50	50	600
	Catering Assistant	2	60	120	1440
	Cleaner	1	50	50	600
					12840
2014	General M	1	200	200	2400
	Caterer	1	150	150	1800
	Marketing M	1	180	180	2160
	Operation M	1	180	180	2160
	Financial M	1	180	180	2160
	Sale Representative	3	60	180	2160
	Waiter	2	60	120	1440
	Catering Assistant	2	60	120	1440
	Cleaner		50	50	600
					16320



Selling, Distribution, and Administration expenses.

2012	GH¢
Salary	8640
Team	30
Team	35
Allowance for Directors	400
Fuel	600
Advertising a promotion	200
Legal fees	50
Recruitment & Training	200
Order processing bill	50
Launching	200
Permits & license Registration	100
Location	50
Funding allowances	10
Maintenance fees	500
	<u>11065</u>



Note 2: COST OF RAW MATERIALS

YEAR	RAW MATERIALS	DESCRIPTION	UNIT PRICE	AMOUNT
2012	Sugar	6 bags per year	80	480
	Millet	5 bags per year	60	300
	Sorghum	5 bags per year	60	300
	Maize	5 bags per year	80	400
	Rice	5 bags per year	50	250
	Beans	5 bags per year	65	325
	Groundnut	4 bags per year	85	340
	Flour	6 bags per year	65	390
	Milk	4 curtain per year	30	1200
	Eggs	350 creates per year	6	2100
	Margarines	4 curtain year	40	160
	Vegetables	50 per month	50	600
	Pastries	50 per month 200 x 12	50	600
	Oil	6 gallons per year	15	90
				7535



2012

Note 3: COST OF SALE	GH¢
Total Cost of Raw material	7535
DIRECT MATERIAL	
Packaging cost	<u>600</u>
Prime Cost	8135
FACTORING OVERHEAD	
Utilities (mills, water, gas)	<u>1000</u>
Production cost	<u>9135</u>

It should be note that production cost will increased by 50% in the second year and 90% in the third year.

Note 4 PAYBACK PERIOD

	GH¢
Investment	(38500)
Cash inflow	
Year 1	7139.4
Year 2	11277.22
Year 3	20091.86 (70.6% of 28458.73)
Total	Nil

So the payback period would be 2.71years. Because the Stipulated Payback Period Is longer than this then the investment would be accepted, but if the required period Was less say 1.71 years then it would be rejected.



Note 5: DISCOUNTED PAYBACK

The requiring a discounted Cash flow (DFC) rate would be 10% and payback in DFC

Terms of four years

Year	Cash flow GH¢	Discounted factor 10%	Present value GH¢	Cum NP GH¢
0	(38500)	1.00	(38500)	38500
1	7139.4	0.909	6489.71	(32010.3)
2	11277.22	0.826	9315	(22695.3)
3	28458.73	0.751	21372.5	(1322.79)
4	28458.73	0.683	19437.3	18114.5
5	20091.86	0.621	12477.05	<u>12477.05</u>
			NPV	<u>30591.55</u>

As the project payback in DFC terms in just under Four years, It would be accepted but

If payback had been required in say 2 years it would be rejected.



Note 6: FINANCIAL RATIOS

Profitability Ratio: Profitability ratio analysis indicates how successful the manager of Adehye Enterprise will be generating profit.

$$\text{A) Return on capital employed} = \frac{\text{Profit before interest and tax}}{\text{Capital employed}} * 100$$

$$1^{\text{st}} \text{ year} = \frac{12650}{45958.5} * 100 = 27.52\%$$

$$2^{\text{nd}} \text{ year} = \frac{19786.5}{58778.37} * 100 = 33.66\%$$

$$3^{\text{rd}} \text{ year} = \frac{46970.35}{91986.08} * 100 = 51.1\%$$

$$\text{B) Net Profit Margin} = \frac{\text{Profit before interest and tax}}{\text{Sale or turn over}} * 100$$

$$1^{\text{st}} \text{ year} = \frac{12650}{32850} * 100 = 38.51\%$$

$$2^{\text{nd}} \text{ year} = \frac{19786.5}{49329} * 100 = 40.1\%$$

$$3^{\text{rd}} \text{ year} = \frac{46970.35}{93725.1} * 100 = 50.1\%$$

This ratio also called the operating margin indicates the efficiency with which cost have been controlled in generating profit from sale in Adehye Enterprise.

$$\text{C) Net Asset turnover} = \frac{\text{Sales or turnover}}{\text{Capital Employed}}$$

1st Year

$$\text{Asset turnover} = \frac{32850}{38500} = 0.854 \text{ times}$$

2nd Year

$$\text{Asset turnover} = \frac{49,329}{38500} = 1.281 \text{ times}$$

3rd Year

$$\text{Asset turnover} = \frac{93125.1}{38500} = 2.418 \text{ times}$$



This ratio gives guide to productive efficiency. How well assets in Adehye Enterprise have been used in generating sales.

A fall in ROCE may be due to a fall in asset turnover rather than a fall in Net profit Margin for Adehye Enterprise.

Note 7: GROSS PROFIT MARGIN:

$$\frac{\text{Gross profit}}{\text{Sale or turnover}} \times 100$$

This ratio shows how well costs of production have been controlled as opposed to selling, distribution and administration cost for Adehye Enterprise.

1st year

$$\text{Gross profit margin} = \frac{23751}{32850} \times 100 = 72.3\%$$

2nd year

$$\text{Gross profit margin} = \frac{35626.5}{49,329} \times 100 = 72.3\%$$

3rd year

$$\text{Gross profit margin} = \frac{6960.35}{93725.1} \times 100 = 72.3\%$$



NOTE 8:**INTEREST COVER AND INTEREST GEARING**

Profit before interest and tax

Interest charge

Interest cover show how many times a Adehye can cover its current interest payment out of current profit and indicated payment out of current profit and indicate whether servicing debt may be a problem.

1st year

$$\text{Interest cover} = \frac{12650}{2020} = 6.26 \text{ times}$$

2nd year

$$\text{Interest cover} = \frac{19786.5}{2020} = 9.80 \text{ times}$$

3rd year

$$\text{Interest cover} = \frac{46970.35}{2020} = 23.25 \text{ times}$$

RETURN ON EQUITY:

$$\frac{\text{Earning after tax and preference dividend}}{\text{Shareholders funds}} \quad 100\%$$

1st year

$$\text{Return on equity;} = \frac{7139.4}{(18,300 + 7139.4)} \times 100 = \frac{7139.4}{25,439.4} \times 100 = 28.1\%$$



2nd year

$$\text{Return on equity} = \frac{11277.22}{(18,300 + 11277.22)} = \frac{11277.22 \times 100}{29577.22} = 38.1\%$$

3rd year

$$\text{Return on equity} = \frac{28458.73 \times 100}{(18,300 + 28458.73)} = \frac{28458.73}{46758.73} = 60.86\%$$

Note 9: SALES COMPUTATION

	GH ¢	GH ¢	
Total prime cost per year	9135		
Total prime cost per month	$\frac{9135}{12}$	=	761.25
Total prime cost per week	$\frac{9135}{52}$	=	175.67
Total prime cost per day	$\frac{9135}{365}$	=	365
Target market	= 50 customers per day		
Total output per day is 50			
Price per unit	$\frac{25}{50}$	= GH ¢ 0.5	



The market price for the product is estimated from GH ¢ 1.50

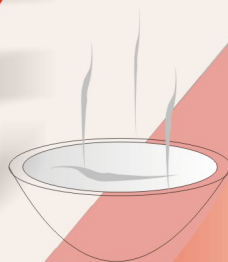
Target market per price:

QUANTITY TARGET	ACTUAL PRICE PER COST	AMOUNT	PACKAGE PRICE FOR MARKET	AMOUNT
50 %	0.50		2.00 1.50	
60% of 50 = 30	30 * 0.50	15.00	30 * 2.00	60
40% of 50 = 20	20 * 0.50	10.00	20 * 1.50	30
Total		25.00		90.00





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