

EXECUTIVE SUMMARY

Farmonic Oil Palm Ghana Ltd is an oil palm company that undertakes to produce seedling to farmers by the following owners, namely William Owusu, Bright Manu, Mary Kumah, Dwomoh Frimpong Kwasi and Rita Owusu Ansah with equal ownership representation. The owners have concluded to prepare a well detailed business plan to produce oil palm seedlings.

The mission of the company is to produce viable oil palm seedlings and become the number one leading supplier of oil palm seedlings in the sub region. The objectives of this plan are as follows: to produce viable, quality early germination, early maturing, disease and pest resistant seedlings, to produce at least 960,000 seedlings in the first year. Increase production by 30% and 35% in second and third years respectively. Finally increase revenues in three consecutive years. The strategy to achieve aims and objectives are to frequently learn and improve the quality services. Truly and fairly dealing with public and the entire staff. The company has thirty(30) energetic and hard working staff. Under location of the business, Farmonic Oil Palm Ghana Ltd is mainly located at Brofoyedu in the Eastern Region and a branch in Asante Akyem Agogo, Ashante Region. The company is equipped with facilities namely corporate offices, warehouse, land, vehicles, sample of tools etc. the main products are oil palm seedlings. The company has a great numerical strength of the staff which comprises management corporate structure team and employees. The company was established on 10th October 2011. It is a limited liability Company with equal and fair distribution of the company's shares. Under market and clients, the company is targeting oil palm plantation farmers within some regions in Ghana especially Eastern and Ashanti Region.

Financial requirements: the initial investment is GH¢37,440 which is equivalent to US \$25,000. The initial start-up capital will be provided by the five (5) equity holders of the company at GH¢7,488 each. The detailed breakdown is as follows:

NAME OF EQUITY HOLDER	NO. OF SHARES	AMOUNT (GH¢)
WILLIAM OWUSU	41,600	7,488
BRIGHT MANU	41,600	7,488
MARY KUMAH	41,600	7,488
DWOMOH FRIMPONG KWASI	41,600	7,488
RITA OWUSU ANSAH	<u>41,600</u>	<u>7,488</u>
	<u>208,000</u>	<u>37,440</u>

208 ordinary share capital of 18 Gp per share.

The table below also indicates the company's sales, profit and cash flow for the three years.

	2012 GH¢	2013 GH¢	2014 GH¢
Sales	76,800	99,840	129,792
Net Profits	<u>3,618</u>	<u>20,286</u>	<u>57,470</u>
Net Cash flow	<u>4,353</u>	<u>24,116</u>	<u>47,081</u>

VISION STATEMENT

The main vision of Farmonic Oil Palm Ghana Ltd is to become the number one leading supplier of viable, quality, high yielding, early germination, early maturing, pest and disease resistant oil palm seedlings to the farmers.

MISSION STATEMENT

Farmonic Oil Palm Ghana Ltd cherishes the economic value of oil palm and its our wish to produce viable quality, high yielding, early germination, early maturing, pest and disease resistant oil palm seedlings to enhance the economic growth of the country and change the total life of oil palm plantation farmers.

CORE VALUES

In seriously working to achieve our goals and objectives, we carefully and thoroughly subscribe to the under-enumerated core values in line with the company's objectives. These are:

- To frequently learn and improve to achieve the highest quality service.
- Truly and fairly dealing with the public and one another.
- To ensure efficient and effective delivery of service.

OBJECTIVES OF FARMONIC OIL PALM GHANA LIMITED

The objectives of this plan are highlighted below:

- To produce viable, quality, early germination, early maturing, disease and pest resistant seedlings.
- To produce at 960,000 seedlings in the first year of serious operation.
- To increase production by 30% and 35% in second and third years respectively.
- To increase sales in three consecutive years.

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CHRISTIAN SERVICE UNIVERSITY COLLEGE – KUMASI

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

**FARMONIC OIL PALM GHANA LTD
BUSINESS PLAN**

BY

WILLIAM OWUSU

BRIGHT MANU

MARY KUMAH

DWOMOH FRIMPONG KWASI

RITA OWUSU ANSAH

DECEMBER, 2011

CHRISTIAN SERVICE UNIVERSITY COLLEGE – KUMASI

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

**FARMONIC OIL PALM GHANA LTD
BUSINESS PLAN**

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

BY

WILLIAM OWUSU

BRIGHT MANU

MARY KUMAH

DWOMOH FRIMPONG KWASI

RITA OWUSU ANSAH

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 does not contain any unacknowledged work from any source. I also declare that I have been under supervision for this Business Plan herein submitted.

Name of Students	Index Numbers	Signature	Date
WILLIAM OWUSU	10135317	.....	.....
BRIGHT MANU	10136183	.....	.....
MARY KUMAH	10135314	.....	.....
DWOMOH FRIMPONG KWASI	10135308	.....	.....
RITA OWUSU ANSAH	10124223	.....	.....

Certified by

.....

(Supervisor)

Signature

Date

Certified by

.....

(Head of Business Studies Department)

Signature

Date

1.0 ORGANIZATION

Farmonic Oil Palm Ghana Ltd was established on 10th October 2011 by the ideologies of five energetic, dedicated and business oriented entrepreneurs who are deeply motivated to see to the tremendous growth of this joint venture and to contribute their quota towards the economic growth of the nation at large. Farmonic is really a hybrid oil palm seedlings production company which has come to the market scene to produce viable, quality and affordable seedlings.

Oil palm is one of the crops that earn foreign exchange to the country. Base on this economic importance, pragmatic measures have been putting in place to ensure growth and development in the agricultural sector by the incumbent government. In view of above rationale, the oil palm Research Institute in Eastern Region has conducted research and come out with viable, high yielding, early germination, early maturing and disease and pest resistant seedlings to enhance the total life of the oil palm farmers or producers and give deeper meaning to government vision. Many energetic youth today have been motivated to engage in oil palm plantation. As a result of viable seeds, ready market and guarantee price of oil palm by the incumbent government.

Farmonic Oil Palm Ghana Ltd is a Limited Liability Company and owned by William Owusu, Bright Manu, Mary Kumah, Dwomoh Frimpong Kwasi and Rita Owusu Ansah. It has a corporate office located at Brofoyedu in Atiwa District of the Eastern Region. It is housed in Kwadwo Amponsah Memorial House, House No. 110, High Street.

Address: P.O. Box 40 Brofoyedu

E-mails: farmonicoilpalmgh@yahoo.com

Website: www.farmonicoilpalmgh.com

Tel: 0243406606, 0322049450

Date of Registration: 10th October 2011

Place of Registration and Incorporation: Koforidua

Date of Commencement of Business: 5th January 2012

Incorporated under the companies code 1963 (Act 179)

Bankers

Agricultural Development Bank

Opposite Methodist Cathedral

Adum – Kumasi

Atiwa Rural Bank Ltd

P.O. Box 24

Atiwa

Insurers

State Insurance Company Ltd.

P.O. Box 1257

Koforidua

Auditors

John Allotey Associates

Chartered Accountant

P.O. Box Ks 6421

Adum – Kumasi

Tel: 0209325593

Solicitors

Pardimose At-Law

P.O. Box 11474

Adum – Kumasi

Tel: 0244085494

E-mail: pardimoseat-law@gmail.com

Pardimose is a part time law firm that represents the legal interest of Farmonic Oil Palm Ghana Ltd as and when there is the need to clarify legal issues.

2.0 DESCRIPTION OF PRODUCT IDEAS/SERVICE

Under this section the products and services that Farmonic Oil Palm Ghana Ltd offers are being described. It also highlights sourcing, operational activities, distribution channels and others until the products reach farmer's land.

2.1 DESCRIPTIVE PRODUCT

Farmonic Oil Palm Ghana Ltd has engaged into production of hybrid oil palm seedlings. The seed is researched scientifically and certified by Institute of Crop Research of Ghana. It has proven to be the number one high yielding, early germination, early maturing, disease and pest resistant seed among all other seeds already in the market. As a results becomes the choice of the oil palm farmers and demand has extremely increased on the basis of its unique features. The seedlings also has the following bye-products namely, palm oil, soaps, alcoholic drinks and canned palm nut.

2.1.1 Suppliers of Inputs

- K. BADU Agro Chemicals Company- providers of all the farm inputs for the production of the seedlings.
- James Brothers Water Service – Drillers of wells and irrigation sites.
- Seed Production Unit of Crop Research Institute – providers of the hybrid oil palm seedlings.

2.1.2 Business Operations

- Farming is the core business of Farmonic Oil Palm Ghana Limited. Its main products are oil palm seedlings and as such land acquisition is a paramount issue that needs to be considered critically. The nursery will be situated on a 30 acre parcel of land. Sachet

rubbers and polythene bags will be collected for the operations. Also fertile soil or black soil which will be used to plant the seedlings will be dug and collected from a part of the land. A farm house will be used to accommodate the farm labourers and all the equipment and tools will be constructed on the same parcel of land at Brofoyeddu in Atiwa District, Eastern Region.

2.1.3 Operational Functions

This section consists of all the necessary activities undertaken in the production of the seedling by the company i.e. how the inputs are transformed into outputs. INPUT – TRANSFORMATION – OUTPUTS.

Inputs	Transformation	Output
Seeds	Nursery	seedlings
Pesticides	Watering	
Liquid fertilizer	Spraying with pesticides	
Watering holes		
Polythene bags		
Well / Irrigation systems		
Wheelbarrows		
Watering can		
Measuring ropes		
Knapsack spraying machines		
Trowels		
Cutlasses		
Sachet rubbers		
Shovels		

Hand fork

Mattock

Information

Workers

Farmers

2.1.4 Location and Premises

It is very prudent for the company to be sighted strategically at where its services will be needed most in order to obtain high profit. Farmonic Oil Palm Ghana Ltd has there concluded to set up its corporate head office at Brofoyedu the capital of Atiwa District in the Eastern Region. The nursery is located at Brofoyedu. We have decided to use both our corporate office and farm in this District due to economic importance. It also has a branch office at Asante-AkyemAgogo in Ashanti Region.

2.2 REALIZATION SCHEDULED

Realization scheduled describes how and when the products are ready for the market. Seeds do not take longer period to germinate and mature. Seeds are being grown and germinated within seven days (a week). The maturing stage takes about twenty one days (3 weeks). Finally the seedlings are ready for the market after the maturing stage.

3.0 MANAGEMENT TEAM

Farmonic Oil Palm Ghana Limited's management structure is the Board of Directors. The board consists of executive and non-executive directors which include Financial manager, Administrative manager, Marketing manager and Production manager.

The Managing Director, Mr. William Owusu has educational and professional qualification with working experience that enable him to set the objectives and goals of the company. He holds a Diploma in Basic Education from Mampong Technical College of Education. He holds a Bachelor of Business Administration Degree (Accounting option) from Christian Service University College. He was a deputy manager in charge of Diaby Cocoa Company Limited

Duties and Responsibilities of the Managing Director include the following:

- He sees to it that all company procedures with regard to management are fully implemented.
- He supervises all the day to day administration and management of the company.
- He ensures that the stocks are maintained and purchases due for supply are made in a timely manner.
- He is a signatory to the Farmonic Oil.

Mr. Bright Manu who assists the **Managing Director** is charge of Finance and Administration. He holds a Bachelor of Business Administration (Accounting option) from the Christian Service University College. He also holds and ACCA part II certificate. From January Manu was a chief accountant at Sadisco Poultry Farms, Bibiani and Glory of God International School, Kumasi.

Duties and Responsibilities

- He prepares the financial statements and gives report of Farmonic Oil Ghana Ltd.
- He analyses cost data of all projects started upon by the company.
- He supervises all the daily financial accounting procedures.
- He serves as the primary point of contact for all the financial analysis.
- Annual budgets and forecasts are prepared by him.

Miss Rita Owusu Ansah is the **head of Human Resource and Operations** of Farmonic Oil Palm Ghana Ltd. She holds a Bachelor of Degree in Business Administration (Human Resource option) from the Christian Service University College. She is a Project Management Professional (P.M.P- UK) holder. She is the Head of Human Resources at Diaby Company Limited, a licensed Cocoa and Oil Palm buying company.

Her Duties and Responsibilities:

- In charge of selection and recruitment into the company.
- Organizes training and development programmes for employees.
- Prepares the operational systems, processes and policies in support of the organization's mission.
- She gives support services to other areas such as Finance, I.T., Marketing, etc to ensure effectiveness and efficiency.
- She determines the salaries and other benefits of the employees.

Mr. Dwomoh Frimpong Kwasi holds a Diploma in Basic Education from Wesley College of Education and Bachelor of Business Administration (Marketing option) Degree holder from the Christian Service University College. He is the **head of Marketing and Corporate**

strategy of Farmonic Oil Palm Ghana Ltd. He also holds Ltd. Diploma in Marketing Management UK. He was a deputy head of marketing and corporate strategy at Fan Milk Company

His Duties and Responsibilities are as follows:

- Formulates the marketing strategy of the company streamlined with corporate strategies and objectives.
- Implements the marketing strategies in conjunction with management.
- Initiates marketing promotions, campaigns and advertisement of the company.

Miss Mary Kumah is the **Head of Corporate Communications** of the company. She holds a Bachelor of Degree in Communication from Christian Service University College. She also holds a Diploma Certificate in Journalism and Mass Communication from the Ghana Institute of Journalism, Accra. She is the Head of Corporate Communications at Freight Forwarding Company at Koforidua.

Her Duties and Responsibilities are as follows:

- Formulates and implements the company's communication policies.
- Communicates the vision of the company to the general public.
- She takes in charge of all enquiries and complaints from the general public.
- She is the mediator between the general public and the company.

4.0 MARKETING PLAN / ANALYSIS

This section brainstorms on the marketing structures of the seedlings company, the supplier of inputs market characteristics, target market, positioning strategies market strategy and projected sales that will help Farmonic Oil Palm Ghana Ltd achieve the stated goals. The company also practices macro forecasting in order to gain competitive advantage.

Marketing Objectives

- To mobilize capital of GH¢96,000 by the end of year three (3) 2014.
- To increase sales by 30% in the second and third years
- To provide excellent service that will go beyond the farmers' imagination.
- To achieve a market share of 50% in the subsequent 3 years in the oil palm seedling industry.

4.1 MARKETING OPERATIONS

This section describes how the products will be sold to customers. The company will sell the products directly to the customers through the sale representatives. Free transportation of the seedling to farmers' places and other incentive packages to customers. Timely delivery of the products. Advertisement is another key operation the company will adopt to sell the products.

4.2 ENVIRONMENTAL ANALYSIS

4.2.1 Competitive Analysis

Farmonic Oil Palm Ghana Ltd is competing with all oil palm seedlings production companies in the market particularly those operating seriously within our catchment areas. The major

competitors are the seed production unit of the oil palm in Agricultural sector, the Oil Palm Plantation Farmers Friend Company and Nyame Tease Oil Palm Seedlings Farm.

The unique features of our products customer care, after sales services provision of incentives, low pricing policy, and the ability to meet the requirements of our farmers, put us miles ahead of our competitors. Some of our competitive advantages include:

- Viable, early maturing, disease and pest resistant hybrid seedlings.
- Free transportation of the seedlings to the farm yards of the farmers.
- Incentives provision on purchase of good seedlings and above.
- Exceptional customer care.

4.2.2 SWOT Analysis

SWOT analysis is a key tool for measuring a business and its environment. In business planning SWOT cannot be ignored and it helps marketers to focus on key issues. SWOT means strength, Weakness, Opportunities and Threats.

Strength of Farmonic Oil Palm Ghana Limited

- Competent Staff: the company has well qualified, experienced and dedicated human resource base especially the managers.
- Modern Technology: the company uses superior technological, technical procedures and scientific processes in the production of oil palm seedlings.
- Improved seedling: viable, quality, early germination, early maturing, disease and pest resistant hybrid seedlings are produce to the market or producers.
- Vantage Location: the company is located at an advantage position by which customers or people could easily locate us and purchase the produce or seedlings.

- Quality services: Efficient and timely customer care is the priority of the Farmonic Company. In addition to that quality and affordable seedlings are produce to farmers.

Weakness of Farmonic Oil Palm Ghana Limited

Weakness is one of the attributes of business that are very harmful or impede to the achievement of business objectives.

- Unidentified strength of our competitors: in the sense that our competitors could easily collapse our business by selling seedlings at cheaper prices to the farmers in our catchment area.
- Interference of Government: the government interference in our operations by way of providing free seedlings to the oil palm farmers and other policies that detriment to the growth and survival of the company in terms of high taxation.
- Great pressure to meet demands: Due to the distance between us and most of our target customers or clients, we are under pressure always to meet their demands.

Opportunities

The opportunities are external favourable conditions that indeed support us to achieve set objectives. Below are the opportunities of Farmonic Oil Palm Ghana Ltd.

- Frequent demand of oil palm and its bye products is a big opportunity to the success of our company.
- To move into new market segment is a great opportunity that is untapped area of the oil palm industry.
- The opportunity to take over market niches vacated by our competitors due to inefficient and ineffective operations.
- Fifteen years tax exemption opportunity the farmers enjoy according to the Act.

- Taking great advantages of the viable, early maturing seedlings to influence and win more farmers.

Threats

Threats are outside or external factors that are harmful to the business. The threats to Farmonic Oil Palm Ghana Limited include natural, governmental, competitor's decisions and policies. They include the following:

- Bad and unfavorable weather conditions that are severe drought is a major threat to our company as such a bad weather condition is really a disincentive to farmers.
- Outbreak of diseases and pests is another threat to the survival of our company.
- Higher wages salaries by our competitors over and above what we offer is a threat to our company as there is a probability of them poaching our quality human resource base and the possibility of leaks of our technical know-how by the poached staff to the rival companies.
- Withdrawal of the licenses of our intermediary oil palm buying companies.

4.3 MARKET SEGMENTATION

Farmonic Company practices geographical segmentation. This is because the company provides its hybrid oil palm seedlings to farmers within its catchment areas. We shall target strategic farmers and support their businesses in diverse ways because whose continuous existence is a key to our company's growth and survival.

4.4 TARGET MARKET

It is the intension of Farmonic Oil Palm Ghana Ltd targeted a wider market in order to meet its revenue target stated in this business plan. However, much attention shall be paid to the following targets: Existing oil palm farmer wish to expand their farms, those whose trees are aged and are in process of replanting their crops, those who have planned to start oil palm farming due to pragmatic measures of oil palm by the government. Finally, those whose farms have been attacked by pest and diseases.

The population of the target market stands at 80% of the entire population are into oil palm farming business base on our own investigation and research.

4.5 MARKETING MIX

The marketing strategy of the company is lingered on seven P's that is product, pricing, place, promotions, personal selling, physical evidence and process.

4.5.1 Product

Farmonic Oil Palm Ghana Limited produces hybrid seedlings.

4.5.2 Pricing

Farmonic Oil Palm Ghana Limited is using the penetrating price policy as a pricing strategy in selling the products to the farmers. Penetrating price implies the setting of affordable or lower price at the introduction stage of a product. This strategy has been adopted because the target is very sensitive in the sense that they already have the service, but we intend reaching them with our quality, low price and ability to meet their requirements. The company has decided to sell at GH 0.08 per seedling. The prevailing market price of a hybrid seedling ranges between GH 0.9 and 0.11. Our price will be the most affordable on the market currently.

4.5.3 Place

Farmonic Oil Palm Ghana Limited is located at Brofoyedu in Atiwa District in Eastern Region. It is strategically located or sited to closer to the farmers which reduce the cost of carrying produces or seedlings and relieve them of travelling long distances to purchase seedlings.

4.5.4 Promotion

The company will employ advertising strategies such as the use of banners, community based information centres, Public Address System, gong-gong beating, private FM Radio stations especially Hello FM, Kings FM, Eastern FM and others to ensure effective products publicity.

4.5.5 Personal Selling

The company's main marketing strategy is through personal selling which involves the selling of our products directly to the farmers by our sales representatives who are on a salary and purchasing clerks of Private Licensed Oil Palm Buying Companies through their district managers at a reasonable commission.

4.5.6 Physical Evidence

The physical evidence of Farmonic Oil Palm Company shall comprise our unique seedlings, our offices and the nursery sites.

4.5.7 Process

The seeds shall be obtained from Oil Palm Production Unit. The seeds shall be nursed. Irrigation systems will be used to watering the seedlings. There will be regular spraying of pesticides. The process would be taken care by our field workers including operational manager until the seedlings are ready for the market.

4.5.8 Distribution

Our products are going to be delivered directly to customers. Free transportation for customers from far distance areas would be offered.

5.0 FINANCIAL ANALYSIS

5.1 FARMONIC OIL PALM GHANA LIMITED ASSUMPTIONS UNDERLYING THE FINANCIAL STATEMENTS PROJECTIONS AND ANALYSIS

The following assumptions have been underlying the financial analysis:

- That an equity capital of Thirty Seven Thousand, Four Hundred and Forty Ghana cedis (GH¢37,440)
- That the company has budgeted to 960,000 at 8Gp each oil palm seedling in the first year of serious operation and sales increase by 35% per annum.
- Purchases increase by 30% per annum and all other direct costs increase by 10% per annum.
- General and Administrative Expenses by 5% per annum.
- The company pays a three year rent advance of Eight thousand six hundred forty Ghana cedis.
- Auditor's incentives are always paid one in arrears.
- Trade Receivables are equivalent to 10% of the total sale for the year.
- The company's Return On Investment is 18%.
- All other payment have been estimated at current price levels as adjusted for expected inflation for the period.

5.1.2 RISK ANALYSIS

Risk occurs where there is uncertainty about the outcome of events or activities. Risk is used to determine possible variability around anticipated value: it is therefore refer to the expected losses associated with a situation or a problem. Risk occurs in banking insurance markets etc.

Farmonic Oil Palm Ghana Ltd will try as much as possible to reduce and or avoid all possible risks to increase production value.

RISK PRONE TO FARMONIC OIL PALM GHANA LTD

Farmonic Oil Palm Ghana Limited is indeed exposed to the risks below name pure and natural or environmental risks.

Pure Risks under this type of risk, benefits are being given to injured workers according to workers compensation laws and risk of legal liability for injuries to employees that are not governed by workers compensation laws the risks that affect our business are as follows:

- The risk of reduction in value of business assets due to theft and physical damage.
- The risk of legal liability from damages or harm to suppliers, customers, shareholders etc.
- The risk that is associated with paying benefits to injured employees under employees' compensation laws.
- The risk of ailments, disability and death to employees and family members.

Environmental or Natural Risks: these are unfavorable environmental factors such as severe droughts, bushfires, excessive rainfalls, disease outbreak etc that could retard the growth and development of the company if proper management is not ensured. In Eastern Region the major environmental factors are droughts and disease out-break that will pose risk to the company.

RISK MANAGEMENT METHODS

- The company will formulate and implement safety precautions to minimize or avoid employee injuries and other stakeholders too.
- Security measure will be improved at the corporate office and nursery sites to avoid theft.
- Strong insurance policies will go a long way to secure damages.
- Source of income diversification: company will invest 10% of the annual income in financial instruments.

5.2 FARMONIC OIL PALM GHANA LIMITED

PROJECTED STATEMENT OF COMPREHENSIVE INCOME FOR THE THREE PERIOD ENDED 31ST DECEMBER 2014

		2012	2013	2014
	NOTES	GH¢	GH¢	GH¢
INCOME	1	<u>76,800</u>	<u>99,840</u>	<u>129,792</u>
EXPENDITURE				
Direct Expenses	2	35,134	42,378	48,415
General Expenses & Admin.	3	<u>38,047</u>	<u>40,795</u>	<u>44,192</u>
		<u>73,181</u>	<u>83,173</u>	<u>92,607</u>
NET PROFIT TRANSFERRED TO				
INCOME SURPLUS ACCOUNT		<u>3,819</u>	<u>16,667</u>	<u>37,185</u>

FARMONIC OIL PALM GHANA LIMITED

PROJECTED INCOME SURPLUS FOR THE THREE YEAR PERIOD

ENDED 31ST DECEMBER 2014

	2012	2013	2014
	GH¢	GH¢	GH¢
Balance at 1 January	0	3619	20286
Net Profit for the year	<u>3619</u>	<u>16667</u>	<u>37185</u>
Balance at 31 December	<u>3619</u>	<u>20286</u>	<u>57471</u>

PROJECTED INCOME STATEMENT

	2012	2013	2014
	GH¢	GH¢	GH¢
INCOME	65186	71705	75290
EXPENDITURE			
Direct Expenses	59046	65058	68249
General & Administrative Expenses	<u>2666</u>	<u>2689</u>	<u>2852</u>
	<u>61712</u>	<u>67747</u>	<u>71101</u>
Net Profit	<u>3474</u>	<u>3958</u>	<u>4189</u>

5.3 BREAK-EVEN

Total Fixed Cost = 74,071

Total variable cost = 30,536

Sales 76,800

Contribution = Total income-variable cost

$$\begin{aligned} & 76,800 - 30,536 \\ & = 46,264 \end{aligned}$$

Break even point = fixed cost

C/S Ratio

Therefore, C/S Ratio = S-V

$$\begin{aligned} & S \\ & = \frac{76,800 - 30,536}{76,800} \\ & = 0.6024 \text{ per unit} \end{aligned}$$

BEP = Fixed cost

C/S Ratio

$$= \frac{74,071}{0.6024}$$

0.6024

$$= 123,042$$

5.3.1 FARMONIC OIL PALM GHANA LIMITED

APPRAISAL OF THE PROPOSAL

NET PRESENT VALUE

	CASH FLOW	DIS. FACTOR(18%)	PRESENT	
Year	0	(37,440)	1.000	(37,440)
	1	4,353	0.847	3,687
	2	24,116	0.718	17,315
	3	46,632	0.609	<u>28,399</u>
				<u>11,961</u>

DISCOUNTED PAY BACK

Year	0	(37,440)	1.000	(37,440)
	1	4,353	0.847	(33,756)
	2	24,116	0.718	<u>(16,438)</u>
	3	46,632	0.609	11,961

Number of months 4months

Discounted Payback Period	2years 4months
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5.3.2 RATION ANALYSIS

FOR THE THREE YEAR PERIOD ENDED 31 DECEMBER 2014

	2012	2013	2014	AVERAGE
GROSS PROFIT MARGIN	54.25	57.55	62.70	58.17
RETURN ON				
CAPITAL EMPLOYED	8.81	28.87	39.18	25.62
CURRENT RATIO	7.04	15.31	24.33	15.56
ACID TEST RATIO	5.97	13.99	22.70	14.22
WORKING CAPITAL	36,230	90,134	154,332	93,565

5.4 FARMONIC OIL PALM GHANA LIMITED

PROJECTED CASH FLOW STATEMENT FOR THE THREE YEAR PERIOD ENDED 31 DECEMBER 2014

	2012	2013	2014
	GH¢	GH¢	GH¢
CASH INFLOWS			
Cash sales	69,120	89,856	116,813
Issue of ordinary shares	37,440	0	0
Trade Debtors	<u>0</u>	<u>7,680</u>	<u>9,984</u>
	<u>106,560</u>	<u>97,536</u>	<u>126,797</u>
CASH OUTFLOWS			
Property, Plant & Equipment	31,460	0	16,800
Rent	3,456	0	0
Pesticides	480	624	811
Liquid Fertilizer	720	936	1,216
Oil Palm Seeds	1,376	1,789	2,326
Polythene Bags	10,200	13,260	17,238
Casual Labour Wages	4,800	5,280	5,544
Fuel and Lubricants	7,680	8,064	8,467
Production Staff Salaries	3,552	3,907	4,102
SSF Contribution	462	485	509
Tractor Hiring	3,360	3,528	3,705
Repairs & Maintenance	1,920	2,016	2,117

Security Expenses	2,304	2,419	2,540
Salary and Wages	19,584	21,542	23,697
SSF Contribution	2,546	2,801	3,081
Travelling & Transport	1,920	2,016	2,117
Printing & Stationery	259	272	286
Bank charges	288	304	318
Insurance	800	840	882
Electricity & Water	800	840	882
Internet & Communication	640	672	706
Advertisement	1,600	1,680	1,764
Registration Licensing & Renewals	1,600	1,680	1,764
Auditors Remuneration	0	2,400	2,520
Legal & Professional Fees	<u>400</u>	<u>420</u>	<u>440</u>
	<u>102,207</u>	<u>77,774</u>	<u>103,831</u>
NET CASH INFLOW	4,353	19,762	57,414
Balance as at 1 January	<u>0</u>	<u>4,353</u>	<u>24,115</u>
NET CASH INFLOWS AS AT 31 DECEMBER	<u>4,353</u>	<u>24,115</u>	<u>47,081</u>

5.5 PROJECTED STATEMENT OF FINANCIAL POSITION
FOR THE THREE YEAR PERIOD ENDED 31 DECEMBER 2014

		2012	2013	2014
	NOTES	GH¢	GH¢	GH¢
NON-CURRENT ASSETS				
Property, Plant & Equipment	4	<u>26,566</u>	<u>21,672</u>	<u>33,178</u>
CURRENT ASSETS				
Inventory	5	2,555	3,322	4,318
Accounts Receivables	6	9,984	11,136	12,979
Cash and Bank Balances	7	<u>4,353</u>	<u>24,116</u>	<u>47,081</u>
		<u>16,892</u>	<u>38,574</u>	<u>64,378</u>
TOTAL ASSETS		<u>43,458</u>	<u>60,246</u>	<u>97,557</u>
EQUITY & LIABILITIES				
Stated capital	9	37,440	37,440	37,440
Income Surplus		<u>3,618</u>	<u>20,286</u>	<u>57,470</u>
		<u>41,058</u>	<u>57,726</u>	<u>94,910</u>
CURRENT LIABILITIES				
Accounts payable		<u>2,400</u>	<u>2,520</u>	<u>2,646</u>
TOTAL EQUITY & LIABILITIES		<u>43,458</u>	<u>60,246</u>	<u>97,557</u>

APPENDIX
NOTES TO THE PROJECTED FINANCIAL STATEMENTS FOR THE
THREE YEAR PERIOD ENDED 31 DECEMBER 2014

	2012	2013	2014
	GH¢	GH¢	GH¢
1. INCOME			
Sales Revenue	<u>76,800</u>	<u>99,840</u>	<u>129,792</u>
	<u>76,800</u>	<u>99,840</u>	<u>129,792</u>
2. DIRECT EXPENSES			
Inventory at 1 st January	0	2,555	3,322
Oil Palm Seeds	1,376	1,789	2,326
Liquid Fertilizer	720	936	1,217
Pesticides	480	624	811
Polythene Bags	<u>10,200</u>	<u>1,326</u>	<u>17,238</u>
	12,776	19,164	24,914
Inventory at 31 December	<u>(2,555)</u>	<u>(3,322)</u>	<u>(4,318)</u>
	10,220	15,842	20,595
Casual Labour Wages	4,800	5,280	5,544
Production Staff Salaries	3,552	3,907	4,102
SSF Contribution	462	489	
509			
Fuel and Lubricants	7,680	8,064	
4,234			
Hiring Tractor	3,360	3,528	
3,705			
Repairs & Maintenance	1,920	2,016	
2,117			
Security Expenses	2,304	2,419	
2,540			
Depreciation – Equipment	<u>836</u>	<u>836</u>	
<u>836</u>			
	35,134	42,378	
48,415			

GROSS PROFIT C/FWD	<u>41,666</u>	<u>57,462</u>	<u>81,377</u>
GROSS PROFIT B/FWD	41,666	57,462	81,377

3. GENERAL AND ADMINISTRATIVE EXPENSES

Salary and Wages	19,584	21,542	23,697
SSF Contribution	2,546	2,801	3,081
Printing and Stationery	259	272	286
Travelling and Transport	1,920	2,016	2,117
Auditors remuneration	2,400	2,520	2,646
Bank charges	288	304	318
Insurance	800	840	882
Electricity & Water	800	840	882
Internet & Communication	640	672	706
Registration Licensing & Renewals	1,600	1,680	1,764
Advertisement	1,600	1,680	1,764
Legal & Professional Fees	400	420	441
Rent	1,152	1,152	1,152
Depreciation –Land & Building	90	90	90
Depreciation – Motor Vehicle	3,200	3,200	3,200
Dep-Office Furniture & Equip.	712	712	712
Dep-Computer & Data Handling	<u>56</u>	<u>56</u>	<u>56</u>
	38,047	40,795	44,192
NET OPERATING PROFIT	<u>3,618</u>	<u>16,667</u>	<u>37,185</u>

4. INVENTORY

Oil Palm Seeds	1,162	1,510	1,963
Liquid Fertilizer	697	906	1,178
Pesticides	465	604	785
Polythene Bags	<u>232</u>	<u>302</u>	<u>393</u>
	<u>2,555</u>	<u>3,322</u>	<u>4,318</u>

5. ACCOUNTS RECEIVABLE

Trade Receivables	7,680	9,984	12,979
Repayment	2,304	1,152	0
	<u>9,984</u>	<u>11,136</u>	<u>12,979</u>

6. BANK AND CASH BALANCES

Current Accounts	3,873	23,636	46,601
Cash in Hand	480	480	480
	<u>4,353</u>	<u>24,116</u>	<u>47,081</u>

7. ACCOUNTS PAYABLE

Accrued Charges	2,400	2,520	2,646
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8. STATED CAPITAL

I.	Authorized Ordinary Shares of	200,000	200,000	200,000
	No. par Value			
	Issued Ordinary shares of	104,000	104,000	104,000
	No. par value			
II.	Proceeds of issue for cash	37,440	37,440	37,440

**FARMONIC OIL PALM GHANA LIMITED NOTES TO THE PROJECTED
FINANCIAL STATEMENTS
FOR THE THREE YEAR PERIOD ENDED 31 DECEMBER 2014**

2012 2013 2014

COST DEPN NBV BAL B/FDEPN NBV BAL/F DEPN NBV

GH¢ GH¢ GH¢ GH¢ GH¢ GH¢ PROPERTY,

PLANT & EQUIP.

Land and Building	7,440	90	7,350	7,350	90	7,260	7,260	490	23,570
Motor Vehicle	16,000	3,200	12,800	12,800	3,200	9,600	9,600	3,200	6,400
Office Furnit.&Equip	3,560	712	285	2,848	712	2,136	2,136	712	1,424
Comp.&Data Handl.	<u>280</u>	<u>56</u>	<u>224</u>	<u>224</u>	<u>56</u>	<u>168</u>	<u>168</u>	<u>56</u>	<u>112</u>
TOTAL	<u>27,280</u>	<u>4,058</u>	<u>23,222</u>	<u>23,222</u>	<u>4058</u>	<u>19,164</u>	<u>19,164</u>	<u>4,458</u>	<u>31,506</u>

**FARMONIC OIL PALM GHANA LIMITED SCHEDULED OF PROPERTY, PLANT
AND EQUIPMENT
FOR THE THREE YEAR PERIOD ENDED 31 DECEMBER 2014**

	2012			2013			2014		
	COST	DEPN	NBV	BAL B/F	DEPN	NBV	BAL/F	DEPN	
NBV									
	GH¢	GH¢	GH¢	GH¢	GH¢	GH¢	GH¢	GH¢	GH¢
Land and Building									
30Acre Farm land	3,840	-	3,840	3,840	-	3,840	3,840	-3,840	
Farm Buildings	3,600	90	3,510	3,510	90	3,420	3,420	903,330	
Office Land	-	--		-	--		-	-	-
Office Building(WP)	-	-	-	--		-		-400	15,600
	<u>7,440</u>	<u>90</u>	<u>7,350</u>	<u>7,350</u>	<u>90</u>	<u>7,260</u>	<u>7,260</u>	<u>490</u>	<u>23,570</u>
Motor Vehicle									
Nissan Pick-up			<u>3,200</u>	<u>12,800</u>	<u>3,200</u>		<u>3,200</u>	<u>6,400</u>	
Office Furniture & Equip.									
10 Swivel Chairs	1,000	200	800	800	200	600	600	200	400
10 Executive Desks	1,200	240	960	960	240	720	720	240	480
10 Ceiling Fans	200	40	160	160	40	120	120	40	80
2 Wooden Cabinets	560	112	448	448	112	366	336	112	224
Customer chairs	160	32	128	128	32	96	96	32	64

2 Television set &

Refrigerator	<u>440</u>	<u>88</u>	<u>352</u>	<u>352</u>	<u>88</u>	<u>264</u>	<u>264</u>	<u>88</u>	<u>176</u>
	<u>3,560</u>	<u>7122</u>	<u>8482</u>	<u>848</u>	<u>712</u>	<u>2,136</u>	<u>2,136</u>	<u>712</u>	<u>1,424</u>

Computer & Data Hand.

2 Computer Set	<u>280</u>	<u>56</u>	<u>224</u>	<u>224</u>	<u>56</u>	<u>168</u>	<u>168</u>	<u>56</u>	<u>112</u>
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FARMONIC OIL PALM GHANA LIMITED

SALES BUDGET FOR THE THREE YEAR PERIOD ENDED 31

DECEMBER 2014

2012			2013			2014		
BUDG	AMOUNT		BUDG	AMOUNT		BUDG	AMOUNT	
QUANT	GH¢		QUANT	GH¢		QUANT	GH¢	
Oil Palm								
Seedlings 640,000	0.08	51,200	832,000	0.08	66,560	832,000	0.08	66,560
		<u>51,200</u>			<u>66,560</u>			<u>66,560</u>

Price per Kilo remains the same throughout the three years.

**ASSUMPTION UNDERLYING THE PROJECTION FOR THE YEAR PERIOD
ENDED 31 DECEMBER 2013.**

1. APPRAISAL

The Net Present Value, Discounted Payback period and Break Even Point

2. The cost of capital of 18%

3. Total cost	GH¢
Direct cost	36,854
Administration cost	32,837
Property, plant, equip.	31,460
Rent	3456

4. Fixed cost

Property plant and equipment	31460
Rent	3456
Pro. Staff salaries	3552
SS contribution	462
Security expensing	2304
Salary and wages	19584
SSF contribution	2546
Printing and stationary	259
T and T	1920
Audit remuneration	2400
Bank Charges	288
Insurance	800
Electricity and Water	800
Int. and Com.	640

Reg. and Lic.	1600
Advert	1600
Legal and Prof. Feed	400
	<u>74071</u>

5. Variable Cost

Oil Palm Seedlings	1376
Liquid fertilizer	720
Pesticides	480
Poly bags	10200
Casual labour	4800
Fuel and lubricant	7680
Tractor hiring	3360
Repair and maintenance	1920
	<u>30536</u>

6. Contribution

Total Income	76800
Variable cost	(30536)
	<u>46,264</u>