

CHRISTIAN SERVICE UNIVERSITY COLLEGE - KUMASI

DEPARTMENT OF BUSINESS STUDIES
BACHELOR OF BUSINESS ADMINISTRATION

**FIRST-GATE FINANCIAL SOLUTIONS COMPANY
LIMITED**
(DEBT COLLECTION AGENCY)

BUSINESS PLAN

BY

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DECEMBER, 2011

STATEMENT OF AUTHENCITY

We have read the Christian Service University College's regulations relating to plagiarism and certify that this Business Plan is all our work and does 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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1.0 EXECUTIVE SUMMARY

First-Gate Financial Solutions Ltd (FIRST-GATE) is a Limited liability company that will be incorporated in 2012 after it has been registered under the Companies Code of Ghana Act 179, 1963, and Certificate of Incorporation received. It is a debt recovery agency and it plans to purchase Bad Debts in the future at a discount rate.

The main business activity of FIRST-GATE will be to retrieve debt payments from delinquent individuals and businesses that have fallen sufficiently short of the terms and conditions outlined by their loan agreements. FIRST-GATE will act as an agent on behalf of a creditor for which the firm receives a fee or a percentage of the total amount collected.

As a debt buyer, FIRST-GATE would negotiate with cooperate clients who have declared their bad debt, and would want to dispose it off. Our company would then undertake a brief assessment on the debtor(s) and if recoverable, the debt would be purchased at a discount to its face value. *This service (debt buying) will fully commence after the third year of operations.*

We aim to use penetration pricing strategy to deliver our services, therefore FIRST-GATE Company has decided to offer its clients a low pricing strategy with quality services and intends to use advertising and direct marketing to promote the company.

First-Gate Financial Solutions Company Limited's target markets are Suppliers of industrial goods and any form of supplies, Individuals, Savings & Loans organizations, Rural Banks and other Microfinance companies.

Our financial projections as illustrated in the plan give a copious insight as regard to the viability and profitability of the company. Our net projected cash flows for the period of three years have a Positive Net Present Value (NPV) of \$3828.824.

Since there is a strong correlation between a positive NPV and the viability of a project, our business could undoubtedly be envisaged to have a high propensity of feasibility and success.

The financial analysis indicates estimated profits after tax of \$6,891.225, \$11,004.29 and \$12,782.36 for the first, second and third years respectively which are expected to contribute to the growth of the company. Increase in profit is as a result of effective and efficient cost control, expansion of market size and elimination of superfluous procedures, processes and expenditure. Returns on investment for the first three years (2012, 2013, and 2014) are expected to be 29%, 34% and 38% respectively which is a good omen for future success and deserving of investors' attention and interests.

Our covet and overt mission is to be the destination of choice for prompt debt recovery by providing customer driven, cost-effective, innovative and best practice in service delivery.

With our insatiable pursuit for the achievement of a high level of recovery performance for our clients, our vision is to be the most prominent and inventive debt recovery agency that uses top-notch technologies and strategies, and the best professionals in the field to achieve the utmost recoveries in the Industry.

First-Gate Financial Solutions Company Limited will come into existence by five (5) members who have direct knowledge of the industry and possess unique managerial and decision-making skills. The management staff comprise; Mr. Benard Ankomah Dacosta, General Manager; Mr. William Appau, Operations and Human Resource Manager; Mr. Eric Frimpong, Finance and Administrative Manager; and Mr. Richard Eshun, Marketing

Manager. These same gallant men including Mr. Justice Kwame Boachie Opoku-Debrah, a partner and a member of the Board of Directors will be the interim financiers of the company.

FIRST-GATE Company Ltd would be located at the Central Market opposite the railway station in the Kumasi Metropolis, Ashanti Region of Ghana. P.O. Box Ks 797, Kumasi, Telephone: 0332925200/0248656585, E-mail: info@firstgate.gh.com, Website: www.firstgate.com.gh

With the enormous zeal to reduce the debt rate in the economy thereby contributing to national growth and development and coupled with the fact of an apt accessibility to a ready market to serve, the group strongly believes that the Company (FIRST-GATE) would be viable and successful.

2.4 MISSION STATEMENTS

Our core and overt *mission* is to be the destination of choice for prompt debt recovery by providing customer driven, cost-effective, innovative and best practices in service delivery.

We are also committed to:

- ✓ Achieving high level of recovery for our clients through our insatiable pursuit and penchant for excellence, effective and efficient utilization of available resources and continuous improvement.
- ✓ Motivating our staff with first-class working conditions and empowering them with the requisite experience to achieve the highest recovery.

2.5 VISION

First-Gate Financial Solutions seeks to be vision the most prominent and inventive debt recovery agency that uses top-notch technologies and strategies, and the best professionals in the field to achieve the utmost recoveries in the Industry.

2.4 CORPORATE OBJECTIVES

Longer term business objectives of First-Gate Financial Solution Company Limited are summarized as:

- ✓ To expand the business aggressively and offer above-average returns to shareholders.
- ✓ To become the leading, innovative debt recovery agency within the market segment in the sub region in particular and globally as a whole.
- ✓ Develop an incentive plan for research and development staff who are slow to innovate.

2.6 CORE VALUES

- ✓ *INTEGRITY*: we believe in integrity, which is defined as moral uprightness, honesty, reliability, incorruptibility, wholeness and soundness of character. We therefore deal honestly and fairly with our clients, the public and with one another.
- ✓ *TEAM WORK AND PROFESSIONALISM*: working together to ensure successful growth while developing and maintaining a high sense of discipline in the discharge of our duties.
- ✓ *HARD WORK*: we are dedicated to hard, sacrificial, diligent and conscientious work; always striving to do things better and continuously improving and innovating to deliver the best possible outcomes.
- ✓ *GOOD STEWARDSHIP*: we are dedicated to the efficient and effective use of the company's resources (physical, intellectual and financial) to achieve maximum results and being accountable to clients on recoveries.

TABLE OF CONTENT

STATEMENT OF AUTHENTICITY

	<i>PAGE</i>
EXECUTIVE SUMMARY	i
MISSION	iv
VISION	iv
CORPORATE OBJECTIVES	v
CORE VALUES	v

1.0 ORGANISATION 1 – 4

1.1	Company Name	1
1.2	Business Background	1
1.3	Date and Place of Registration	1
1.4	Date of Commencement of Operation	2
1.5	Company Location and Address	2
1.6	Legal Form, Ownership and Management	3
1.7	Operating Units	3
1.8	Key Business Strategy	3

2.0 PRODUCT IDEA AND REALISATION OF SCHEDULE 5 – 7

2.1	Product Idea	5
2.2	Realization of Schedules	7

3.0	MANAGEMENT TEAM	8 – 13
3.1	Passive CV of Managers	8
3.2	Other Key Personnel	11
3.3	Organizational Chart	12
3.4	Principal Stakeholders	13
4.0	MARKETING ANALYSIS	13 – 23
4.1	Business Systems and Operations	13
4.2	Environmental Analysis	16
4.3	Market Segmentation	20
4.4	Target Market	21
4.5	Marketing Mix	21
4.6	Positioning	22
4.7	Major Competitors	23
5.0	FINANCIAL ANALYSIS	24 - 31
5.1	Assumptions and Risk Analysis	24
5.2	Projected Statement of Comprehensive Income	27
5.3	Break Even Analysis	28
5.4	Projected Statement of Cash Flow	30
5.5	Projected Statement of Financial Position	31
	APPENDIX (Notes to the Financial Statements)	32 – 37
	CONCLUSION	38

1.0 ORGANISATION

1.1 COMPANY NAME

The business when registered and commenced shall be legally known as FIRST-GATE FINANCIAL SOLUTIONS COMPANY LIMITED.

1.2 BUSINESS BACKGROUND

FIRST-GATE Company Limited is a business that will operate a debt recovery/collection agency. The idea to set up this company is as a result of perusing several financial reports and statements published in the dailies and journals by companies and other Small and Medium Enterprises and realizing the outrageously huge figures presented in such reports as Bad Debts and Provision for Bad Debt.

Not only Bad Debt were seen as the case but also some issues of Small and Medium Enterprises where, for example, suppliers will give goods on credit and find difficulty in getting their monies back.

We saw this as a general problem facing companies in particular and the economy as a whole and took this initiative to explore and address such problem by helping companies recover their delinquent account receivables at a considerable discount rate of commission.

1.3 DATE & PLACE OF REGISTRATION

FIRST-GATE Company Ltd will commence operation after it has been registered under the Companies Code of Ghana Act 179, 1963, and Certificate of Incorporation received. It is expected that the registration process will be completed on February, 2012.

Registration of FIRST-GATE Company Ltd will be done at the office of the Registrar, Adum Kumasi.

1.4 DATE OF COMMENCEMENT OF OPERATION

The proposed date for commencing operation is 1st April, 2012 after it has been successfully registered and certificate of incorporation obtained.

1.5 COMPANY LOCATION & ADDRESS

Central Market, Opposite Railway station

Post Office Box KS 797

Adum, Kumasi.

Telephone: 0332925200

+23348656585

Email: info@firstgate.gh.com

Website: www.firstgate.com.gh .

1.6 LEGAL FORM, OWNERSHIP AND MANANGEMENT

First-Gate will be registered as a micro business owned and managed by five partners. There will be an equal capital contribution from all five members as analyzed below;

NAME	TOTAL (\$)
APPAU WILLIAM	5000.00
OPOKU-DEBRAH K.B JUSTICE	5000.00
FRIMPONG ERIC	5000.00
ESHUN RICHARD	5000.00
ANKOMAH DACOSTA BENARD	5000.00
TOTAL	25,000.00

1.7 GENERAL ORGANISATION/ OPERATING UNITS

It is envisaged that the various units of the organisation will include operations and human resource, finance and administrative and marketing units. These units will work inseparably to achieve the general goals of the organisation. Other units such as the research and development will be incorporated with time.

1.8 KEY BUSINESS STRATEGY

The following critical strategies will be pursued by First-Gate Financial Solution Company Ltd:

- ✓ Extend links with key technological centres.
- ✓ Raise additional venture capital
- ✓ Expand senior management team in sales/ marketing.

- ✓ Recruit non-executive directors
- ✓ Strengthen human resources function and introduce share options for staff.
- ✓ Appoint advisers for intellectual property and finance.
- ✓ Seek new market segments/ applications for products
- ✓ Strengthen web presence
- ✓ Pursue strategic alliances with complementary players.

2.0 PRODUCT IDEA AND REALISATION OF SCHEDULE

2.1 PRODUCT IDEA

2.1.1 DEBT RECOVERY/COLLECTION

FIRST-GATE will goal at retrieving debt payments from delinquent individuals and businesses that have fallen sufficiently short of the terms and conditions outlined by their loan agreements. FIRST-GATE will act as an agent on behalf of a creditor for which the firm receives a commission or a percentage of the total amount collected.

2.1.2 DEBT BUYING

FIRST-GATE will negotiate with cooperate clients who have declared their bad debt, and would want to dispose it off. FIRST-GATE will then undertake a brief assessment on the debtor(s) and if recoverable, the debt would be purchased at a discount rate to its face value.

This service (debt buying) will fully commence after the third year.

2.1.3 SERVICE UNIQUENESS

FIRST-GATE will try as much as possible to maintain or restore the relationship that exists between the defaulter and our client after recovery. We have observed that most often than not when debt recovery agencies recover debts, it turns out that the creditors on whose behalf the agency operates will in the long-run loose their customers. The company will pay more attention to such situations and address them accordingly. We will endeavour deal with our clients' customers more tactfully and circumspectly.

Also FIRST-GATE has notice that, the existing method of debt collection is not favorable to defaulters. That is, collecting agencies trying to recover debt will spread the amount owed by defaulters over a time period. For instance amount could be spread in a period of six months where defaulters will be obliged to make monthly payments.

After investigations and analysis, our company reckons that it is unfavorable for defaulters and therefore has decided to introduce a MICRO SAVINGS SCHEME; which will provide a flexible payment plan to reduce defaulters' burden. What this means is that defaulters will pay a certain amount daily/weekly till the end of the month, and the accumulated amount will be used to clear a month's debt. This still buttresses the point that indeed we want to maintain their relationship with the creditors.

FIRST-GATE also intends to provide free advisory support to all defaulters. All defaulters we come into contact with would also be beneficiaries of free financial consultancy services. This is another sure way to distinguish ourselves from competitors.

2.2 REALISATION OF SCHEDULE

Our well planned and structured schedule of activities will help managers and staff in the various units to execute their respective tasks promptly to ensure a successful incorporation of our business and operation. Our schedule of activities is as follows;

NUMBER OF SCHEDULES	ACTIVITY	PERIOD	RESPONSIBILITY
1.	Funding	December 2011 – March 2012	Management Team Finance/Administrative Manager
2.	Locating of office	January – February, 2012	Operations/HR Manager
3.	Registration/ Licensing	February, 2012	General Manager
4.	Recruitment of staff	March, 2012	General Manager Operations/HR Manager
5.	Training of staff	March - April, 2012	Operations/HR Manager
6.	Lunching / Commencement of Operation	April , 2012	Management Team Entire staff members

3.0 MANAGEMENT TEAM

3.1 PASSIVE CV OF MANAGERS

NAME	POSITION	QUALIFICATION	EXPERIENCE	RESPONSIBILITIES
MR. BENARD ANKOMAH DACOSTA	GENERAL MANAGER	BBA ACCOUNTING	4 YEARS AS THE GENERAL MANAGER OF ADU GYAMFI ANANE CONSULT, (EVENT ORGANIZERS)	<ul style="list-style-type: none"> ✓ Supervising all activities of the business. ✓ Collaborating with other functional Managers to formulate policies. ✓ Handling cooperate clients and external bodies. ✓ Signatory to the groups account and all other documents. ✓ Chairs all management meetings. ✓ Attending all official meetings on behalf of the company.
MR. WILLIAM APPAU	OPERATION / HUMAN RESOURCE MANAGER	CIM LEVEL 2 HND MARKETING BBA HUMAN RESOURCE	<p>1 YEAR AS MARKETING MANAGER, MEDISCAN DIAGNOSTIC SERVICES</p> <p>1 YEAR AS MARKETING OFFICER, OTEC FM</p> <p>3 YEARS AS ADMINISTRATIVE MANAGER, SDA NURSES TRAINING COLLEGE</p>	<ul style="list-style-type: none"> ✓ Acting in the position of the General Manager in his absence. ✓ Designing daily routines for the field team. ✓ Ensuring high standard of service delivery. ✓ Ensuring minimization of cost. ✓ Ensuring that new policies developed are well implemented. ✓ Preparing demand letters for defaulting clients. ✓ Recruiting and training of field officers.

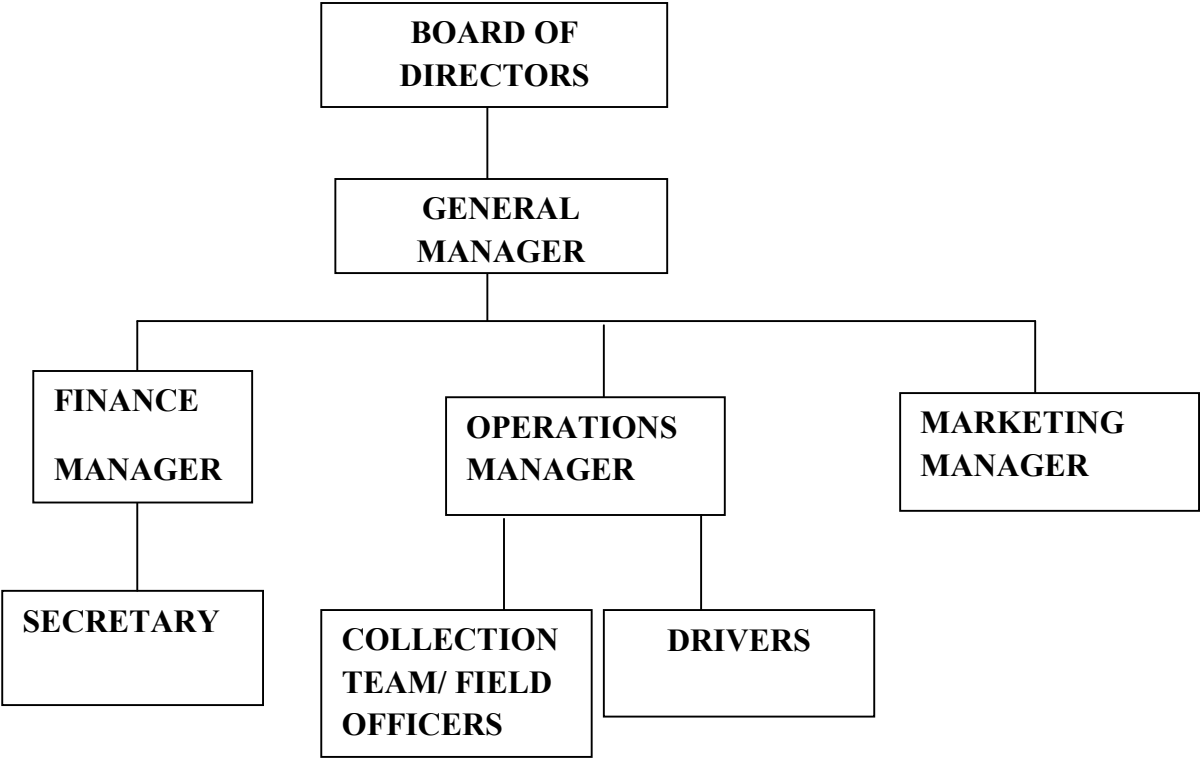
				<ul style="list-style-type: none"> ✓ Taking charge of staff welfare and motivation. ✓ Handling interpersonal conflicts among staff as well as customers. ✓ Serving as the secretary to management. ✓ All Staff performance appraisal and recommendation are part of his duties.
NAME	POSITION	QUALIFICATION	EXPERIENCE	RESPONSIBILITIES
MR. ERIC FRIMPONG	FINANCE/ ADMINISTRATIVE MANAGER	BBA ACCOUNTING	<p>1 YEAR AS ACCOUNTS CLERK, BAYPORT,</p> <p>1 YEAR AS SENIOR ACCOUNTS OFFICER, LANDS COMMISSION</p>	<ul style="list-style-type: none"> ✓ Preparing end of year financial statements. ✓ Preparing payroll. ✓ Preparation of the company's forecast and budgets. ✓ Designing and maintaining proper books of accounts. ✓ Evaluating, accessing and recommending the viability of a project to management. ✓ Implementing prudent financial measures for the company. ✓ Managing all administrative expenses.

NAME	POSITION	QUALIFICATION	EXPERIENCE	RESPONSIBILITIES
MR. RICHARD ESHUN	MARKETING MANAGER	HND MARKETING BBA MARKETING	3 YEARS AS CREDIT OFFICER, ASANTE AKYEM RURAL BANK (AYEDUASE BRANCH) 6 MONTHS AS DIRECT SALES AGENT, BARCLAYS BANK	<ul style="list-style-type: none"> ✓ Designing and implementing marketing plans, strategies and evaluating the results. ✓ coming out with effective promotion and advertising strategies for the company ✓ Monitoring the trend of the company's demand of its customers ✓ coming out with the ideal way of distributing the company's products to its customers ✓ Conducting competitive activity and trend analysis in the industry. ✓ Providing continuous review and advising management on conditions in the market relative to the company's performance.

3.1 OTHER KEY PERSONNEL

CATEGORY	NO. OF STAFF	ACCEPTABLE QUALIFICATION	RESPONSIBILITIES
SECRETARY	1	HND SECRETARIASHIP AND MANAGEMENT STUDIES	<ul style="list-style-type: none"> ✓ Responsible for all data entries on clients. ✓ Writing of minutes during management meetings. ✓ Receiving and directing calls at the office. ✓ Welcoming and directing clients. ✓ Helping clients to book appointment.
ACCOUNTS/AUDIT OFFICER	1	HND ACCOUNTING	<ul style="list-style-type: none"> ✓ Accounts reconciliation. ✓ Cash and cheque pay-in. ✓ Handling petty cash/imprest. ✓ Verification of accounts books and documents.
COLLECTION TEAM/FIELD OFFICERS	3	HND ACCOUNTING/ MARKETING	<ul style="list-style-type: none"> ✓ Serving Debtors with letters ✓ Door-to-door debt collection ✓ Advertising/ selling our services etc.
DRIVER	2	MSLC/ SSSCE/ O'LEVEL 3YEARS DRIVING EXPERIENCEAS A TAXI DRIVER	<ul style="list-style-type: none"> ✓ Conveying Staff to and fro on their normal duties.

3.2 ORGANIZATIONAL STRUCTURE



3.3 PRINCIPAL STAKEHOLDERS

Because of the nature of our business, a lot of agencies, institutions and individuals would have interest in our operations. Some of the major stakeholders are;

- ✓ *KUMASI METROPOLITAN ASSEMBLY*, concerned with our existence and monetary obligations, such as Operating License Fee etc.
- ✓ *INTERNAL REVENUE SERVICES*, interested in our profit margins and tax obligations.
- ✓ *STATISTICAL SERVICE DEPARTMENT* may request for useful information concerning our entity e.g. Number of employees, data on debt recovery rate etc.
- ✓ *POTENTIAL CLIENTS*, our existence and operations are of much interest to them because they may want to know how best we can recover their debts without driving away their customers, etc.
- ✓ *PROPECTIVE INVESTORS*, they are much interested in the viability and the future of our company so they could come in.
- ✓ *SECURITY SERVICES*, this includes the police, they interested in the way and manner we handle delinquent defaulters who may pose a threat to the company. They will also assist anytime we are taking any legal action on a defaulter.

4.0 MARKET ANALYSIS

4.1 BUSINESS SYSTEMS AND OPERATIONS

4.1.1 BUSINESS SYSTEMS

Debt collection firms retrieve debt payments from delinquent individuals and businesses that have fallen sufficiently short of the terms and conditions outlined by their loan agreements. A firm can act as an agent on behalf of a creditor for which the firm receives a fee or percentage of the total amount collected.

In our economy debt collection can be said to be in its *introductory stage* although others have started the business already. It is not well known in our economy.

Capital requirement is quite huge but not withstanding barriers like criminal background and fraudulent acts can cause a firms exit, hence regulatory bodies and stakeholders.

There are already existing industry players like EQUINOX, EXPERT CONSULT and JOHNSON COMPLEX who happen to be our major competitors.

The industry is expected to grow in the future. This is because of the fast growing nature of financial institutions and other businesses in a general perspective. Gradually the society is accepting and appreciating the services of the debt collection industry.

4.1.2 OPERATIONS

FIRST-GATE will address Debt problem through the following stages;

STAGE 1

Clients who come with such problems will first have to brief FIRST-GATE with the needed information, for example the amount involved, defaulters' information, how the debt came about etc.

STAGE 2

FIRST-GATE will then explain to the client how recovery plan will be carried out. That is the client will have to fill and sign an application form which will serve as evidence that he has given the authority or the mandate to act on his behalf. Service charges and other vital information would be well explained to clients. FIRST-GATE will also explain the consequences that will arise in case any wrong information is given on defaulters.

STAGE 3

After a compromise has been reached, the client would have to furnish FIRST-GATE with their list of defaulters attached to an Authority Note.

STAGE 4

The company will therefore send a *demand notice* to the defaulters. This demand notice will serve as an invitation to the defaulter to come to the office. The notice will also explain the reasons of the invitation to the defaulter.

STAGE 5

FIRST-GATE will establish a payment plan with defaulters to know how much they are supposed to pay on each installment. The most convenient payment plan to defaulters is one of our priorities, that is why a *micro-savings scheme* would be brought as a unique way for making payment.

As a proactive and a unique way of dealing with defaulters, the company will from time to time contact them on how business is faring and again remind them of their repayment dates.

FIRST-GATE has the experience, expertise, and business processes in place to handle problem accounts. They make use of a number of tactics like the use of mail, phone, and legal options.

4.2 ENVIRONMENTAL ANALYSIS

4.2.1 PESTLE ANALYSIS

POLITICAL FACTORS

- ✓ Currently all government factors and systems pose no threat to the company.

ECONOMICAL FACTORS

- ✓ Indicators such as exchange rate, unemployment rate, inflation rate, Gross Domestic Product (GDP) etc influence market operations and the overall economic activities of any business.
- ✓ In a period of high inflation general operation expenses increase and this may cause our profitability to plummet. Currently, inflation in the country is quite steady which makes effective and accurate future projections possible.

SOCIO-CULTURAL FACTORS

- ✓ *Public perception about debt collection agencies.* Most of the uneducated ones who believe the recovery agencies exist to do unfair business because such firms exist to use forceful and any other means to retrieve people's money for them. This erroneous perception we aim to erase from their minds by means of our good services and market penetration strategy.

TECHNOLOGICAL FACTORS

- ✓ Rate of technological change. This affect organization to always keep pace with technology, respond effectively to clients and serve them better. FIRST-GATE will take advantage of the rapid technological changes by using updated software in our operations, thus improving efficiency and reducing cost.

- ✓ The level of research and development. This will always bring innovative ideas that will enhance business prospects. Marketing research will therefore be conducted frequently to ascertain the needs of our clients and excogitate ways of meeting them.
- ✓ Availability of technical experts/skills. We have highly skilled and capable human resource to handle all operational complexities.

LEGAL FACTORS

- ✓ First-Gate Financial Solutions, like any collection agencies has the option to pursue a case legally, if we deem it necessary. If earlier attempts have not reaped the right result, and if after the agency's investigation, it can be determined that the debtor has assets enough to pay, they have the right to go after the debtor legally. We receive our legal advice from Minkah Premoh and Co. Legal Council, situated in Accra.
- ✓ We would also work hand in hand with the law enforcement agencies like the police whenever the need be to track aberrant defaulters.

ECOLOGICAL FACTORS

- ✓ This industry is not faced with any perceptible environmental hazards or irregularities.
- ✓ There appears to be very little competition in the debt recovery industry in Ghana since there are only a few existing players therein. FIRST-GATE, with its unique services and marketing strategies stands a colossal chance of penetrating the market successfully.

4.2.2 SWOT ANALYSIS

STRENGTH

- ✓ Qualified, skilled and focused personnel for task performance.
- ✓ High quality service delivery
- ✓ Innovative and differentiated service
- ✓ High branded corporate image
- ✓ Effective administrative processes and procedures.

WEAKNESSES

- ✓ Insufficient cash resources
- ✓ Board of directors is too narrow
- ✓ Overdependence on a few key staff
- ✓ Lack of awareness among prospective clients/ customers

OPPORTUNITIES

- ✓ There is low competition in the industry. There are only three noticeable players in the industry.
- ✓ No existing restrictive government policies. This cause for freedom of entry and exit of any firm.
- ✓ Undifferentiated service by competitors.
- ✓ Market segment is poised for rapid growth.

THREATS

- ✓ Possible future competition from new entrants. Since there is free entry and exit, major players may enter targeted market segment. Therefore market segment's growth could attract major competition.
- ✓ Possible unfair government policies and change in governments and political direction.
- ✓ Economic slowdown could reduce demand.
- ✓ Market may become price sensitive arising from a possible price war with competitors

4.2.3 COMPETITIVE COMPARISM

This is how FIRST-GATE will compare itself in terms of assets, services, technology etc. with its competitors.

ASSETS

- ✓ *Goodwill*; our competitors have a sizable market size. In this aspect, our competitors are known to have goodwill because they are well-known in the industry than FIRST-GATE. This means that competitively, in term of publicity, they are ahead of us. With our unique and quality services, Firs-Gate will outgrow them over time.
- ✓ *Human Resource*; our competitors have inexperienced staff. First-Gate has skilled and experienced labour.

SERVICES

- ✓ FIRST-GATE also has more and better service than our competitors. That is, apart from debt collection, FIRST-GATE will have other service for its client's i.e. Debt Buying. Better in that our payment plans for clients are more convenient.

- ✓ FIRST-GATE is also more customer-oriented unlike its competitors. This is because *maintaining or restoring the relationship between the defaulter and our client is one of our priorities.*
- ✓ We have extra benefits for our clients and the defaulter; that is the provision of free consultancy service to them. Our competitors are not doing that.
- ✓ We also produce cheaper service with high quality uncompromised. Our competitors charge exorbitantly.

TECHNOLOGY

FIRST-GATE will use requisite search capabilities, application software, internet and internal database systems and other tools at our disposal to help locate clients and defaulters and to handle its operations. Oftentimes, the success in collecting a debt is locating the whereabouts of the debtors, especially since we live in a very mobile society.

Competitors whom we visited use the computer basically for secretarial purpose and mostly used by the secretary.

4.3 MARKET SEGMENTATION

FIRST-GATE will segment its market geographically. That is Regional segmentation. By the end of three years, we would have broaden our tentacles to three regions of Ghana;

- ✓ Ashanti Region
- ✓ Greater Accra
- ✓ Brong Ahafo etc

4.4 TARGET MARKET

Majority of our customers are located in Ashanti Region and we expect growth and competition in the future. Our customers or clients will be Individuals, Commercial Banks, Savings and Loans organizations, Rural Banks, Suppliers of industrial products and any kind of supplies, and other Microfinance companies.

4.5 MARKETING MIX

FIRST-GATE will employ the 7P's

Product

FIRST-GATE would have the following products;

- ✓ Debt buying
- ✓ Debt Recovery

Pricing

As a new company, FIRST-GATE will use the penetration pricing strategy. That is FIRST-GATE will charge relatively low price compare with competitors in the initial stages while still providing services of topnotch quality. Also FIRST-GATE will review its charges after the company has gained recognition by the target market.

Place

The company's office will be located closer to the target market (Central Market). Our clients can easily trace us and without any proximity problems.

Promotion

FIRST-GATE will use advertising and direct marketing as communication tools to reach its target market. The services of FIRST-GATE would be carried to prospective clients through Brochures, Stickers, Posters, and Banners etc. FIRST-GATE plans to organize programs such as orientations and seminars to create awareness. That is, customer satisfaction will be our priority (outbound).

People

The company can boast of well competent, qualified and experienced staff. Our staff will be well motivated with good and cozy working conditions.

Process

FIRST-GATE will have a well organized office and follow effective administrative processes and procedures that will allow clients to come and do business without wasting much time. Bureaucratic problems will be treated meticulously.

Physical evidence

FIRST-GATE will do business in a beautiful and appreciating environment. Clients will be attracted to our environment than that of our competitors.

4.6 POSITIONING

It is our conviction that how our target market perceives our services in their mind is of vital importance. Therefore it is imperative that we position ourselves in the mind of our target market.

FIRST-GATE will give priority to service positioning by rendering quality services coupled with lower service charges (penetration pricing). This will enable us to win more clients at the early

stages of our operation and also retain them with our quality services. As earlier stated, we will commit ourselves to maintaining or restoring a good relationship existing between our clients and their defaulters; and we would therefore position ourselves as such.

4.7 MAJOR COMPETITORS

- ✓ EQUINOX – currently operating one branch
 - Two company vehicles plus other computer accessories.
 - Eight employee staff.

- ✓ EXPERT CONSULT – one operating branch within our segment location
 - one company vehicle
 - Seven employee staff.

- ✓ JOHNSON COMPLEX
 - Currently operating two branches, Kumasi and Accra
 - It is one of the oldest in the industry.

5.0 FINANCIAL ANALYSIS

5.1 RISK ANALYSIS

The Debt Collection industry in totality faces a number of risks of which FIRST-GATE Company is no exception.

Risk which is commonly defined as the uncertainty of an outcome that will occur or in other words risk is the expected losses associated with a situation. The common risks that most businesses face are;

- ✓ *Price Risk*: i.e. changes in prices of inputs and outputs.
- ✓ *Credit Risk*: i.e. involving defaults or delinquencies in due payments.
- ✓ *Pure Risk*: i.e. arising from the operations/activities of the company.

The major type of risk expected by FIRST-GATE Company is the Pure Risk. This type of risk involves;

- ✓ The risk of reducing the value of business assets due to physical damage, theft (assets or recovered monies) and expropriation. The company is threatened by this risk because operational equipments like computers, printers, etc may cease to function. Theft (robbery) on recovered funds and assets is also a major area of concern in terms of risks.
- ✓ Pure risk also involves the risk of death, illness and disability to employees for which the company has agreed to make payment under employee welfare policies and workers compensation laws.
- ✓ Under the Pure risk, FIRST-GATE Company expects to face a risk of legal liability for damages for harm or anything of that sort to clients and/or other parties. This means the company can be faced with risk of being sent to before the law court (law suits).

Another type of a potential risk to FIRST-GATE is *Credit Risk* which involves delay or failure of commission payment to the company. This happens when clients, after recovering their debt, fail to honor their part of the agreement.

There are other types of risks that also pose a threat (risky) to FIRST-GATE Company. These include;

- ✓ *Interest Rate*
- ✓ *Exchange Rate*
- ✓ *Inflation*

5.1.1 MANAGING RISK

There are three (3) major methods as to managing risks. FIRST-GATE Company will be employing all three methods in its risk management policies. The three methods are;

- ✓ Loss Control
- ✓ Loss Finance
- ✓ Internal risk reduction.

5.1.2 LOSS CONTROL

This involves policies/actions that reduce the frequency of losses and/or the severity of losses to the company.

- ✓ That is, reducing level of risky activities or operations such as the movement of the collection team in public transport with recovered monies.
- ✓ Properly vetting defaulters before an agreement is reached with clients.

- ✓ The other part of loss control which is increasing precautions is where the FIRST-GATE company will install backups and strong Antivirus system for its computers.
- ✓ Safety tips/guidelines will be adequately made available to workers.
- ✓ The company's vehicles will be checked or send for repairs frequently, etc.

5.1.3 LOSS FINANCING

This is the method for obtaining funds to pay for or offset losses as they occur. *Insurance* is the main tool that will be employed under this method. FIRST-GATE Company as stated earlier will insure employees for the National Health Insurance Scheme, insure the company's vehicle(s), and insuring all recovered debt yet to be paid into the coffers of clients.

5.1.4 INTERNAL RISK CONTROL

This is how FIRST-GATE Company manages its risks internally. This will be done through Diversification. It is the company's decision to diversify its services and its portfolio. This will help the company to reduce risk by not losing all assets when its operations show unfavorable signs.

5.2 PROJECTED INCOME STATEMENT

FIRST-GATE FINANCIAL SOLUTIONS COMPANY LIMITED

STATEMENT OF COMPREHENSIVE INCOME AT THE YEAR ENDED DECEMBER,

2012, 2013, 2014

	2012 \$	2013 \$	2014 \$
Revenue:			
Commission on recovery	47500	57000	66000
Less expenses			
Legal Fee	700	870.8	950
Salaries/Wages	24240	26664	29330.4
Training/Workshop	400	450	750
Rent	800	800	800
Stationery	140	250	655
Depreciation	3320.5	3320.5	3320.5
Bank charges	300	360	420
Utilities	1000	1300	1800
Advertisement	1000	706	500
Insurance	540	1000	1200
Formation expenses	220	-	-
SSNIT Contribution	3151.2	3466.32	3812.952
Travelling & Transport	2000	2600	4500
Repairs and Maintenance	100	220	568
Office Expenses	400	320	350
Total (expenses)	<u>38311.7</u>	<u>42327.62</u>	<u>48956.85</u>
Net profit (before tax)	9188.30	14672.38	17043.15
Less tax (25%)	<u>2297.075</u>	<u>3668.095</u>	<u>4260.787</u>
Net profit after tax	<u>6891.225</u>	<u>11004.29</u>	<u>12782.36</u>

5.3 BREAK EVEN ANALYSIS

FIRST-GATE FINANCIAL SOLUTIONS COMPANY LIMITED

BREAK EVEN ANALYSIS, 2012, 2013, 2014

	2012	2013	2014
Sales (A)	47500	57000	66000
<i>Less</i>			
Variable cost (B)			
Tax	2297.075	3668.095	4260.787
Stationery	140	250	345
Utilities	1000	1300	1800
Travelling & transport	2000	2600	3000
Repairs and maintenance	100	220	348
Office expenses	400	320	350
Total variable cost	5937.075	8358.095	10103.79
Contribution (A-B)	41562.925	48641.91	55896.21
<i>Less</i>			
Fixed Cost			
Formation expenses	220	-	-
Salaries/wages	24240	26664	29330.4
SNITT Contribution	3151.2	3466.32	3812.952
Rent	800	800	800
Advertisement	1000	706	500
Bank charges	300	360	420
Insurance	540	1000	1200
Depreciation	3320.5	3320.5	3320.5
Training/ workshop	400	450	500
Legal fee	700	870.8	950
Total fixed cost	34671.7	37637.62	40833.85

BREAK EVEN CALCULATION (\$)

$$\text{Break-even (measured in dollars)} = \text{fixed cost} \times \frac{1}{\text{C/S ratio}}$$

$$\text{Contribution Sales Ratio (C/S ratio)} = \frac{\text{Contribution}}{\text{Sales}}$$

BREAK EVEN			
	Year 1	Year 2	Year 3
Fixed Cost (\$)	34671.70	37637.62	40833.85
C/S ratio	0.8750	0.8533	0.8469
$\frac{1}{\text{C/S ratio}}$	1.1428	1.1719	1.1807
Break-even (\$)	39622.80	44107.53	48212.53

5.4 PROJECTED CASH FLOW

FIRST-GATE FINANCIAL SOLUTIONS COMPANY LIMITED

STATEMENT OF CASH FLOW AT THE YEAR ENDED DECEMBER, 2012, 2013, 2014

	2012	2013	2014
	\$	\$	\$
Cash Inflow (A)			
Commissioned Received	47500	57000	66000
Capital Invested	25000	-	-
	72500	57000	66000
Cash Outflow (B)			
Fixed Asset	19205		
Legal fee	700	870.8	950
Salaries/Wages	24240	26664	29330.4
SSNIT Contribution	3151.2	3466.32	3812.952
Training/ Workshop	400	450	750
Rent	800	800	800
Stationery	140	250	655
Bank charges	300	360	420
Utilities	1000	1300	1800
Advertisement	1000	706	500
Insurance	540	1000	1200
Formation expenses	220		
Travelling & Transport	2000	2600	4500
Repairs and Maintenance	100	220	568
Office expenses	400	320	350
Tax payment	<u>2297.075</u>	<u>3668.095</u>	<u>4260.787</u>
	56493.28	38966.13	42920.04
Net Cash Flow (A-B)	16006.73	18033.87	23079.96
Cash Balance	16006.73	34040.6	57120.56

5.5 PROJECTED STATEMENT OF FINANCIAL POSITION

FIRST-GATE FINANCIAL SOLUTIONS COMPANY LIMITED

PROJECTED STATEMENT OF FINANCIAL POSITION AT THE YEAR ENDED

DECEMBER, 2012, 2013, 2014

	2012		2013		2014
	\$		\$		\$
ASSETS					
<i>Non-current assets</i>					
Motor van	8000		5000		2500
Computer & accessories	2800		1750		875
Water dispensers	400		250		125
Fixtures & fitting	<u>4684.5</u>	15884.5	3123	10123	2082
					5582
<i>Current asset:</i>					
Prepayment (rent)	3200		2400		1600
Bank/cash	<u>16006.73</u>	<u>19206.73</u>	34040.6	<u>36440.6</u>	57120.56
		35091.23		46563.6	<u>58720.56</u>
					64302.56
<i>Less current liabilities</i>					
Corporate tax		<u>2297.075</u>		<u>3668.095</u>	<u>4260.787</u>
		<u>31891.23</u>		<u>42895.51</u>	<u>60041.77</u>
EQUITY & LIABILITIES					
Stated Capital	25000		25000		25000
Income Surplus	6891.225		17,895.51		30,677.87
Proposed Dividend	-		-		4363.9
		<u>31891.23</u>		<u>42895.51</u>	<u>60041.77</u>

5.6 APPENDIX

FIRST-GATE FINANCIAL SOLUTIONS COMPANY LTD

NOTES TO THE FINANCIAL STATEMENTS

NON-CURRENT ASSET SCHEDULE

	TOTAL COST	DEPRECIATION	NET BOOK VALUE
	\$	\$	\$
ASSETS			
Motor vans	10000	2000	8000
Computers and Accessories	3500	700	2800
Water Dispensers @ 250	<u>500</u>	100	<u>400</u>
	14000	2800	11200
Fixtures and Fittings (10%)			
5 Office Telephones @ 65	325	32.5	292.5
3 Executive Chairs @ 150	450	45	405
1 Swivel Chair	150	15	135
1 Office Table	50	5	45
3 Executive Desks @ 150	450	45	405
1 Conference Table	100	10	90
4 Office Chairs @ 50	200	20	180
1 Sofa (3 in 1)	450	45	405
2 Air Conditioners @ 1500	3000	300	2700
1 Standing Fan	<u>30</u>	3	<u>27</u>
	5205	520.5	4684.5
Total	<u>19205</u>	<u>3320.5</u>	<u>15884.5</u>

PREPAYMENT (RENT)	\$
Total rent prepaid for 5 years =	4000
Rent for 2012 =	<u>(800)</u>
Balance to be carried forward=	3200
 Rent for 2013 =	 <u>(800)</u>
Balance to be carried forward	2400
 Rent for 2014 =	 <u>(800)</u>
Balance to be carried to 2014 =	1600

CORPORATE TAX

Corporate tax is determined by calculating 25% of the Net Profit.

PROPOSED DIVIDEND

No dividend shall be paid in the first and second years of operation. One third (1/3) of our profit shall, however be paid as dividend in the third and subsequent years and the two third (2/3) ploughed back into the business.

COMMISSION ON RECOVERY (REVENUE)

2012

FIRST-GATE Company charges 9.5% as a commission on recovery. The company therefore projects to recover \$500,000 within the first year of operation.

Expected Recovery x Rate of Commission

$$= \$500,000 \times 9.5\%$$

$$= \underline{\underline{\$ 47,500.00}}$$

2013

With product managerial and advertising strategies the company expects a 20% increase in debt recovery. This increase will be based on first year's recovery figure.

Percentage Increase x Previous year's commission

$$= 1.20 \times \$47,500$$

$$= \underline{\underline{\$ 57,000.00}}$$

2014

By the third year we believe the company would have gained cognizance within the public and institutional confidence. The company again projects another 10% increase on the second year's recovery (\$ 660,000.00). Also the company hopes to increase its commission rate from 9.5% to 10%.

$$= \$660,000 \times 10\%$$

$$= \underline{\underline{\$ 66,000.00}}$$

WAGES AND SALARIES

Position	No. Of Personnel	Monthly salary Basic salary	SSNIT contribution 13.00%	Total monthly Salary	Annual Salary
		\$	\$	\$	\$
General Manager	1	350	45.5	350	4200
Finance Manager	1	300	39	300	3600
Operations/ HR Manager	1	300	39	300	3600
Secretary/ Receptionist	1	200	26	200	2400
Field Officer	3	600	78	600	7200
Driver	2	170	22.1	170	2040
Cleaner	1	100	13	100	1200
Total		2020	262.6	2020	24240

SSNIT CONTRIBUTION

SSNIT Contribution shall be 13% of the workers basic salary. This amount shall be an expense to the company.

DEPRECIATION

Depreciation of motor vans, computers and accessories and water dispensers are at 20% and fixtures and fittings at 10% per annum.

Depreciation of all assets is on straight-line method.

UTILITIES

Utilities are expected to increase by 30% in the second year and 38.5% in the third year.

	2012	2013	2014
	(\$)	(\$)	(\$)
Telephone	550.00	715	990
Light	400.00	520	720
Water	50.00	65	90
TOTAL	1,000.00	1300	1800

ADVERTISEMENT:

	2012	2013	2014
	(\$)	(\$)	(\$)
Radio	500.00	706.00	500.00
Signpost	300.00	-	-
Banners	100.00	-	-
Brochures	100.00	-	-
Total	1000	706.00	500.00

INSURANCE PREMIUM:

	2012	2013	2014
	(\$)	(\$)	(\$)
6% Comprehensive:			
Motor Insurance	365.00	810.00	956
Accident policy	80	100	155
Veld Fees	15.00	15.00	15.00
Burglary and Fire	80.00	75.00	74.95
Total	540.00	1000.00	1200.00

FORMATION EXPENSES (\$)

Registrar General	150.00
Traveling and Transportation	20.00
Other Fees	<u>50.00</u>
Total	<u>220.00</u>

RETURNS OF INVESTMENT

This will be calculated as

$$= \frac{\text{Net Profit before Tax}}{\text{Capital Employed (Total assets – current liability)}} \times 100\%$$

Expected Return on Investment:

	Year 1	Year 2	Year 3
Net Profit before Tax	9,188.30	14,672.38	17,043.15
Capital Employed	31,891.23	42,895.51	60,041.77
Return on Investment	29%	34%	28%

YEAR	CASH FLOW	DISC FACTOR (18.5%)	PRESENT VALUE (PV)
	(25000)	1.000	(25000)
1	16006.73	0.844	13,509.680
2	18033.87	0.712	12,840.115
3	<u>23079.96</u>	<u>0.601</u>	<u>13,871.056</u>
PV			40,220.851
NPV (\$)			15,220.851

CONCLUSION

The group strongly believes that the Company (FIRST-GATE) will be successful because it has a ready market to serve and also to reduce the debt rate in the economy. The financial analysis indicates an estimated profit after tax *of \$6,891.225, \$11,004.29 and \$12,782.36* for the first, second and third year respectively which is expected to contribute to the growth of the company.

The company is endowed with knowledgeable and experienced management team who are capable of executing effective and efficient supervision of the company's policy.

FIRST-GATE Company limited will also develop and maintain strong alliance with its strategic partners and customers to acquire more profit at relatively cheaper and enjoy repeat business.

Considering the company's expected NPV (from the financial statement) which shows a *positive figure (\$3,828.824)*, amply concludes that the project is *VIABLE*.