

**CHRISTIAN SERVICE UNIVERSITY COLLEGE-KUMASI**

**DEPARTMENT OF BUSINESS STUDIES**

**BACHELOR OF BUSINESS ADMINISTRATION**

**JELAB FRUIT JUICE COMPANY LIMITED**

**BUSINESS PLAN**



**BY**

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**DECEMBER, 2011**

**CHRISTIAN SERVICE UNIVERSITY COLLEGE-KUMASI**

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

**JELAB FRUIT JUICE COMPANY LIMITED  
BUSINESS PLAN**

**A BUSINESS PLAN SUBMITTED TO THE DEPARTMENT OF  
BUSINESS STUDIES OF CHRISTIAN SERVICE UNIVERSITY  
COLLEGE, KUMASI IN PARTIAL FULFILLMENT OF THE  
REQUIREMENTS FOR THE COURSE  
CSAD 466 TEAM BUSINESS PROPOSAL**

**BY  
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**DECEMBER, 2011**

### STATEMENT OF AUTHENTICITY

I have read the Christian service university college's regulations relating to plagiarism and certify that this business plan is all my work and does not contain any unacknowledged work from any other sources. I also declare that I have been under supervision for this Business Plan herein submitted.

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(Head of Business Department)	Signature	Date

## EXECUTIVE SUMMARY

JELAB Fruit Company Limited is small private limited liability company which will be legally registered at the Registrar General's Department. It will be owned and controlled by five business-minded students of CSUC to produce natural fruit drink which is rich in nutrition for the Ghanaian market. The drink will be called C-ROL fruit juice and its production will commence on 2<sup>nd</sup> January, 2012. The company will be located at Oduom, a suburb of Kumasi, in a rented building to be used partly as an open office, storeroom and production room.

**Our vision** is to be a recognized leader in the juice processing industry providing nutritious, healthy, affordable and hygienic products.

**Our mission** is to consistently delight our customers with superior quality and healthy fruit juice through our effective and efficient hygienic production standards as well as our high caliber employees.

C-Rol fruit juice will be targeted at students in tertiary institutions, senior and junior high schools, basic schools as well as workers in Ashanti Region. C-Rol will also be made available in supermarkets, restaurants, social gatherings and events by our dispensing delivery machines and attractively branded sachets.

JELAB will survive in the industry although it is saturated with many competitors, major ones (Blue Skies, Coca-Cola) and small (Papso, Wayside vendors etc.) by strategizing to gain competitive edge over its competitors through upholding tight our core competence. JELAB Company will also offer good customer relations, producing nutritional and quality fruit delivered through our unique dispensers, delivery van and penetration pricing strategy. The product will be promoted through personal selling and advertising. The business presently will employ fifteen staff and expects the number to increase in line with indicators and projections for expansion in the years 2013 and 2014 respectively.

The targeted turnover volume for 2012, 2013 and 2014 are GH¢125, 925, GH¢229,950 and GH¢297,475 respectively. JELAB is expected to produce 700, 1,300, and 1,610 in 2012, 2013 and 2014 respectively. The cash at bank balances for 2012, 2013 and 2014 are expected to be GH¢22,347, GH¢41,896 and GH¢69,128 respectively.

The business will start with an initial capital of GH¢60,000 which will be raised through equitable contribution of 20% each by the five founders of the business. The net profit after tax for the three years is also expected to be GH¢1,703, GH¢16,906 and GH¢27,149 respectively. The company intends to breakeven in September during the first year and enjoy profits afterwards. The company also intends to open another branch in Sunyani and also produce a natural blend of ginger, sugar cane and lemon juice during the fourth year of operation by which it would have then covered the major districts in Ashanti Region.

## **VISION STATEMENT**

To be a recognized leader in the juice processing industry providing nutritious, healthy, affordable and hygienic products

## **MISSION STATEMENT**

To consistently delight our customers with superior quality and healthy fruit juice through our effective and efficient hygienic production standards as well as our high caliber employees.

**OBJECTIVES:** The general objectives over the next three years for JELAB are:

1. To continuously manufacture quality juice that will be the standard for the industry for the first 3 years.
2. To sustain the business through dominating the market in the Ashanti region for the first 2 years and in other nearby regions within the next five years.
3. Become the most dedicated and committed producer of standard juice at a lower cost for the first five years.

The financial objectives will include:

1. To continue to make at least 20% profit on sales and sustain such profit for the foreseeable future.
2. To increase sales revenue by not less than 30% each year.

3. To diversify our products and services after three years into the use of other raw materials
4. To achieve a profit target of at least 30% of capital invested by the close of the third year.

## **CORE VALUES**

**Respect:** Our respect for customers and one another will help us to value and affirm the dignity and uniqueness of our products and services.

**Integrity:** We shall act with determination on high standards having strong moral principles which we believe to be in the best of our stakeholders

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## APPENDIX

## **1.0 ORGANIZATION**

### **1.1 NAME**

JELAB Fruit Juice Company Limited shall be the legally registered name of this business.

### **1.2 OWNERSHIP**

JELAB is a small, Private Limited Liability Company owned and managed by five business minded students of C.S.U.C.

### **1.3 ADDRESS AND LOCATION**

Physical Address: PLT 20 BLOCK A,

Oduom, Ashanti Region

Telephone Number: +233243720750

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

### **1.4 DATE AND PLACE OF REGISTRATION**

Registration of the business will commence and be completed by the end of April 2011 at the registrar general, Kumasi.

### **1.5 DATE OF PRODUCTION**

Actual production is scheduled to commence on 2nd January, 2012.

### **1.6 BUSINESS STRATEGY**

JELAB will aspire to be a cost leader in the industry in that, cheaper sources of raw materials will be sought, purchases made in bulk to attract discounts, efficient production methods employed to reduce waste and selling of products at affordable prices.

## **2.0 PRODUCT IDEA AND REALIZATION OF SCHEDULE**

### **2.1 PRODUCT IDEA**

Through recent times, there has been much awareness on the health hazards one is exposed to by taking in carbonated drinks thus leading to an increase in the demand for natural fruit juices. C-Rol natural juice which is already being prepared by wayside vendors is what we intend to produce in a much more unique and hygienic way. Many people do not purchase the C-Rol juice regardless of its health benefits like preventing heart diseases based on its packaging and doubts about it being hygienic. There is also the fact that many affluent and consumers in the middle income bracket even shun or feel shy to purchase it from these wayside vendors who tie the juice in rubbers. The unique ingredient we will be adding to the C-Rol juice is the natural pineapple juice instead of the pineapple flavoring and sugar wayside vendors add. Another uniqueness JELAB is introducing is attractive sachet packaging as well as branded bottling of the juice.

To this end, JELAB Fruit Juice Company Limited decided to establish a fruit juice processing company to produce C-Rol natural fruit juice, which will be accessible to all customers at affordable prices.

### **2.2 REALISATION OF SCHEDULE**

<b>SN</b>	<b>TASK/ACTIVITY</b>	<b>TIME 2011</b>	<b>RESPONSIBLE UNIT</b>	<b>COST GH¢</b>
1	Funding	Jan-Mar	All Owners	60000.00
2	Office Acquisition	Apr-May	Operations Management	720.00
3	Registration of Business	Jan-Apr	Consulted Legal Advisor	150.00
4	Acquisition of Production Tools	Jun-Aug	Production Manager	45800.00

5	Registration of products with Food and Drugs Board	Sept-Oct	Quality Assurance Manager	1,000.00
6	Recruitment and Training	Dec	Finance and Administrative Manager	1,200.00
7	Production Equipment	Jan 2012	Production department	500.00

### **3.0 MANAGEMENT TEAM AND OWNERSHIP**

JELAB will recruit fifteen (15) staffs of which seven (7) will be Board of Directors. The seven will consist of the five owners of the business and two appointed members namely Mr. Kwabena Kesse- MD, Kessben Group and Lawyer Ohene Djan- Corporate Lawyer. The General Manageress who is also one of the owners, will be reporting to the Board during meetings with the other four owners who are also Functional Managers reporting to her. The five (5) Owners who are also Board Members will be paid solely on allowance basis including the other two (2) appointed Board Members.

In 2012, we will have three (3) operations staff reporting to the Operations Manager but will increase it to 5 and 6 in 2013, 2014 respectively. The Finance and Administrative Manager will also be acting as a Human Resource Manager with an accounts clerk assisting him.

The Marketing and Sales Manager with the help of 2 Sales Representatives will supervise 20 sales women and men who will be operating JELAB's dispensers and bicycles respectively. These 20 people will not be permanent employees and for that matter will be paid on a 10% commission basis based on the quantity they are able to sell a day.

There will also be one (1) company driver and a security man who will take on an evening shift schedule.

**NAME: ANNOR LYDIA**

**POSITION: GENERAL MANAGER**

**QUALIFICATION:** She holds a certificate with the Institution of Chartered Accountants.

**RESPONSIBILITIES:**

Miss. Lydia Annor will hold the position of a General Manager. She is currently the Accountant with a reputable company and has rich experience in Accounting.

She will be required as part of her duties to provide leadership, direction and control for various departments of the company.

She would be responsible for guiding and directing the company so as to protect assets, meet requirements, and effectively plan the needs of the company. Her core responsibilities will be to ensure that the company is on high and sound footing in areas such as protection of assets and developing business plan for the organization as well as reporting to the Board of Directors. She is currently pursuing a Degree in Accounting.

**NAME: OFFEH JAMES JUNIOR**

**POSITION: FINANCE AND ADMINISTRATION MANAGER**

**QUALIFICATION: He holds HND in Accounting**

**RESPONSIBILITIES:**

Mr. James Offeh will be in charge of preparing final accounts, income statement and balance sheet to meet statutory requirements, internal security and audit and other financial needs of the company and source for funds. He will be responsible for the approval of payment voucher and also be in charge of managing risk and checking daily lodgments and withdrawals. He will report to the General Manageress on issues concerning finances and employees payroll system. He will be a principal signatory to the company accounts and act as the Human Resource Manager based on his experience from his 3 years internship at the HRM Department in GLICO. He is currently pursuing a Degree in banking and finance.

**NAME: ADU DONKOR EBENEZER**

**POSITION: SALES AND MARKETING MANAGER**

**QUALIFICATION: He holds HND in Marketing**

**RESPONSIBILITIES:**

He has an example experience in managing successfully as a marketing manager. He will specifically be in charge of Marketing, strategize new ways of reaching out to our clients promptly and ensure that sales department is always on time to deliver on our promise. He will be responsible for sales to customers, customer service and building of long term relationship with clients, managing and motivating the sales team as well as coordinating cross functional activities. He will also be in charge of product design, promotion, pricing and distribution. The marketing manager will strategically decide the essential external environmental factors to be monitored in order to sustain the competitive advantage of the company in the future. He is pursuing BBA Degree in marketing currently.

**NAME: AMBARAKA AYESHA SULEMAN**

**POSITION: PRODUCTION AND OPERATIONS MANAGER**

**QUALIFICATION: She holds HND in Purchasing and supply**

**RESPONSIBILITIES:**

Miss Ayesha, will be responsible for operations and production. The planning of the day-to-day production needs and supervising of the factory workers will be her core activities. In addition, she will source and locate competent suppliers for contractual commitment, obtain ethical means of getting best value for money spent as well as establish good relations with suppliers to ensure continuous supply of quality raw materials. She will also monitor the supply market trend for new development and advise management accordingly. She will prepare the monthly and yearly material and production budget and present them to

management during meetings. She has a two year working experience as an assistant production officer at Bondplex Ltd. She is currently pursuing a BBA Degree in Accounting at Christian Service University College.

**NAME: ODAME ASARE BERTHA**

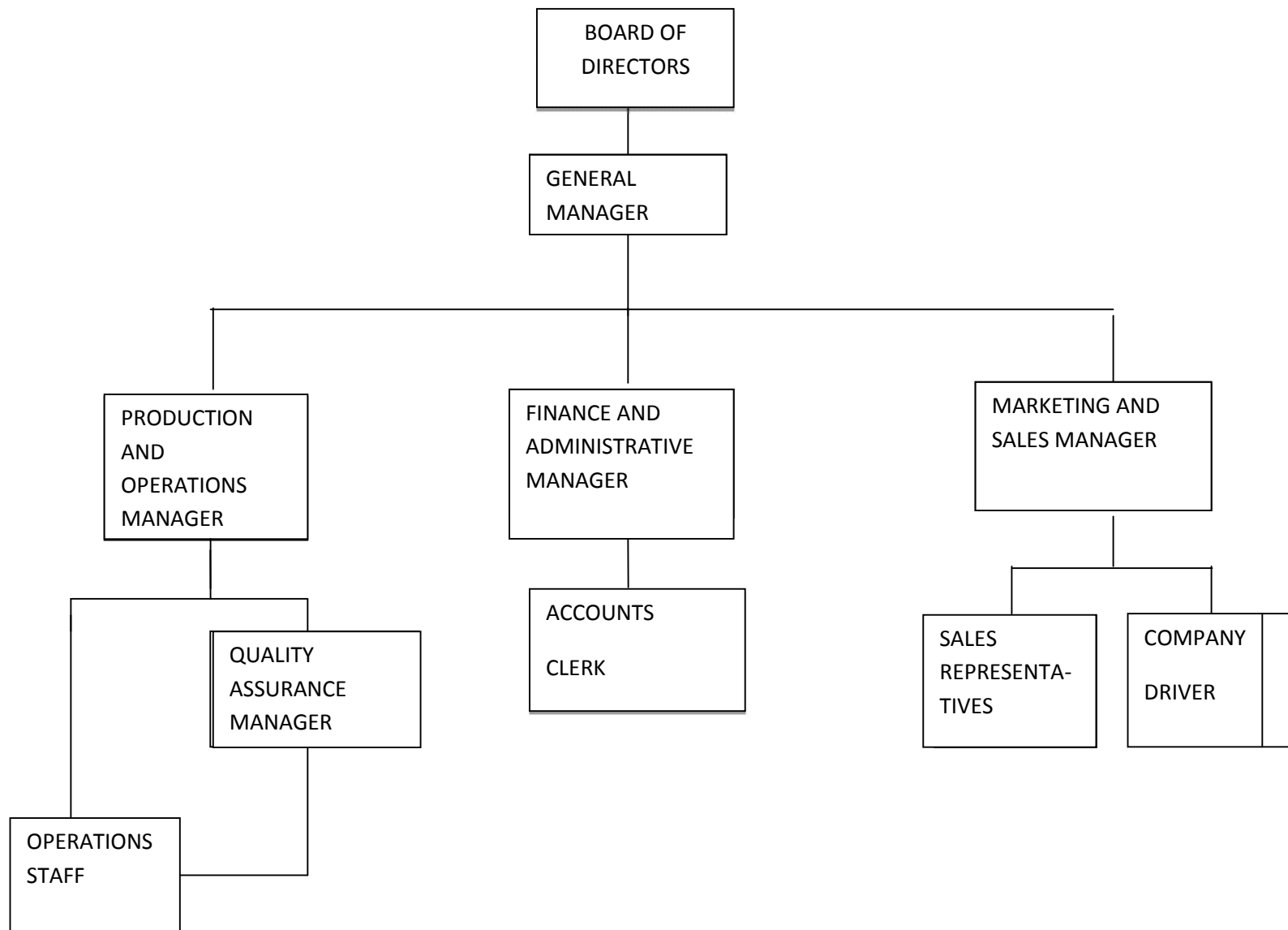
**POSITION: QUALITY ASSURANCE MANAGER**

**QUALIFICATION: She holds higher Diploma in food and nutrition**

She will be responsible for developing and maintaining quality program, policies, processes and controls to ensure that performance and quality of product conform to established company and governmental regulatory standards. She will implement and maintain quality systems to ensure manufactured juice meet all specification. She will assist the production and operations manager in developing and implementing corrective actions and appropriate documentation in response to audit and inspection findings. She will review production documents daily to assess the quality of the juice, determine that juice meet customer specifications and approve products for release to customers. Ensuring lasting customer satisfaction will be one of her core duties based on her experience from her two years internship at Nestle Ghana Limited. She is currently pursuing BBA degree in Human Resource Management in Christian Service University College.



## ORGANOGRAM OF JELAB COMPANY LIMITED



## **4.0 MARKETING ANALYSIS**

### **4.1 BUSINESS SYSTEM AND OPERATION**

JELAB Fruit Juice Company Limited, producers of a combination of hibiscus flower, pineapple and ginger juice has its five members as owners as well as key managers of the firm. Production is scheduled to commence on the 2nd of January, 2012 by which the company would have been registered at Registrar General's Department. JELAB Company will be a rented building situated at plot 20 Block A, Oduom in Kumasi. Our premises will be an enclosed apartment by the main road with a store room, an open office and the main manufacturing room which will be used for general operations.

This location has been chosen due to access to affordable infrastructure facility and transport. In choosing this vantage point for dispensing our C-ROL juice, we considered its proximity to our targets (schools), high visibility, low cost of rent and its easy access routes to densely populated areas of Kumasi. All these factors have been designed to help strengthen the business in terms of efficiency and cost effectiveness by making the transportation less costly, eliminating the difficulties our customers may encounter in getting the products as well as reducing the time spent in making deliveries and supplies. JELAB will have a workforce of fifteen (15) with five of its owners as key managers. The General Manager will be making strategic decisions concerning the business as well as giving instructions to and noting down reports from the Functional Managers. The Production Manager and Quality Assurance Manager will work cooperatively with three operations staff who will be taking instructions and reporting to the Productions Manager solely. Sales and marketing manager will have two sales representatives assisting him in his day to day activities as well as the company driver. In addition, we will employ a security man who will take on an evening shift schedule.

The sales team will be abreast with the benefits of our product and trained to offer good customer care services, institute motivational packages, provide them with the needed logistics to intensify sales and distribution. The products will be made known to its target in the form of personal selling and advertisement both print and electronic media. For the print media, we plan on advertising in the Daily Graphic since it is the most patronized and for electronic, most popular station in Kumasi (Luv FM), Viasat 1 station during their soap opera periods as well as TV3's Talented Kids show. The management of C-ROL juice will ensure proper care and maintenance to keep machinery and equipment in good condition to be able to produce efficiently and effectively. Again the company will offer promotional packages for wholesalers and retailers – free pack and discounts when bulk quantities of products are purchased. The support of missionary sellers such as doctors, pharmacists and lecturers will be solicited for, so they recommend C-ROL to their patients and students as a refreshing and nutritious juice. This, we believe will further help boost our sales and achieve the set targets.

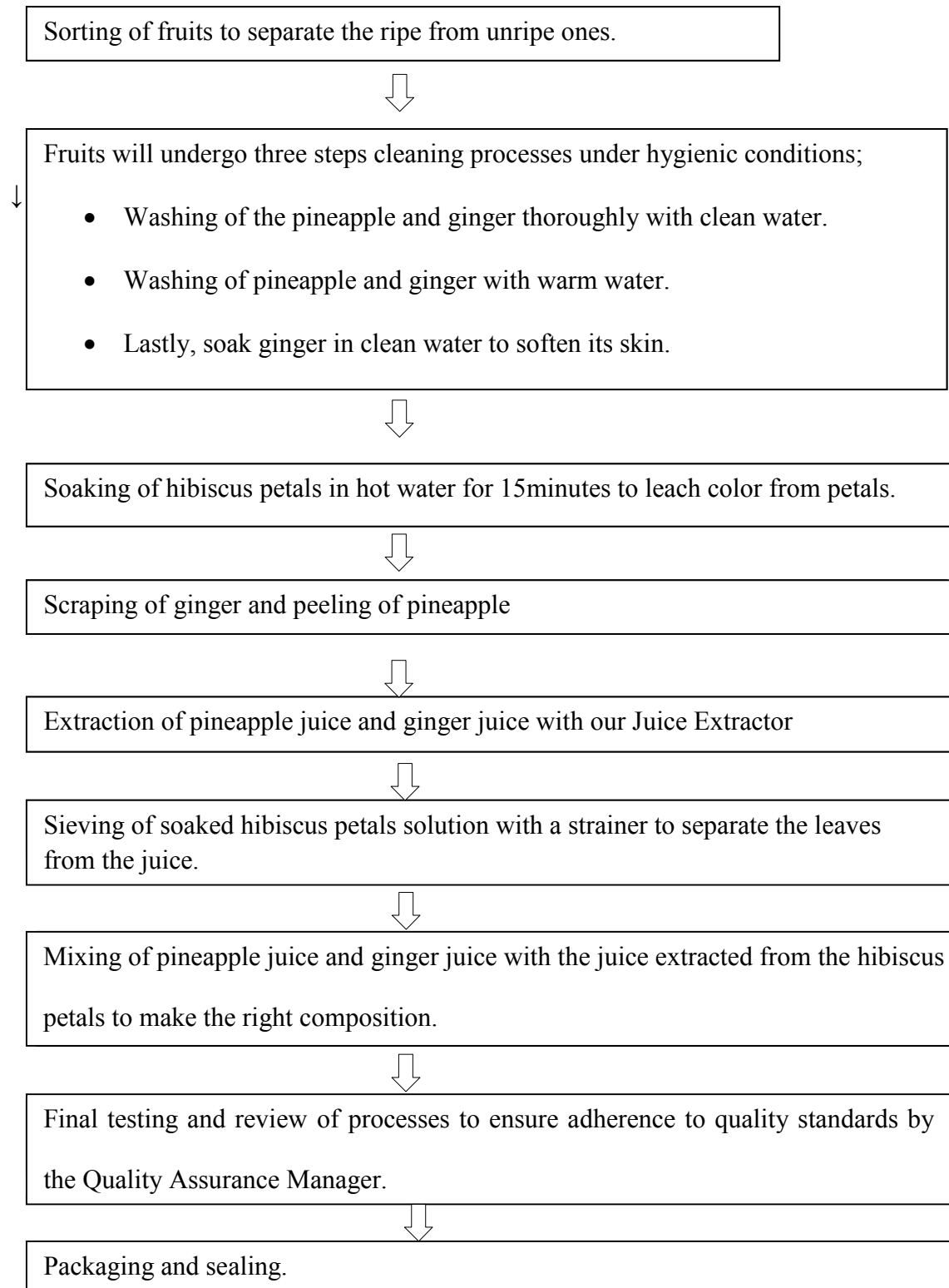
## **PRODUCTION PROCESS**

Our raw materials will be delivered by Nyame Ye Company Limited located at the Sekyere Afram Plains; until we are able to set up our own farm. This company is registered with and regulated by the Ghana Out Growers Association who ensure the quality standards for sowing and harvesting are met.

JELAB's source of water will be filtered water drilled from a borehole passing through two filtering stages to make it healthier, mix it with chlorine, then into a tank. This water is then heated for about thirty minutes, soaked with the hibiscus petals, mixed with the pineapple and ginger juice from our fruit extractor in another barrel connected to the automatic liquid packer, then the final sachet packed C-Rol juice is obtained. Packaging will be done by our operations staff then finally packed into our storeroom and cold storage with our trolley. For

the dispensers, the soaked hibiscus petals solution which can be stored for about three days will be mixed with the fresh pineapple and ginger juice produced daily and then poured into them.

The main production of C-Rol fruit juice will take the following steps;



## **4.2 ENVIRONMENTAL ANALYSIS**

### **4.2.1 COMPETITORS' ANALYSIS**

#### **COCA COLA COMPANY LTD**

Coca Cola is the leading manufacturers and distributors of non-alcoholic beverages in the country. Their carbonated drinks include coke, Fanta and sprite. They have also added a new malt drink known as Schweppes malt.

In the fruit juice sector their flagship product is Minute Maid. The major strength of Minutes Maid is its strong brand loyalty and recognition, excellent Tetra pack and extensive distribution network. They also have the financial wherewithal to undertake major promotional campaigns nationwide. One weakness identified is that, they do not use dispensers in their deliveries.

#### **BLUE SKIES CO. LTD.**

Blue Skies are the producers of natural fruit juices. They have a combination of ginger with pineapple juice and pineapple juice only. Their products are PET bottled and mostly sold exclusively in very few selected outlets to the rich in society. Their weakness lies in their inability to meet the rapidly growing needs of the larger market for natural fruit juices at affordable prices.

#### **HEALTHY LIFE BEVERAGES**

This is an off shoot of KinaPharma Co. Ltd. The company is a little over five years in the industry but has been able to capture a large share of the market. The company has modern production facilities and a wide distribution network. Healthy Life Go! products are heavily advertised nationwide.

### **FAN MILK GH. LTD.**

Fandango, is a citrus drink which was recently introduced onto the market. The company hopes to leapfrog on the success chalked by Fan Milk and Yoghourt to make a claim in the industry. It is highly nutritious, affordable and easily accessible. Their weakness is that the composition of their juice is not purely natural and has flavorings and colorings in it.

### **AQUA FRESH LTD.**

FruTelli is a product from Aqua Fresh. It commands a respectable position on the market. It is in a Tetra Pak. Its distinctive package makes it a preferred brand among consumers.

However, there are also imported brands such as Don Simon Multi Fruita which is doing well on the market. It is also in a Tetra pack.

In order to compete favorably the following issues will be critically looked at:

- Management will provide beverage dispensers at strategic locations so that consumers can get substantial value and a more convenient method for obtaining their refreshing drink.
- Management will provide consumers with quality products at competitive prices
- Management will secure additional funding for the acquisition of state-of-the-art production and packaging equipment (TETRAPACKAGING), and additional distribution vans.

## **4.2.2 PEST ANALYSIS**

### **Political**

The fruit juice industry is regulated by the food and drugs board and standards board. The products will undergo all the appropriate testing and approval by the statutory bodies. The

Registrar General Department is also responsible for registering businesses. The Government has also set up the Venture Capital Fund to help new businesses grow.

### **Economic**

The economic condition in the country at the moment is not stable due to the economic downturn around the world. Interest rates are very high and inflation rate is at a single figure currently. The high interest rates pertaining currently are very challenging but JELAB is up to the task.

### **Social**

Every society is governed by its beliefs which sometimes affect their patronage for goods and services as well as a change in the tastes and lifestyle of contemporary Ghanaians. There is an increase in outdoor activities currently and also consumers now prefer convenient access to their refreshment. JELAB will now therefore take advantage of these opportunities.

### **Technological**

The availability of state-of-the-art production equipment is a very encouraging factor in the industry as well as the Computer Aided Design (CAD) for packaging, labeling and branding. Therefore, JELAB will purchase fruit extracting machines which can help in maximizing output.

### **4.2.3 SWOT ANALYSIS**

This analysis captures the major internal strengths and weaknesses as well as the external threat and opportunities facing JELAB Company Limited.

## **STRENGTHS**

The company can pride itself in;

- Experienced, loyal and dedicated personnel who are committed to the cause of the company.
- Efficient machinery
- Competitive prices.

## **WEAKNESS**

- Low start-up capital
- Lack of goodwill and visibility
- Inadequate distribution vans

These notwithstanding, management will address them by securing additional funds to increase production capacity and enhance the distribution network. In addition, management will also sponsor worthy causes that enhance the welfare of society, thereby gaining visibility.

## **OPPORTUNITIES**

- Ever increasing population in the metropolis
- Increase in out-door activities
- Availability of convenient packages

## **THREATS**

- High cost of production as a result of increase in utility tariffs.
- Influx of imported brands onto the market
- Slower production during rainy season.



### **4.3 TARGET MARKET**

JELAB will target students in the tertiary institutions both public and private, senior and junior high schools, basic schools, social gatherings and events such as sporting activities and trade shows. The general public in the low- middle income bracket will also be targeted

### **4.4 MARKET SEGMENTATION**

JELAB will segment its market geographically in order to focus on serving the needs of the regional capital to be specific Kumasi Metropolis and gradually extend to other regional capitals. JELAB will also employ psychographic variables to identify segments based on lifestyle characteristics, attitudes and personality.

### **4.5 MARKETING MIX**

#### **4.5.1 PRODUCT DESCRIPTION**

The product will bear the brand name C – ROL fruit juice with the slogan '*Your healthy choice*'. The fruit drink will be of pure wine color to attract customers and will come in;

- 330 ml white PET bottles, bearing a yellow label and priced at GH¢1.00.
- 200 ml yellow and white colored sachets designed to attract customers which will also be priced at GH¢0.30.
- 250 ml white disposable cups which will be sold at GH¢0.50

The ingredients for the juice (C–ROL) comprise hibiscus petals, pineapple, water and ginger. C-Rol will be available in containers, sachets and also from Cooler Dispensers. The fruit juice will be of a wine color to attract customers. The product C-ROL, which is a combination of hibiscus petal, ginger and pineapple, has a high level of nutrients to meet the

healthy needs of customers. The nutritional values one derives from the C-ROL are; for the ginger, it stimulates digestion, naturally freshens breathe, helps lower cholesterol, relieves gas and bloating, relieves headache and its believed to have anti-cancer properties.

Pineapple is also a tropical fruit which contains proteolysis enzymes, anti-oxidants that helps in digestion of protein and a very good source of vitamin C. Pineapple helps in the regulation of the glands and found to be helpful in cases of goiter. It prevents constipation, high blood pressure and diseases of the joints. The hibiscus petals lower blood pressure, reduce cholesterol level, decrease the chances of developing heart disorders and boost the immune system.

This product will undergo all appropriate testing and approval by the right authorities, registration and specifications will also be confirmed to suit customer expectations.

#### **4.5.2 PRICING STRATEGY**

JELAB will use price penetration strategy to usher its products onto the market. Competitors hardly reduce price based on the fact that they have a wide distribution network backed by effective promotional campaigns. Therefore, by reducing our price we will be able to induce more consumers to prefer our brand which will then increase our market share in the long run.

#### **4.5.3 PROMOTIONAL STRATEGY**

JELAB's long-term goal is to gain visibility to leverage the competition. However, in the interim the company will use personal selling as its main promotional strategy. This will be accomplished through our 2 sales staff who will be going from office to office, 20 sales team using our delivery bicycles and dispensers to sell in traffic and densely populated areas in town. We will also advertise on a Drive Time Radio program LUV FM which has a mass

market appeal and extensive coverage and the Shop Around Newspaper which is free to the reading public. The company will also sponsor other out-door activities such as the Annual Luv FM Old Skull Re-union and the Nhyira FM's Keep-Fit Fun games to show case our products.

#### **4.5.4 DISTRIBUTION STRATEGY**

C-Rol will be made available to customers using the retail strategy where 20 people will be provided bicycles and dispensers to operate with but will earn their income on commission basis. These sales and delivery personnel will be given branded apparels to give them a distinctive out-look and appeal. Dispensers will be mounted in JCR's and cafeterias of universities and polytechnics, primary and secondary schools, hotel bars, restaurants, fast food joints and general public by our trained sales personnel. Strategic locations such as the Poku Trading Super Market, other super markets and retail outlets in the metropolis will be furnished with dispensers in order to catch the attention of shoppers. Some will also be placed at the Kejetia bus terminal as well as other bus terminals in and around Asafo to satisfy the needs of those who do not shop in super markets.

JELAB will also be taking orders from banks and other institutions to be served during lunch, board meetings or other general meetings.

#### **4.5.5 POSITIONING**

C – Rol will be positioned as a fruit juice for active and energetic people who desire a high quality nutritious fruit juice at an affordable price.

## **5.0 FINANCIAL ANALYSIS**

### **5.1 ASSUMPTIONS AND RISK ANALYSIS**

The following important assumptions were made with regards to the financial analysis.

- The plan used for forecasting will be 2012 -2014.
- Risk factor of 20% was used for analyzing the net present value.
- The prices of product will be GH¢0.50 for 250ml cups, GH¢1.00 for 330ml bottles and GH¢0.30 for 200ml sachets.
- JELAB Company will pay taxes in the same year it is incurred.

Risk can be said to be any situation where there is uncertainty about what outcome will occur. JELAB Fruit Juice Company has identified the types of risks it might face as the following:

#### **ECONOMIC RISK**

These are the external forces that JELAB has no control over and for that matter it can affect both production and patronage of our C-Rol juice. This type of risk comprises inflation, interest rate and exchange rate risks

#### **BUSINESS RISK**

Business risk is concerned with reductions in business value (cash out flows – cash inflows) from any source. The three major business risks are price risk, credit risk and business risk.

### **Price risk**

When there is uncertainty over the magnitude of JELAB's cash flows due to possible variations in its input and output prices. The input price risk may occur when there are variations in the prices of raw materials and other inputs needed for production like labor. Output price risk may occur when there are changes in JELAB's product prices which might affect the demand for its product(C-ROL fruit juice).

**Credit risk:** This is the risk associated with JELAB's debtors (wholesalers or retailers) who might request to sell our C-Rol juice on credit basis.

### **Pure risk**

Pure risk may occur as a result of the following;

- This is the reduction in the value of business assets due to physical damages and theft.
- The risk of legal liabilities for damages for harm to customers, suppliers who in any way may be dealing with JELAB Company Ltd or even knocking someone down with our delivery van.
- The risk associated with paying benefits to JELAB's injured workers under workers' compensation laws and other legal liabilities for injuries to JELAB's employees that are not governed by workers' compensation.
- The risk of death, illness and disability to employees of JELAB for which the company have agreed to make payments under our employee benefit plan, including obligations to employees under pension.

### **NATURAL RISK**

The main natural risk that may pose a threat to JELAB Ltd will be natural disasters like flooding of our premises destroying our equipment, fire outbreaks, and earthquakes causing cracks in the building of JELAB.

## **RISK MANAGEMENT**

This is the identification, assessment and prioritization of risks followed by coordinated and economical application of resources to minimize, monitor and control the probability of losses occurring. Risks cannot be mitigated simply because of financial and practical limitations. JELAB intends using the following methods to manage its risks;

## **LOSS CONTROL**

JELAB will take certain actions to reduce the expected cost of losses by reducing the frequency and severity of losses that might occur. This will include;

1. Coming out with good safety policies that will guide employees especially those who will be directly linked with production and frequent safety training to constantly remind employees.
2. Provision of protective clothing for our employees such as gloves, goggles, boots and others to minimize the rate of accidents in our workshop.
3. Routine inspection by the quality assurance manager to ensure that the right clothing, methods and procedures are adhered to in production to reduce defections.

## **LOSS FINANCING**

JELAB will employ this method so as to transfer some losses and obtain money to offset losses should they occur.

1. Pay premiums for insurance so as to transfer some of the risks that might occur to the insurer (S.I.C).
2. Register all its employees under the National Health Insurance scheme to reduce its medical expenses.

3. Retain or set some money aside to pay for losses that need to be catered for immediately.

## **INTERNAL RISK CONTROL**

JELAB will invest in information technology to give it more accurate and effective estimates or forecasts of future cash flows e.g. Forecasting future commodity prices, interest rates and estimating the frequency and severity of losses from marketing research on the potential demand for the different product to reduce output price risk.

Diversification, it is in the interest of JELAB to open other subsidiaries after the first three years in the various regions so as to use the revenue generated to offset losses in one subsidiary should there be a need.

## **PROJECTED INCOME STATEMENT FOR THE YEAR ENDED**

	2012	2013	2014
	GH¢	GH ¢	GH¢
Sales/ Turnover (W1)	125,925	229,950	297,475
Less Production Cost(W2)	<u>78,725</u>	<u>144,067</u>	<u>187,287</u>
Gross Profit	<u>47,200</u>	<u>85,883</u>	<u>110,188</u>
Less Expense:			
Directors Allowance (W8)	9,000	12,000	12,000
Board of Directors Allowance (W9)	800	1,600	2000
Salary (W7)	6,600	9,000	11,400
Office Rent (W10)	720	720	720
Office Utility	360	500	700
Legal and Registration Charges	1,000	250	400
Commission (W11)	12,593	22,995	29,748
Depreciation (W6)	2,290	2,290	2290
Insurance	1000	1000	1000



Training and Recruitment	1,200	1,500	2,000
Fuel Expenses	2000	4200	5240
Advertising	2,000	3,925	4,710
Miscellaneous (W12)	<u>5934</u>	<u>8997</u>	<u>10,831</u>
Total Expenses	<u>45,497</u>	<u>68,977</u>	<u>83,039</u>
Net Profit before Tax	1,703	16,906	27,149
Less Tax (25%) (W15)	<u>(426)</u>	<u>(4,227)</u>	<u>(6,787)</u>
Net Profit after Tax	<u>1,277</u>	<u>12,679</u>	<u>20,362</u>

### **STATEMENT OF CHANGES IN EQUITY FOR THE YEARS ENDED**

	2012	2013	2014
	GH¢	GH¢	GH¢
Balance b/f	-	1,277	13,956
Profit after Tax	<u>1,277</u>	<u>12,679</u>	<u>20,362</u>
	<u>1,277</u>	<u>13,956</u>	<u>34,318</u>

### **BREAK-EVEN IN SALES QUANTITY**

$$\text{BEP} = \frac{\text{Fixed Cost}}{\text{Selling price} - \text{Variable cost}}$$

Average sales price = 0.8

Fixed Cost = 45,497

Average variable cost = 0.30

$$\frac{45,497}{0.8 - 0.30}$$

90,994 Liters

### **PROJECTED NET PRESENT VALUE**

Year	Cash flow	Discounted Factor (20%)	Present Value
Y0	60000	0	(60,000)
Y1	16,767	0.833	13,967
Y2	10,585	0.694	7,346
Y3	24,470	0.579	<u>14,168</u>
			<u>24,519</u>

## **PROJECTED CASHFLOW STATEMENT FOR THE YEAR ENDED**

	2012	2013	2014
	GH¢	GH¢	GH¢
Cash flows:			
Initial Capital	60,000	—	—
Sales collections	120,000	220,000	290,000
Total Cash Inflow	180,000	220,000	290,000
Cash outflows:			
Purchases of fixed Assets	45,800	—	
Purchases of Materials	75,000	140,000	180,000
Directors Allowance (W8)	9,000	12,000	12,000
Board of Directors Allowance (W9)	800	1,600	2,000
Salary (W7)	6,600	9,000	11,400
Office Rent (W10)	720	720	720
Office Utility	360	500	700
Legal and Registration Charges	1,000	250	400
Commission (W11)	12,593	22,995	29,748
Fuel Expenses	2,000	4,200	5,240
Insurance	1000	1000	1000
Advertising	2,000	3,925	4,710
Miscellaneous (W12)	5,934	8,997	10,831
Tax	<u>426</u>	<u>4228</u>	<u>6,787</u>
Total cash flow	<u>163,233</u>	<u>209,415</u>	<u>263,530</u>
Net Cash flow	16,767	10,585	24,470
Opening Cash Balance	<u>0</u>	<u>16,767</u>	<u>27,352</u>
Closing Cash Balance	<u>16,767</u>	<u>27,352</u>	<u>51822</u>

**PROJECTED FINANCIAL POSITION AS AT 2012, 2013 AND 2014.**

	<b>2012</b>	<b>2013</b>	<b>2014</b>
	<b>GH ¢</b>	<b>GH¢</b>	<b>GH¢</b>
Non-Current Assets	38,930	32,060	25,190
(NBV)			
Current Asset			
Receivables and	5,925	29,950	31,475
prepayment			
Cash at Bank	<u>16,767</u>	<u>27,352</u>	<u>51,822</u>
Total Assets	<u>61,622</u>	<u>89,362</u>	<u>108,487</u>
Stated Capital	60,000	60,000	60,000
Income Surplus	<u>1,277</u>	<u>13,956</u>	<u>34,318</u>
	<u>61,277</u>	<u>73,956</u>	<u>94,318</u>
Current Liabilities:			
Payables and accruals	<u>345</u>	<u>15,406</u>	<u>14,169</u>
	<u>61,622</u>	<u>89362</u>	<u>108,487</u>

## PROJECTED INCOME STATEMENT FOR THE YEAR ENDED

	2012	2013	2014
	GH¢	GH¢	GH¢
Sales/ Turnover (W1)	125,925	229,950	297,475
Less Production Cost	<u>78,725</u>	<u>144,067</u>	<u>187,287</u>
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Less Expense:			
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Legal and Registration Charges	1,000	250	400
Commission	12,593	22,995	29,748
Depreciation	2,290	2,290	2290
Insurance	1000	1000	1000
Training and Recruitment	1,200	1,500	2,000

Fuel Expenses	2000	4200	5240
Advertising	2,000	3,925	4,710
Miscellaneous (W12)	<u>5934</u>	<u>8997</u>	<u>10,831</u>
Total Expenses	<u>45,497</u>	<u>68,977</u>	<u>83,039</u>
Net Profit before Tax	1,703	16,906	27,149
Less Tax (25%)	<u>(426)</u>	<u>(4,227)</u>	<u>(6,787)</u>
Net Profit after Tax	<u>1,277</u>	<u>12,679</u>	<u>20,362</u>

#### STATEMENT OF CHANGES IN EQUITY FOR THE YEARS ENDED

	2012	2013	2014
	GH¢	GH¢	GH¢
Balance b/f	-	1,277	13,956
Profit after Tax	<u>1,277</u>	<u>12,679</u>	<u>20,362</u>
	<u>1,277</u>	<u>13,956</u>	<u>34,318</u>

## PROJECTED CASHFLOW STATEMENT FOR THE YEAR ENDED

	2012	2013	2014
	GH¢	GH¢	GH¢
Cash flows:			
Initial Capital	60,000	—	—
Sales collections	120,000	220,000	290,000
Total Cash Inflow	180,000	220,000	290,000
Cash outflows:			
Purchases of fixed Assets	45,800	—	
Purchases of Materials	75,000	140,000	180,000
Directors Allowance (W8)	9,000	12,000	12,000
Board of Directors Allowance (W9)	800	1,600	2,000
Salary (W7)	6,600	9,000	11,400
Office Rent (W10)	720	720	720
Office Utility	360	500	700
Legal and Registration Charges	1,000	250	400
Commission (W11)	12,593	22,995	29,748
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Total cash flow	<u>163,233</u>	<u>209,415</u>	<u>263,530</u>
Net Cash flow	16,767	10,585	24,470

Opening Cash	<u>0</u>	<u>16,767</u>	<u>27,352</u>
Balance			
Closing Cash Balance	<u>16,767</u>	<u>27,352</u>	<u>51822</u>



## APPENDIX

### PROJECTED SALES SCHEDULE (W1)

YEAR	PRODUCT TYPE	QUANTITY SOLD DAILY	AMOUNT GH¢
2012	Cups	200	$200 \times \text{¢}0.50 \times 365 \text{days} = 36,500$
	Bottles	100	$100 \times \text{¢}1.00 \times 365 \text{days} = 45,625$
	Sachets	400	$400 \times \text{¢}0.30 \times 365 \text{days} = 43,800$
		700	Total yearly sales = 125,925
2013	Cups	500	$500 \times \text{¢}0.50 \times 365 \text{days} = 91,250$
	Bottle	200	$200 \times \text{¢}1.00 \times 365 \text{days} = 73,000$
	Sachets	600	$600 \times \text{¢}0.30 \times 365 \text{days} = 65,700$
		1,300	Total yearly sales = 229,950
2014	Cups	610	$610 \times \text{¢}0.50 \times 365 \text{days} = 111,350$
	Bottle	300	$300 \times \text{¢}1.00 \times 365 \text{days} = 109,500$
	Sachets	700	$700 \times \text{¢}0.30 \times 365 \text{days} = 76,650$
		1,610	Total yearly sales = 297,475

**(W2)****DETAILS OF PRODUCTION COST**

2012

Purchase of raw materials:

GH¢

 $300\text{cups} \times 365\text{days} = 109,500 \times \text{GH¢ } 0.10 =$ 

10,950

 $170\text{bottles} \times 365\text{days} = 62,050 \times \text{GH¢ } 0.25 =$ 

15,513

 $450\text{sachets} \times 365\text{days} = 164,250 \times \text{GH¢ } 0.10 =$ 

1,6425

Hibiscus Petals =  $800\text{bags} \times \text{GH¢ } 6 =$ 

4,800

Pineapples =  $5200 \times \text{GH¢ } 0.50 =$ 

26,000

Ginger =  $400\text{bags} \times \text{GH¢ } 10 =$ 4,000

77,870

Less closing stock of raw materials:

 $109500\text{cups} - (200\text{cups} \times 365\text{days}) = 36500 \times \text{GH¢ } 0.10 =$ 

3,650

 $62050\text{bottles} - (100\text{bottles} \times 365\text{days}) = 25550 \times \text{GH¢ } 0.25 =$ 

15,513

 $164250\text{sachets} - (400\text{sachets} \times 365\text{days}) = 18250 \times \text{GH¢ } 0.10 =$ 

1,825

Hibiscus flowers =  $800\text{bags} - (2\text{bags} \times 365\text{days}) = 70 \times \text{GH¢ } 6 =$ 

420

Pineapples =  $52000 - (140 \times 365\text{days}) = 900 \times \text{GH¢ } 0.50 =$ 

450

Ginger =  $400\text{bags} - (1\text{bag} \times 365\text{days}) = 35 \times \text{GH¢ } 10 =$ 35

13,265

Raw Materials Consumed

64,605

Direct Wages (W3)

2,880

Prime cost

67,485

Add Factory Overheads:

Factory Utility	4500
Factory Rent	1,200
Indirect Wages (W5)	960
Depreciation of factory equipment's (W5)	<u>4,580</u>
Production Cost	<u>78,725</u>

NOTE: Cost of production will be increased by 83% in the second year and 30% in the third year.

$$2013 = 78725 * 83\% = 65,342 + 78,725 = 144,067$$

$$2014 = 144,067 * 30\% = 43,220 + 144,067 = 187,287$$

(W 3)

#### **DIRECT WAGES**

<b>YEAR</b>	<b>QUALICATION</b>	<b>NUMBER OF EMPLOYEES</b>	<b>WAGE PER MONTH GH¢</b>	<b>ANNUAL WAGES GH¢</b>
2012	Operations staff	3	3*800 =240	240*12months =2,880
2013	Operations staff	5	5*100 =500	500*12months =6,000
2014	Operations staff	6	6*120 =720	720*12months =8,640



Bal b/f	400	1600	1680	2800	4000	3600	240	4000	18320
Depreciation	100	400	420	700	1000	900	60	1000	4580
NBV	300	1200	1260	2100	3000	2700	180	3000	13740
2014									
Bal b/f	300	1200	1260	2100	3000	2700	180	3000	13740
Depreciation	100	400	420	700	1000	900	60	1000	4580
NBV	200	800	840	1400	2000	1800	120	2000	9160

**(W6)**

### **DEPRECIATION OF FIXED ASSETS**

A 10% depreciation of fixed Assets

2012	Computer and Accessories	Delivery Van	Delivery Bicycles	Dispensers	Total
Cost	2000	15000	900	5000	22900
Depreciation	200	1500	90	500	2290
NBV	1800	13500	810	4500	20610
2013					
Bal b/f	1800	13500	810	4500	20610
Depreciation	200	1500	90	500	2290

NBV	1600	12000	720	4000	18320
2014					
Bal b/f	1600	12000	720	4000	18320
Depreciation	200	1500	90	500	2290
NBV	1400	10500	630	3500	16030

(W7)

### SALARY

YEAR	QUALIFICATION	NUMBER OF WORKERS	MONTHLY SALARY	ANNUAL SALARY
2012	Sales Representatives	2	$100 \times 2 = 200$	$200 \times 12 = 2,400$
	Accounts Clerk	1	200	$200 \times 12 = 2,400$
	Delivery Driver	1	150	$150 \times 12 = \underline{1,800}$
				<u>6,600</u>
2013	Sales Representatives	2	$150 \times 2 = 300$	$300 \times 12 = 3,600$
	Accounts Clerk	1	250	$250 \times 12 = 3,000$
	Delivery Driver	1	200	$200 \times 12 = \underline{2,400}$
				<u>9,000</u>
2014	Sales Representatives	2	$200 \times 2 = 400$	$400 \times 12 = 4,800$
	Accounts Clerk	1	300	$300 \times 12 = 3,600$
	Delivery Driver	1	250	$250 \times 12 = \underline{3,000}$
				<u>11,400</u>

- W.8. Directors' allowance will be GH¢150 per month in the first year of operation and will be increased to GH¢200 in the subsequent years.  $150 \times 12 \times 5 = 9,000$ .
- W.9. Board of Directors Allowance will be GH¢200 per member for every meeting day.  
Meeting will be held semi-annually.  $\text{GH¢}200 \times 2 \times 2 = 800$
- W.10. Office Rent will be GH¢60 per month.  $\text{GH¢}60 \times 12 = 720$
- W.11 Commission will be 10% on sales.
- W.12 Miscellaneous expense will be 15% of total expenses
- W.13 All sales will be on both credit and cash basis.
- W.14 All purchases of materials will be on both credit and cash basis
- W.15 Taxes will be paid in the same year it is incurred

**PROJECTED FINANCIAL POSITION AS AT 2012, 2013 AND 2014.**

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	<b>GH ¢</b>	<b>GH¢</b>	<b>GH¢</b>
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	<u>61622</u>	<u>89362</u>	<u>108487</u>

### BREAK-EVEN IN SALES QUANTITY

$$\text{BEP} = \frac{\text{Fixed Cost}}{\text{Selling price} - \text{Variable cost}}$$

Average sales price = 0.8

Fixed Cost = 45,497

Average variable cost = 0.30

45,497

0.8 - 0.30

90,994 liters

### PROJECTED NET PRESENT VALUE

Year	Cash flow	Discounted Factor (20%)	Present Value
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