

**CHRISTIAN SERVICE UNIVERSITY COLLEGE - KUMASI**

**DEPARTMENT OF BUSINESS STUDIES**

**BARCHELOR OF BUSINESS ADMINISTRATION**

**OAK FINACIAL SERVICES**

**BUSINESS PLAN**

**BY**

**SHARON ASAFO-ADJEI**

**JEFFREY OWUSU SEKYER**

**SERWAA AFRIYIE BONSU**

**TIMOTHY MAALE**

**NATHANIEL DEKYI**

**DECEMBER, 2011**

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BUSINESS PLAN

A BUSINESS PLAN SUBMITTED TO THE DEPARTMENT OF BUSINESS STUDIES OF  
CHRISTIAN SERVICE UNIVERSITY COLLEGE, KUMASI IN PARTIAL  
FULFILLMENT OF THE REQUIREMENT FOR THE COURSE  
CSAD 443 TEAM BUSINESS PROPOSALS

BY

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## 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 source. I also declare that I have been under supervision of this Business plan herein submitted.

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## **EXECUTIVE SUMMARY**

OAK FINANCIAL SERVICES is being set up by a five member partnership, to bring financial services to a larger number of micro and small poor entrepreneurs in the rural communities in Ghana most especially Northern Ghana Nandom to be precise.

As a FINANCIAL SERVICES PROVIDER, our aim is to give financial services by way of loans to the active poor in the Nandom District in the Northern Ghana especially women, we believe when you transform the live of a woman by increasing her income you are more impacting the lives of the whole family

Our team of leadership is headed by Mr. Jeffery Owusu Sekyere the CEO, Mr. Dekyi being the COO with Mr. Maale in charge of the accounts section, Miss Serwaa Afriyie Bonsu and Miss Asafo- Adjei handling the personnel and the marketing sections respectively.

Nandom has a population of 6000 inhabitants and 70% of the population is not banking with only rural bank in the area we plan to penetrate into the market and take 35% out of the 70% non banking and in the next two years get 65% on board.

With estimated client of about 3000 and a loan portfolio of 700,000 Ghana Cedis and estimated net income of 45,000 Ghana Cedis. OFS is hoping to be the biggest and most profitable MFI in the area.

OFS plan to start with a branch in Nandom and later spread to other smaller and economically viable communities in the Northern Ghana to serve other small and micro business being operated by women in particular.

The operations of OFS will build on the profitable operations its first branch in providing loans to its clients; OFS will broadly adopt the GROUP and INDIVIDUAL loan methodologies and procedures that have successfully been used by other MICRO FINANCIAL INSTITUTIONS

(MFIs) with some modifications to meet the prudential requirements of the BOG. A third loan product, the popular SUSU LOANS, will be introduced with time as our presence and operations are accepted by our operational communities.

OAK financial services will earn from our loans and other services. Our gross profit margin will be 15-25% within the first two years and hope to break even in the second year of operation and still make minimal profit same year and in the third 3<sup>rd</sup> return on investment should be estimated at 45%.

The company will need an investment amount of GHS150.000 to implement our strategy with about 25% going into tangibles such as premises and infrastructure and the balance into operating and administrative expenses.

Owners of the company are able and willing to put up GHS97500 which is 65% of the total investment amount. We would like to fund the balance from selling of shares in the business.

Projections on the operations of the branch over the three-year period in review show the following:

	Year 1	Year 2	Year 3
Number of active borrowers	1600	2700	3200
Number of voluntary depositors	1000	1900	2700
Gross loan portfolio (GHS	15,339	21,888	32,234
Savings and other deposits (GHS)	7,574	20,334	31,813
Operational Sustainability, after-tax	94%	107%	112%
Financial Sustainability, after-tax	74%	87%	94%
Portfolio a Risk >0 days (PAR)	3.5%	3.6%	3.7%
Equity Multiplier	1.49	2.02	2.38
Total assets GHS)	33,176	46,885	60,555
Net Income (GHS)	(698)	948	2,191
Adj. After-tax Return on Total Assets	-13.5%	-5.7%	-2.7%
Adj. After-tax Return on Equity	-18.4%	-10.1%	-6.0%

## **VISION, MISSION AND CORPORATE OBJECTIVES.**

### **OUR VISION.**

- To see and strengthen the lives of the poor and low - income entrepreneurs in the rural communities to be transformed through the provision of financial service.

### **OUR MISSION.**

- To serve the low-income and the poor entrepreneurs with micro loans and other transformational services to aid them in increasing their income and being productive whiles making good returns for shareholders.

### **CORPORATE OBJECTIVES.**

- Provide appropriate tailored lending and other products that meet the needs of our customers.
- Expand outreach by providing savings and lending services to a significant proportion of the households in our operational areas.
- OFS aims to get over 85% of the Nandom population doing business in the 2<sup>nd</sup> and 3<sup>rd</sup> year.

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## **1.0 ORGANIZATION.**

Oak Financial Services (OFS) is a microfinance institution to be established in January 2012 and hopes to begin operations in March of 2012. OFS is being founded by a five member partnership made up of Sharon Asafo - Adjei, Timothy Maale Maasole, Nathaniel Dekyi, Serwaa Afriyie Bonus and Jeffrey Owusu Sekyere.

After four meetings among partners and discussing where we could possibly begin our operations, Timothy convinced the partners that Nandom communities were economically viable. Three members among the partners including Serwaa, Timothy and Jeffery were tasked to visit and present to our next meeting on the economic viability of the area.

After the visit and assessment by the team to the communities in Nandom which is in the Upper West Region of Ghana they realized that these communities were economically viable for business yet lack financial assistance. The team were motivated at what we saw in Nandom communities and so there was a general acceptance by all the partners and so decided to establish a microfinance institution to serve the financial needs of the entrepreneurs poor and businesses in those communities.

OFS hopes to work with the low income earners and economically poor in the Nandom communities. OFS will offer a loan product that is tailored according to the needs of the people in the area..

### **Legal Structure**

The structure of the company will consist of 5 General partners. The amount of funds needed from the partners is GHS 97500, which will equal 65% ownership of the business. Each partner's investment of GHS19500 shall equal 20% of the business.

The will be treated as loan and will be paid back over 5 years at 11%pa interest.

## **2.0 PRODUCT IDEA & REALISATION OF SCHEDULE**

### **2.1 PROODUCT IDEA**

A major obstacle to the growth of Nandom District is the lack of access to affordable financing.

Many people have it that poor people are lazy and unproductive, many poor people are productive but the challenge has been lack of financial access. OFS is in to transform the life of these poor micro entrepreneurs by way of giving them access to financial services.

OAK will broadly adopt the loan methodology and procedures currently in use by most MFIs with some refinements to meet the prudential requirements of the BOG and improve operations. This will afford OAK to begin full-scale operations immediately after it has obtained its license as the skills set of the staff and infrastructure will facilitate operations.

#### **Services**

The Microfinance institution will help enhance the Government of Ghana's policy of reducing poverty in the rural areas.

We will deliver services by abiding by the rules and regulations set by the BANK OF GHANA.

Customer satisfaction will be our measure or guide for rendering services because to us the customer is life-line of the business.

We will provide tailor made services to deepen the knowledge about the private sector as the engine of growth.

We will also honor our tax obligations to the appropriate tax authorities. This is to ensure that we provide our quota to national development.

## **UNIQUENESS**

Our uniqueness is our 38% interest rate with a flexible repayment schedule as compared to our other competitors whose interest rate is 42% which is the minimum rate one can get from any other micro finance institution we also have insurance component on each loan.

**OAK FINANCIAL SERVICES** will also introduce bank in a box services in the surrounding villages. Our service will benefit the rural folks in the sense that, instead of them carrying huge sums of money to the banking halls, we will go to their various work places to collect their daily sales. They can also withdraw money from us without going to the banking hall.

## **Customer benefit**

Our customers will benefit by enjoying our loan facilities which will help them improve their way of living and also expand their business. Our services such as the bank in a box service will help save time and give them the chance to share their problems and views concerning the bank.

Our friendly staffs will also encourage and give them the necessary advice concerning the benefits they will get when they do business with us. Customers will also have the privilege of avoiding any shortage which comes with sending money to the banking hall.

## 2.2 RELISATION SCHEDULE

<u>Application</u>	<u>Date</u>	<u>Sources</u>	<u>Amount</u>	<u>responsibilities</u>
Fin. /Accounts				
1. Funding	Nov- Dec' 11	Internal	97500	Owners
2. Developing of site for office	Jan/2012	External	1,000	OPR MGR
3. Construction of office	Jan/1012	Internal	20,000	OPR MGR
4. Fixing of machines & Eqp.	Feb, 2012	Internal	1,000	OPR. MGR
5. Massive clean-up	Feb,2012	Internal	500	H.R Manager
6. Launch & Commissioning	30,Mar,2012	Internal	3,000	MGT & staff

### **3.0 MANAGEMENT TEAM**

Our team of expert will ensure a client receives the best of product and services to ensure they have financial sustainability.

#### **CHIEF EXECUTIVE OFFICER**

The Chief Executive officer in the person of Mr. Jeffery Owusu Sekyere is an accomplished young business executive. He is a holder of an MBA in Communication and a Bachelor of Business Administration Accounting from the prestigious Christian Service University College in Ghana. He owns his private business which imports Home Security Gadgets and also a Board member of VOA Financial Services.

With his vast experience in business, he is expected to steer the affairs of OAK Financial Services.

#### **Job description**

1. He will ensure that policies taken by the Board are implemented.
2. Liaise with other department (functional heads) and the Board of Directors.
3. He will see to the smooth running of the company's day to day activities.
4. He will represent management and give reports on general company performance at Board meetings.

#### **ACCOUNTANT/FINANCE OFFICER**

Mr. Timothy Maale is a Graduate of Christian Service University College and holds a Bachelors of Science degree in Accounting. Is He is currently doing his Masters degree on-line with the

University of Liverpool in England. He works as an accountant for Glitex Solutions Ltd. with four years working experience. He is also an associate auditor for Akate Farms Ltd.

His work rate and achievements are going to help Oak Financial Services to be on a sound financial footing.

### **JOB DESCRIPTION**

1. He will keep the financial records of the company.
2. Draws the company's annual budget.
3. Give advice on the company's financial standing.
4. Outline measures in achieving financial success.

### **MARKETING MANAGER**

Mr. Nathaniel Dekyi is an affable young man with about 8 years of working experience.

He works with Voltic Gh Ltd as their marketing manager. He is also an ex- marketing personnel for Kasapreko Company Ltd where she worked for 4 years.

He holds a Bachelor of Commerce degree in Marketing from the Christian Service University College.

## **Job description**

1. He will undertake marketing forecast and trends
2. Draw schedule of activities concerning sales promotion, branding, advertising etc.
3. Conduct analysis on price fluctuations and decide which pricing module should be taken.
4. Draw budget on sales activities and ways of reaching customers
5. Upholding our company motto in service delivery
6. Advice management on marketing strategies and sales projections.

## **HUMAN RESOURCE MANAGER**

In the Person of Miss Serwaa Afriyie Bonsu holds a Bachelors of Science degree in Human Resource Management from the Christian Service University College. She is an associate Resource Personnel for Garden City Investments Limited and has five years working experience and also a Human resource Administrator with the Electricity Company Ltd.

## **Job description**

1. She will provide human resource planning, recruitment and selection, employee rewards and benefit, employee relations, health and safety management.
2. Draw and determine the payroll structures for all employees and management.
3. Give advice to managers to ensure consistent decisions made on matters concerning performance ratings, pay increases and disciplinary actions.
4. Help to identify employee opportunities and also help to achieve the company's business objective.

## **OPERATIONS MANAGER**

This is a position that will be vacant and as such the required formalities will be taken to find the most competent and qualified staff to fill the position.

The following are the qualification status that will be given considerations for an interview;

1. A bachelor's degree or an HND (diploma) in production management.
2. Requisite skills in micro finance management
3. A minimum of 4 years working experience with any recognized micro finance.
4. Other certificates relating to area of job vacancy
5. Personal interest and achievements.

## **Team to implement plan in the first year**

The team to implement plan in the first year of business will be headed by the Managing Director/ CEO the COO, Head of Marketing and Personnel,. They will be responsible for the over-all institutional management and general administration of the company in the first year, subject to the policies set by the board of directors. The general duties of this team include among others the following:

- Over-all management of OAK Financial Services:
- planning and monitoring of operations, including branch supervision;
- Selection, supervision and training of staff subject to board approved policies;
- Supervision of branch manger;
- fund sourcing and negotiating with banks, investors and other parties;
- reporting to the board, shareholders and the BOG; and
- representing OFS in contracts, negotiations and meetings.

## **4.0 MARKETING ANALYSIS**

### **Business Systems & Operations**

For all its loan products, OAK will initially provide small, short-term loans that will be increased over time as the borrower exhibits increasing capacity to service larger loans. Bigger and longer-term loans as reward to good loan repayment performance and the threat of cancellation of access to future loans will be used to motivate good borrower behavior. Mechanisms such as a group fund to answer for any default of a member of the group in the case of group loans will be used to promote timely loan repayment.

OAK will be contacting consultants who will develop a careful loan screening process for both the group and individual/susu lending. This process addresses the asymmetric information problem inherent in extending micro and small loans, especially at the start of the credit relationship. OAK will build a relationship of trust with a borrower by initially granting relatively small, short-term loans, gradually increasing the volume and maturity of the loans depending on the payment performance of the borrower, thereby also reducing the transaction costs of lending. This process also takes into account the fact that a micro and small entrepreneur's need for credit is not a single activity but a continually recurring situation that varies in both quantitative and qualitative terms according to the state of the entrepreneur's business. Accordingly the repayment performance of the borrower becomes the key factor in determining the extent to which the borrower will be extended additional loans by OAK.

The deposit mobilization program is anchored on the desire of micro and small clients for the safe custody of their small savings as confirmed in the market research, and on OFS desire to refinance its lending operations. In designing and marketing deposit products, OFS recognizes the considerable evidence that depositors at the lower end of the market care about safe custody of their funds much more than about earning competitive interest on their deposits.

The classic example is the popular susu deposits that are not paid any interest but are even charged a collection fee. Therefore OFS will offer interest rates that take into account the relatively high administrative costs associated with maintaining accounts with small balances. These rates will be lower than for example the rates offered by other financial institutions that target high-value customers.

## 4.2 ENVIRONMENTAL ANALYSIS

OAK used a combination of document research, market Survey, and on-site investigation to complete the necessary client and market research. Findings include:

A study of all existing clients on the MFI market shows that:

Existing clients in other MFIs tend to be somewhat dissatisfied with these institution, primarily because they feel that loan terms and sizes are inflexible and not meeting their needs and interest rate too high. Loan sizes start at GHC.100 per individual for first loans and increase by GHC.100 for each loan until the loan ceiling of GHC500 is reached. **Loan sizes are reviewed each fiscal year and updated for inflation.** All loans are 6 or maximum 7 months in duration, and clients make weekly, fourth nightly and monthly payments, with either two or maximum three weeks grace periods.

A study of client repeat rates has shown fairly low client retention. 70% of clients completing the first three loan cycles have gone on to the next loan cycle. After completion of the fourth loan cycle, retention drops to between 50 – 70 %.

Many clients indicate that they would place a premium value on more responsive customer service, with more flexibility in the loan amounts and terms (they would accept shorter loan terms in order to get to larger loan amounts more quickly), and more timely disbursement of requested amounts.

Sectoral breakdown of enterprises is: 40% small-scale commerce of fresh produce, 20% small-scale retailers of dry goods, 25% shoemakers, 15% other production-based businesses.

## **SWOT ANALYSIS**

### **Strength:**

- A connection with our target customers who are women
- A good foundation of business knowledge that we have built.
- The fact that OFS cofounders share different interest and skills to help meet objective
- Ability to go down to our clients level

### **Weakness:**

- Even though OFS cofounders know about microfinance we lack real prior business operation experience.

### **Opportunities :**

- No microfinance institutions in Nandom district
- The high interest rates of our competitor.
- The flexible size of the market.

### **Threats:**

- The sheer number of business that would want to enter the market subsequently most people wouldn't be needing these services.

### 4.3 Market Segmentation

Nandom lies 100 miles from Tamale, on the main highway to the north, and transportation services are very reliable and regular.

Town population is 500 households. Within a 10-mile radius there are approximately 6,000 households.

The number of businesses in this area appears to be on the rise, partly due to the availability of financial services. Best estimates are that the number of businesses grows by 5-10% per year.

Early analysis indicated that the rural district has a strong potential for expansion.

### 4.4 Target Market

Our focus is solely on the rural areas in Northern Ghana, early analysis had shown that **Nandom and its environs** was a strong potential market.

Most households are involved in a wide variety of activities, including grain production, small-scale livestock husbandry, and transformation and transformation of agricultural commodities, trading activities, and some artisanal production. Specific activities vary significantly by season.

There is a large-scale market twice a week in Nandom where most households in the community come for their commercial activities.

In addition to a local dialect, they also speak the English language.

Nandom district seem to be affected by strong seasonal demand for their products in the months of October through December. There is a lull in activity each April through August due to limited cash circulation in the economy.

With respect to client characteristics, education levels are consistently low; about half of those surveyed had difficulty with the written portion of the market survey. There is strong cultural cohesion throughout the country. Most adults have participated frequently in some form of rotating credit and savings associations also known as ROSCAs.

## **4.5 Marketing Mix**

### **Products Features/ Strategy**

#### **Group Loans**

The company's flagship lending program will be modeled around the "Trust Banks" methodology. A Trust Bank may be described as a system of group lending where an organized group of 15 to 35 economically disadvantaged but active individuals, mostly women, acting under the principle of co-guarantee apply for micro loans and repay these in installments within a given period of time.

The members are taken through a four-week group orientation covering group formation, project assessment and loan disbursement. The joint guarantee of members is used in lieu of physical collaterals. The scheme follows the Trust Bank model of Grameen Bank

The maturity of group loans will be 4 months up to 12months. Loan repayments will normally be in equal installments consisting of different combinations of interest plus principal, but can be made flexible depending on the cash flow of the borrower. This recognizes the fact that rural or trade-based borrowers have a different cash flow pattern compared to agriculture-based microenterprises.

#### **Individual Loans.**

These loans are granted to individual micro and small entrepreneurs to enable them to acquire the basic inputs to expand their businesses. The methodology is similar to the retail loan system followed by banks and finance companies. The loan size is much bigger than the group loans and some form of collaterals, mostly chattels, is required supplemented by one or two guarantors. Loan maturity for the first loan cycle is normally 4 months, extending to 18 months by the sixth cycle (third year).

## **Susu Loans**

These are essentially individual loans that are linked to the deposits of susu clients. Except for the lower interest rate of 24% per year, the terms of susu loans are proposed to be similar to those of the individual loans. The lower interest rate being planned as a competitive strategy and considering that susu deposits do not bear any interest.

## **Deposit Products**

One of the basic reasons for setting up OFS is to be able to provide deposit services to its clients, recognizing that micro and small entrepreneurs need savings as much as loans. It has therefore considered the mobilization of deposits as its second key objective and an important part of its credit extension.

While it will provide deposit services at the start of its operations (except demand deposits planned by the second year), the volume of deposits is initially projected to be moderate at the initial stages. As a policy, OFS will encourage all its borrowers to have deposit accounts. It will offer deposit products to meet the demand for deposit facilities by small depositors and compete with other financial institutions.

OFS plans to offer two general types of deposit products:

### **a. Compulsory Savings**

The compulsory savings will be for applicants of group loans who would be required to post a deposit of 10% of the loan amount applied for, which will constitute part of the security or collateral of the loan.

### **b. Voluntary Deposits**

The main deposit products of OFS will be the voluntary deposits. These products are similar to the existing products offered by S&Ls and rural banks. Four products are being

**Susu Deposits:** This is a savings program popular in Ghana and other parts of Africa. Susu collectors collect very small amounts on a routine basis (usually daily) from the clients' doorsteps with flexible withdrawal option. Under this program, the collectors regularly move around various markets and business districts to mobilize funds from their respective groups of clients. They will register the deposits in the clients' passbook right in the field and issue a respective receipt while also retaining a copy of the receipt. At the end of the month the susu collector returns the capital, less one days' payment, which is deducted as a fee. Interest is not paid. For those borrowing, deposits for three months or more are made and loans at 1.5 to 2 times the deposits are extended. Susu deposits secure susu loans.

### **Pricing;**

Pricing loan is an important aspect of loan product design. A balance must be reached between what the clients can afford and what the institution needs to earn to cover all of its cost.

However taking into consideration financing cost, Operating cost, Loan loss provision and cost of capital OFS will charge and interest rate of 38% pa as compared to the high rate charged by other MFIs. Processing fee at 3% and registration fee of GHS3 there is also 10% compulsory saving.

### **Promotional Strategy**

**Paid Advertising**-we currently participate in several forms of advertising; Radio advert in selected radio stations in the northern region a float in the Nandom communities, Van broadcast during market days and door to door outreach programme.

Direct marketing does work in the rural areas the marketing team will go out and talk to these clients. If a group of women hears and understand what being is sold out to them they will spread the word to the other members in the communities. Broachers and t-shirts would be printed and distributed the communities

## 5.0 FINANCIAL ANALYSIS

### **Assumptions** and Risk Analysis

#### Assumptions

- Gross margin is between 15-25%
- Tax Rate 25%
- All expenditure will remain the same of the first three years all things being equal
- Fixed Assets will be depreciated at;
  - vehicle-10%
  - office equipment and furniture-20%

#### **Risk Analysis**

In order to manage fraud and conflict of interest by staff, the company's code of conduct as well as policies shall be the guiding tools for the staffs. A staff handbook will be given to employees so that it guides them in their daily transaction of business for the company.

Also by protecting our investments, our loans will be insured against death of the loan client, permanent disability and disasters such as fire and flood. This means, the insurance premium will be added to the interests component of the loan and spread as part of the customers loan repayment installments.

As the institution will be expanding into new business lines and seek to raise money from traditional financial market to be successful we have to focus on the risk management system which will enable us prepare for expected and unexpected risk in the future.

Some major risk we are likely to face include

- Financial risk
- Operational risk
- Strategic risk

## **Financial risks**

- Credit risk- this is where earnings or capital due to borrower's late and non-payment of loan this will result to loss of income when we are unable to collect anticipated interest as well as principal. Credit risk can include transaction risk portfolio risk.

Effective approaches OFS would adopt in managing credit risk is as follows

- Create a well designed borrower screening, careful loan structuring, close monitoring, and clear collection procedures.
- A routine process for comparing concentrations of credit risk with adequacy of loan reserves.

## **Operational Risk**

This risk arises from human or computer error within daily product delivery and services. This is a function of internal controls, information systems, employee integrity and operating processes.

We hope to control this risk by using preventive measures to reduce fraud.

## **Strategic Risks**

These risks may include internal risk such as improper implementations, poor leadership, or effective governance and oversight.

In protecting against this risk we made ensure that our board comprises of the right mix of individuals who collectively represent the technical and personal skills and backgrounds needed by OAK Financial Services

## 5.2 PROJECTED INCOME STATEMENT

FINANCIAL REVENUE	YEAR 1 GH¢	YEAR 2 GH¢	YEAR 3 GH¢
Revenue from Loan Portfolio	12,000	16,000	20,000
Interest Received on Loan	4,500	5400	6210
Fee and Commission received on loan	2000	2400	2760
Revenue from Investment	3500	4200	4830
Other Operation Revenues	3000	3600	3960
<b>Total financial revenue</b>	<b>25000</b>	<b>31600</b>	<b>37760</b>
Financial Expenses			
Interest on Borrowings	2000	2200	2530
Interest paid on Deposits	1500	16580	1897
Other Expenses	2500	2750	3025
Gross Financial Revenue			
Impairment Loans	1000	1050	1155
Allowances for Loan Impairment	500	700	805
<b>Total financial expenses</b>	<b>7500</b>	<b>8350</b>	<b>9412</b>
Operation Cost			
Administrative Expenses	12750	14025	15428
Operational Expenses	5250	5775	6353
<b>Total operation cost</b>	<b>18000</b>	<b>19800</b>	<b>21781</b>
Revenue before Tax	500	3450	6567
Tax	-	863	1642
<b>Net income</b>	<b>500</b>	<b>2587</b>	<b>4925</b>
Income Surplus			
Balance b/f	-	500	2087
Net Income for the Year	500	2587	4925
<b>Balance b/d</b>	<b>500</b>	<b>2087</b>	<b>7012</b>

### 5.3 BREAK-EVEN PORTFOLIO SIZE

<b>Total Fixed Expense</b>	<b>GH¢</b>
Salaries	6220
Wages	3630
Insurance	550
Depreciation	850
Rent	1760
<b>Total</b>	<b>13010</b>
<b>Total Variable Expenses</b>	
Advertising	1100
Stationery	880
Utilities	990
General Expenses	990
Maintenance	825
Interest paid	3850
Allowance for loan impairment	7010
Loan Impairment	1050
<b>Total</b>	<b>9585</b>
Revenue Field	31600
Contribution (Revenue - TVC)	22015

#### CONTRIBUTION TO SALES RATION

$$= \frac{22015}{31600} \times 100$$

$$= 69.96\%$$

#### Break Even as per Portfolio Outstanding

$$= \frac{\text{Total Fixed Cost}}{\text{Contribution to sale Ration}}$$

$$= \frac{13010}{0.6966}$$

$$= 18676.42$$

## 5.4

**CASH FLOW STATEMENT FOR  
OAK FINANCIAL SERVICES**

	<b>Y1</b>		<b>Y2</b>		<b>Y3</b>	
	<b>GH¢</b>		<b>GH¢</b>		<b>GH¢</b>	
Cash from operation	(3650)		(750)		1609	
Interest Received	4500		5400		6210	
Interest paid	(3500)		(3850)		(4427)	
Revenue on Investment	3500		4200		4830	
Tax paid	----		(863)		(1642)	
Net cash for Operating Activities		850		4137		6580
Cash Flow from Investment						
Purchases of Assets	----		----		----	
disposal of Assets	----		----		----	
Purchase of Investment	----		----		----	
Sale of Investment	----		----		----	
Net cash from Investment	----		----		----	
	----	----	----	----	----	----
Cash flow from Finance Activities						
Capital (Stated)	97500		----		----	
Issue shares	52500		----		----	
Redemption of shares	----		----		----	
Dividends	----	150000	----		----	
Net Increase / Decrease in		150850		4137		6580
Cash and Cash equivalent						
Cash and Cash Equ. B/fwd		----		150850		154987
Cash and Cash Equ. b/d		150850		154987		155637

## 5.5 PROJECTED BALANCE SHEET

<b>FIXED ASSETS</b>	<b>YEAR 1 GH¢</b>		<b>YEAR 2 GH¢</b>		<b>YEAR 3 GH¢</b>	
Good Will (Intangible)	1000		1200		16000	
Vehicle (NBV)	3150		2800		2450	
Furniture and equipment	2000	5150	1500	4200	1000	3450
Current Asset						
Cash and Deposits	150850		154987		155637	
Accounts Receivables	11000		5862		6954	
Portfolio Investment	14339		20838		30679	
Allowance for Impairment	500		700		805	
Other Investment	5661	182350	8000	190387	10000	204275
<b>Total Assets</b>		<b>188500</b>		<b>195887</b>		<b>223525</b>
Equity and Liabilities						
Current Liabilities						
Demand Deposits Voluntary	1000		1900		2700	
Demand Deposit Compulsory	2000		19000		28000	
Short term Deposits	4000		10000		3813	
Account Payables	27000	39000	30000	43800	32000	66513
Long Term Liabilities Loan Equity						
Capital (contributed)	97500		97500		97500	
Share Capital	52500		52500		52500	
Dividend	---	----	----	----	----	----
Income Surplus	(500)	149500	2087	152087	7012	157012
<b>Total Equity / Liabilities</b>		<b>188500</b>		<b>195887</b>		<b>223325</b>