CHRISTIAN SERVICE UNIVERSITY COLLEGE –KUMASI

DEPARTMENT OF BUSINESS STUDIES

BACHELOR OF BUSINESS ADMINISTRATION

KUMKOM GARI COMPANY LIMITED
BUSINESS PLAN

BY

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EMMANUEL AMO MENSAH

MISS GRACE ADU ODEI

GYAMFUAA KUSI APPIAH

DECEMBER, 2011

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KUMKOM GARI COMPANY LIMITED

BUSINESS PLAN

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

BY

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I have read the Christian Service University College's regulations relating to plagiarism and certify that this Business Plan is all my work and do not contain any unacknowledged work from any other source. I also declare that I have been under supervision for this Business Plan herein submitted.

Name of students Index Numbers	Signature	Date
1. Mr. Stephen Ankama	………………..	....
2. Miss Rebecca Asamoah Okrah	………………..	....
3. Miss Grace Adu Odei	………………..	....
4. Mr. Emmanuel Amo Mensah	…………………	....
5. Miss Gyamfuaa Kusi -Appiah	…………………	………….........

Certified by: ……………………… ....

(Supervisor) Signature Date

Certified by:

……………………………….. ……………………… ....

(Head of Business Studies Department) Signature Date

EXECUTIVE SUMMARY

Kumkom Gari Processing Company Limited (KGPCL) is small private limited liability company which is legally registered at the Registrar General's Department and under the laws of Ghana. It will be owned, managed and controlled by five business-minded students from CSUC to produce Gari for the Ghanaian market. The product will be in 400g, 1kg and 2kg and its production will commence in January, 2012. KGPCL would be sited at Abesewa (the production site) in the Tepa district, 80 km away from the regional capital of Ashanti with its Head Office located at Anloga, Kumasi.

Our mission is to delight and create lasting impressions on our customers with superior quality and healthy Gari through our effective and efficient hygienic production standards and to give the best to all our stakeholders.

KGPCL's products will target students in senior, tertiary institutions as well as the general populace in Ashanti Region and the nation as a whole. The products will also be made available in supermarkets and fuel stations' shops.

KGPCL will survive in the industry although it is saturated with many competitors with major ones as, Philio Delio Smile Foods, producers of Yammi instant gari mix and a minimal competition from Akrofi Farm and Harri Farms, by strategizing to gain competitive edge over its competitors through upholding tight our core competence.

The products will be promoted through personal selling and advertising. The business presently will employ 8 staff and expects the number to increase in line with indicators and projections for expansion in the years 2013 and 2014 respectively.

The company also intends to open shops in Kumasi, and all the regional capitals that will sell specifically the products of the company.

The business will start with an initial capital of GH¢90,000 which will be raised through equitable contribution of 20% each by the five founders of the business. The targeted turnover volume for 2012, 2013 and 2014 are GH¢111,586, GH¢146,413 and GH¢176,304 respectively. This will generate profits of GH¢21,943, GH¢44,716 and GH¢66,197 for the respective years.

The company intends to breakeven in September during the second year and enjoy profits afterwards. Return on capital employed is expected to be 20%, 28% and 29% for 2012, 2013 and 2014 respectively. Total net present value of the company within the first three years is expected to be GH¢11,340, a clear indication that the project will be viable.

MISSION

Our mission is to delight and create lasting impressions on our customers with superior quality and healthy gari through our effective and efficient hygienic production standards and to give the best to all our stakeholders.

VISION

To become the best and most patronized processed gari producer within the country in the next five years.

CORPORATE OBJECTIVES

The objectives over the next three years for KGPCL Limited are:

- To continuously manufacture quality Gari for the nation.
- 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.
- Become the most dedicated and committed producer of standard processed gari at the lower cost.
- To make profit of 20% of the capital employed within the first year and sustain this over the years.

CORE VALUES

The company will dedicate itself for:

- Respecting its customers and stakeholders,
- Stewardship and customer satisfaction,
- Integrity and passion for success,
- Service to humanity.

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1.0 ORGANIZATION

Kumkom Gari Processing Company Limited (KGPCL) would be sited at Abesewa (the production site) in the Tepa district, 80 km away from the regional capital with its Head Office located at Anloga, Kumasi Plot No. AN 552c, Post Office Box AH 484, Abesewa Ashanti Region Tel: 03320-278445/0246249218, Website: www.kumkomgarip.com.gh Email: kumkomgari@yahoo.com.

KGPCL chose Abesewa as its production site because of easy access to raw materials and cheap labour. We are also committed to the Government intension of establishing industries in the rural areas and to take advantage of tax exemptions and other available benefits.

We also chose Anloga as our head office because of abundance of local producers of gari where research could be done easily. We want to piggyback on this opportunity to catapult our product into making profits immediately it is launched into the market.

2.0 PRODUCT IDEA AND REALIZATION SCHEDULE

2.1 Product Idea

Students generally, and especially those in the boarding house across the length and breadth of the country consume gari as their food supplement. Nutrition for that matter balanced diet is pivot when it comes to food and for that matter student in the second cycle institutions. Even though, there are a number of raw gari and gari mixes in the Ghanaian market, yet, due to its high prices, scarcity gari mix and little or no nutritional value of the raw gari, students of the second cycle institutions who are the major consumers of the product are unable to buy due to their high prices or no or little nutrients. The raw gari that we have in the market now provides only one part of the six nutrients that the body needs for proper growth and brain builder. But the raw gari has just a meagre that the body needs.

Upon careful reasoning and examination of facts, these group of young entrepreneurs have come out with this business plan to help curb such a menace and in the course of fighting such a problem create an employment opportunities for the unemployed youth in the country. The rural farmers would also get ready market for their produce which always get rotten thereby reducing rural urban drift and improve standard of living of our rural folks.

This was what informed the establishment of Kumkom Gari Processing Company Limited (KGPCL). KGPCL aims at processing gari in a well packaged, easy-to-dispose, paper-like cup of 400g, 1kg and 2kg bags respectively.

The commencement of the production would be in the first week of April, 2012. Our new product in the market would meet a fierce competition from Philio Delio Smile Foods, producers of Yammi instant gari mix and a minimal competition from Akrofi Farm and Harri Farms. Comparatively, KGPCL stands at the advantageous point with its highly imbued nutrients, well packaged product and its portability to make it easier to carry around without much trouble with a reasonable price to meet all our consumers.

2.2 Realization of Schedule

ACTIVITIES	MONTHS ALL IN 2012					RESPONSIBLE	COST GH¢
	JAN.	FEB.	MAR.	APR.	MAY		
FUNDING						ALL FUNCTIONAL & GENERAL MANAGER	90,000
FACTORY SITING & SETTING						PRODUCTION & MARKETING MANAGER	2,400
COMPANY REGISTRATION						LEGAL ADVISOR	350
ACQUISITION OF MACHINERY						OPERATIONS MANAGER	86,390
PURCHASE OF RAW MATERIALS						MARKETING/PURCHASING AND SUPPLY MANAGER	240
COMMENCEMENT OF PRODUCTION						GENERAL MANAGER	46,040
PRODUCT TESTING						OFFICER FROM FOOD AND DRUGS BOARD	100
PACKAGING & LABELLING						FUNCTIONAL MANAGERS	350
PRODUCT LAUNCH						MARKETING MANAGER	400
ADVERTISMENT AND PROMOTION						MARKETING MANAGER	450

Fig. 1

3.0 MANAGEMENT TEAM

KGPCL would be owned, managed and financed by the following young but experienced entrepreneurs; Mr. Stephen Ankama, Grace Adu Odei (Miss), Gyamfuaa Kusi - Appiah (Miss), Mr. Emmanuel Amo Mensah and Rebecca Asamoah Okrah (Miss). The gap in the management team would be addressed by outsourcing. The identifiable gap is legal advisor, who would be hired as and when his services are needed.

Initially, the founders would share in the operational and financial responsibilities of the company. They will be responsible for funding as well as managing for the three years until other experts are recruited. The founders will be responsible for making direct sales, marketing, and all other operational tasks involved making this company successful. Each member of the management team of five (5) entrepreneur would contribute a 20% of GH¢ 90,000 (GH¢ 18,000 each).

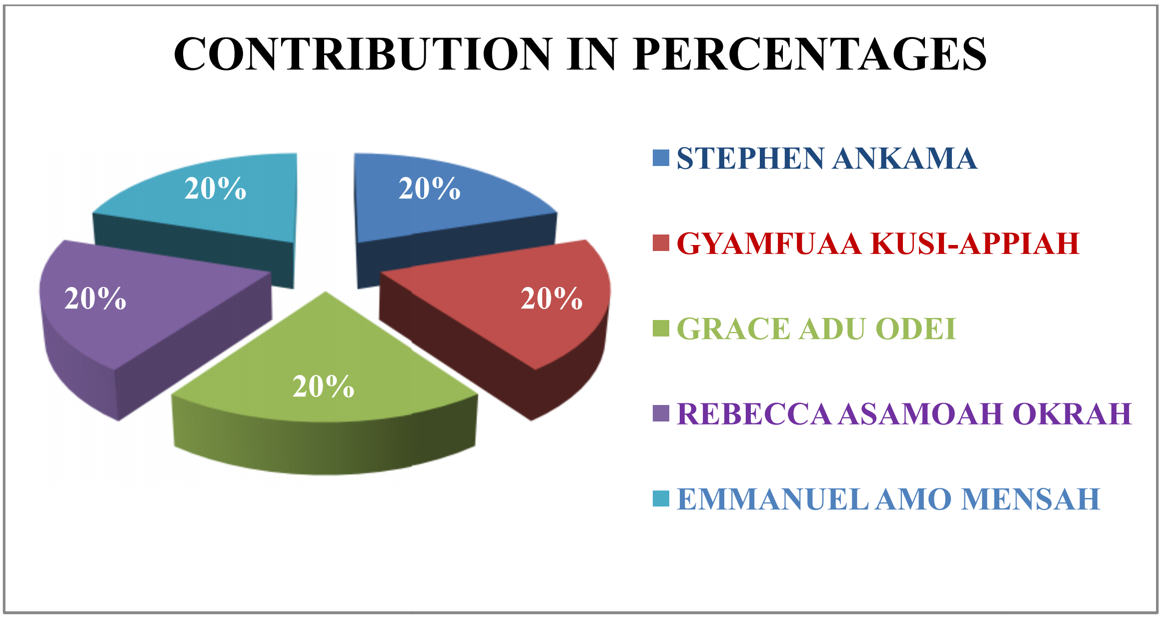

Fig. 2

As part of KGPCL's strategy to form a formidable management team to oversee the day-to-day affairs of the company, the following positions would be considered by the founders themselves.

The team is led by **Mr. Ankama Stephen**, a final year student of Christian Service University College (CSUC) pursuing a degree programme in Accounting. He will fill the position of the general manager. He has over four years experience in gari processing. He also has an in-depth in the area of gari processing having introduced a number of people into the gari production. He is currently the consultant for a gari processor company right in the heart of Abuja the capital of Nigeria called Obiodun Company Limited.

His responsibilities would include,

- Assessing the overall performance of the company,
- Assisting in daily and weekly report and preparing the financial statement, and
- To monitor the functions of the accountant.

Miss Grace Adu Odei:

Miss Grace Adu Odei holds a diploma in nutrition (HND) and also a final year student of CSUC offering a degree course in BBA (Human Resource option). She would be responsible for the following functions;

- Overseeing the operations of the company,
- Supervising and monitoring the production processes and,
- Ensuring the quality of the final product.

Emmanuel Amo Mensah:

He is a final year student of CSUC and brings experience in the area of risk management and financing. He is offering Business Administration (Banking and Finance option). He would be responsible for:

- Providing analysis, guidance and investment decisions;
- Assessing the performance of the company and also
- Managing the company's risks and finances.

Miss Gyamfuaa Kusi- Appiah:

She holds a diploma in Information Technology from NIIT, certificate in Customer Relations and a final year student at CSUC pursuing a degree in human resource. She would be the marketing officer of the company coupling with other operational activities in the company.

She would be responsible for;

- Customer relationship management,
- Identifying and understanding new potential market in the marketing environment and,
- Identifying customer needs.

The accountant is **Miss Rebecca Asamoah Okrah,** a final year student of CSUC offering a course in business administration, Accounting option. The following would be her responsibilities.

- Preparing project income statement,
- Handle tax related issues, and
- Keeps complete financial records of the company.

The above management team would also double in the operations of the company till at the end of the third year where they would be relieved of their work and appoint managers to take over the management work. They would then assume the role of board of directors whom the managers would be communicating to about the progress of the company.

Apart from this management team, the company would also employ seven (7) other people to help in the area of security, 2 - field sales personnel, 3 - production workers and a driver.

ORGANOGRAM

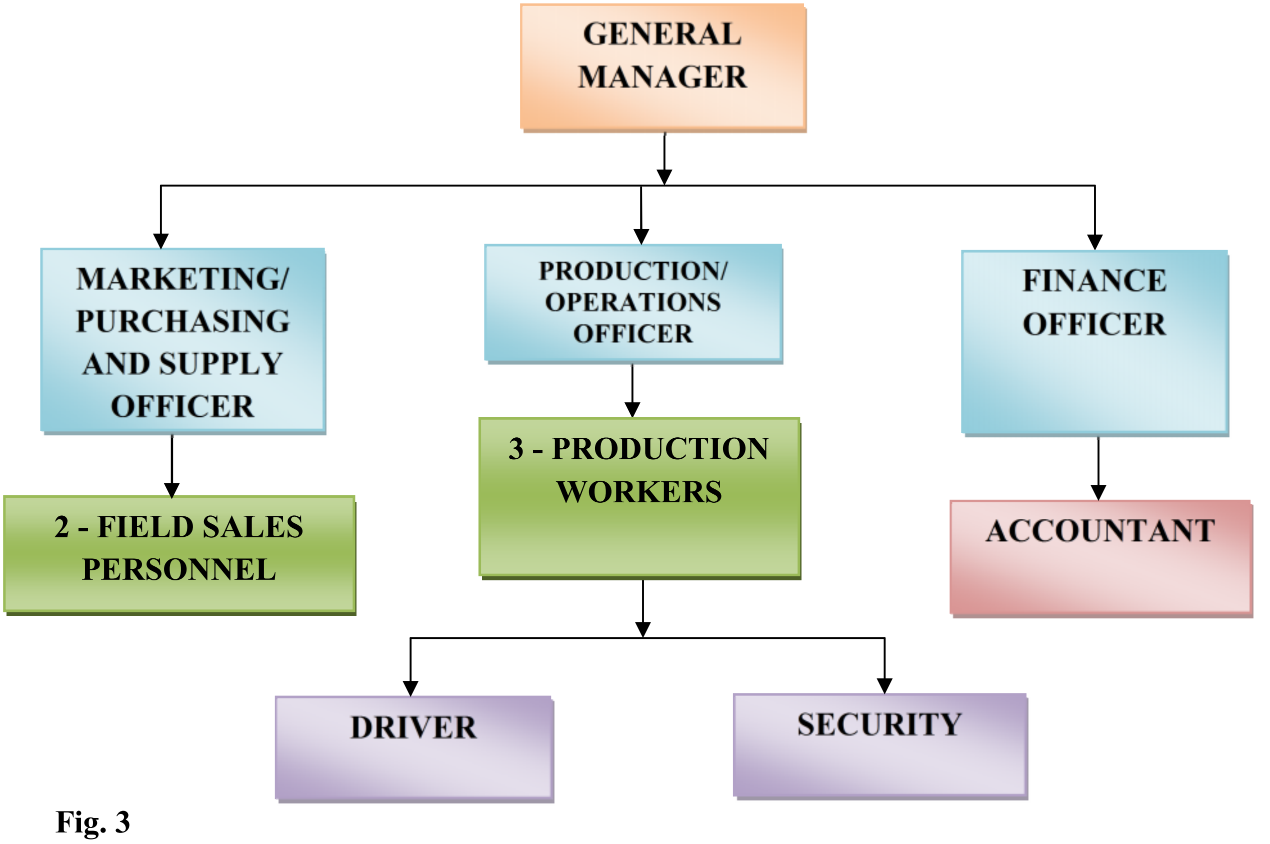

Fig. 3

4.0 MARKET ANALYSIS

4.1 Business Systems and Operations

According to Ghana Standards Board (2004), the processing of gari consists of peeling, washing, grating, fermentation, de-watering, fragmentation, sifting, and roasting to dryness by stirring.

However, KGPCL would make use of the following steps to produce its product of gari mix to achieve the very best of the proposed gari mix. The process includes; peeling of the raw cassava, washing, grating, pressing, disintegration, sifting, drying, milling, frying, screening, addition of brown sugar, milk powder and cashew nuts, labelling, packaging and storage.

Peeling

The peeling would be done to remove the outer cover of the cassava. The peeling would be done with a machine instead of manual peeling.

Washing

Thorough cleaning in clean water would be done for the removal of all sand particles and dirt which could mar the quality and good hygiene of the final product. This will be done manually by the labourers we will outsource. A well would be constructed as washing structures.

Grating

Grating would be carried out by means of a motorized cassava grater. Grating disintegrates the cassava tissue and frees up the moisture so that pressing can be done much easily. The greatest advantage is that graters are locally manufactured equipments.

Pressing

Pressing is a principally dewatering process which would be carried out either with a manual screw or a hydraulic press. Pressing time would be kept at a reasonably short time to avoid fermentation of the grated mash. The purpose is first to remove enough moisture from the grated mash so as to facilitate drying. Inadequate pressing would lead to longer drying time resulting into fermentation with undesirably high acid tastes in the product. Pressing also helps to get rid of much of the yellow colouring in cassava tissues thereby helping to improve the colour of the final product. The pressing machine is also locally fabricated within the region. This would help cut cost.

Disintegration

This is done by means of a motorized cassava grater. The objective is to reduce the pressed cake into fine grits so as to aid sifting and drying. Un-disintegrated cake dries more slowly whilst disintegrated cake dries faster and gives a better quality product.

Sifting

Sifting would be done by means of a rotary sieve to remove as much fibre from the disintegrated dough before drying. This also helps to improve the smoothness of the product. The sieves used in sifting are also locally manufactured within the region and are readily available on the market.

Drying

This would be carried out using a mechanical or sun/solar (when there is lights out) dryer. The loading density would not exceed 2.5kg/m^2 for mechanical drying and 1.5kg/m^2 for sun/solar drying. This is because the lower the loading density, the faster the drying process and the better will be the flour quality. The temperature would be monitored not to exceed 60^0C.

Milling

Dried chips or grits would be milled in a hammer mill or a disc attrition mill to a fine particles size.

Frying

The frying would be done after the HQCF has been obtained using a mechanical machine.

Screening

Screening would be done to remove as much fibre from the product as possible in order to improve the smoothness of the flour.

Addition of Brown Sugar, Milk Powder and Cashew Nuts.

After the milling and screening are done successfully, the various nutritional materials are added to the fine grain before they are packaged for proper storage using the required and approved measurement by quality control officer as well as food and drugs board representative.

Packaging and Storage

Packaging of cassava flour would be in containers which will safeguard the hygienic, nutritional, technological and organoleptic qualities of the product. Unit packaging would be done in paper like cups. Adequate packaging would be done in a well ventilated dry room to avoid uptake of moisture. All the processors would be done in a large well ventilated storage facility with an average storage capacity of about 5,000 bags (50kgbags). The processed gari mix would be packed in 250g, 400g, and 1kg with a disposable spoon on the side of the paper like cup to make it an instant food for our consumers.

Labelling

The labelling of the product would be done right after the product has been packaged with all the important information well indicated on it.

Supply of Fresh Cassava for Processing

As part of our plans to maintain our stock level there will be a joint effort with our farmers to continuously increase the sizes of their land for planting cassava and the quantities produced in the two regions of Ashanti and Brong Ahafo with local varieties that are used for direct home food consumption like, Abtumtum, Abakokoo, Adabo, Akosombo, Bensere and Wenchibankye and improved varieties such as, *Abasafitaa, Afisiafi and Tekbankye,* for processing into gari, agbelima and flour. The improved varieties which yield three times higher than the local ones will be encourage vigorously to maintain our supply the year round.

KGPCL as part of its way of producing the best and quality gari mix into the Ghanaian market would use the improved cassava (Abasafitaa) in its production. This variety has a fine texture and quality that can give us the HQCF that we want in our production.

Production Process

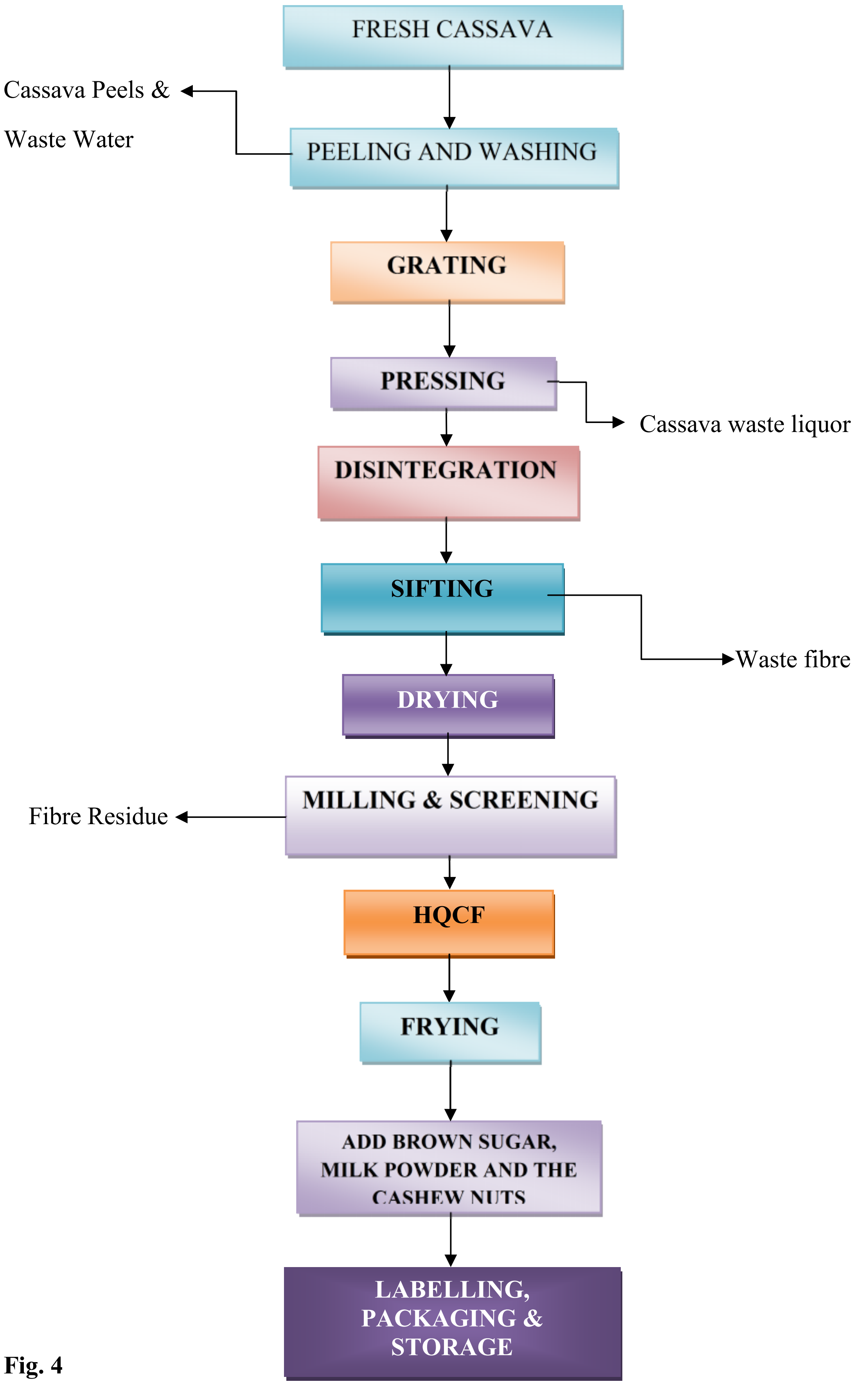

Fig. 4

4.2 Environmental Analysis

KGPCL expect fierce competition from its key competitor, Philio Delio Smile Foods producers of Yammi Instant Gari Mix whose main objective is to expand their operations across the country. There are also other mushroom producers of the gari, namely, Harri Farms Company Limited, Akrofuom Farms Limited, and JCL farms Limited. These are competitors in terms of sizes, state of their modern equipments, the quality of their personnel and their reputation in the face of the market. However the introduction of Kumkom Gari Mix (KGM) in the market with its vigorous advertisement, promotional and various marketing strategies will peg KGPCL to the highest distribution network in the environment and number one in the market despite various competitive challenges.

Again, through the successful branding, first-mover advantage, excellent distribution and proprietary position of the company, KGPCL will develop brand recognition beyond any competitor.

As a small company, we are aware of the disadvantage we will have in our legal settings, should we face larger, and more advice would be resourced from our legal team. However, a patent for our unique product will provide us with a degree of protection beyond a first-mover advantage by creating an additional barrier to entry.

SWOT Analysis

Fig. 5

4.3 MARKET SEGEMENTATION

Ashanti region has a population of about 5 million with Kumasi Metropolis alone having a population estimated at about 1.7 million people, equivalent to thirty-four per cent (34%). Again the region can boast of about eighty (80) Senior High Schools (SHS), with Kumasi Metropolis alone contributing about a quarter of it (20 S.H.S.) which has approximately 24000 population constituting about twenty-five per cent (25%) of the entire schools in Ashanti region. Their ages ranges from 15 to 19 years. Our attention would solely be concentrated towards this number for the first three years of our existence.

4.3.1 Industry Analysis

The Industrial and Institutional gari industry, of which we are a part, is quite fragmented, but contains several well known main competitors: Philio Delio Smile Foods producers of Yammi Instant Gari Mix, as well as generic brands that are provided to individuals. The industry is stable and growing; between 1998 and 2010 it grew by an average of 4% annually (IITA). There is fierce competition for market share among the existing popular gari, leading to lean profits on gari sales especially the packaged ones.

4.4 TARGET MARKET

KGPCL intend to explore all areas in the region and even the entire country in order to meet its revenue target. However, our concentration would solely be dedicated to the second cycle institutions and our potential customers (household that are health conscious and require hygienically processed food) in the Kumasi metropolis.

4.4.1 Market Trend

KGPCL findings have revealed that, sales in the second cycle institutions would decline during their short and long vacations by 5% to 15% respectively. That notwithstanding, sales will increase consistently in every three (3) months, during their stay on campus.

4.4.2 Potential Market

KGPCL has identified households, government and private institutions- those of the working class with much tight schedule or little time to stand by a food vendor to order for food. And we would like to provide our product as a food supplement.

4.4.3 Future Market

Additional gari products (gari bread and starch), manufactured to comply with regulatory minimums for strength and effectiveness in their respective target markets will be developed to address second cycle institutions, the general public, and restaurants. These gari products will be trademarked under the names KUMKOM BREAD and PERFECT assure, respectively. The most promising future market opportunity for Kumkom Gari Mix is exporting it across the country. This will be a top priority when the company develops the financial resources enough to mount a national advertising campaign and distribution system.

4.5 MARKETING MIX

4.5.1 Product Strategy

KGPCL intend to process cassava into high nutritional gari mix using cashew nut, brown sugar and milk powder. The cashew nuts are high in calories. They are rich in heart-friendly monounsaturated fatty acids like oleic and palmitoleic acids that help to decrease bad Low- Density Lipoprotein (LDL) cholesterol and increase good High-Density Lipoprotein (HDL) cholesterol. They are also rich in minerals like manganese, potassium, copper, iron, magnesium, zinc, and selenium. It is recommended by dieticians that a handful of cashew nuts a day in a diet would provide enough of these minerals and prevent deficiency diseases. It is also rich in essential vitamins such as pantothenic acid (vitamin B-5), pyridoxine (vitamin B-6), riboflavin, and thiamine (vitamin B-1).

The brown sugar is naturally moist from the hygroscopic nature of the molasses. This molasses is extracted from sugar cane and contains calcium, magnesium, potassium and iron; one tablespoon provides up to 20% of the daily value of each of those nutrients. It also contains trace of vitamins and significant amounts of several minerals.

The milk powder content in the gari mix is high in calcium and vitamins. The calcium nutrients are good for building strong bones and teeth.

The product would be packaged in a paper like cup with a disposal spoon attached to make it instant and portable to consume.

4.5.2 Price Strategy

Even though our focus is on high quality of product, yet our scope of operation will help us reduce unit costs. Management has decided to adopt a pricing policy that would cover cost but still remain competitive in the Ghanaian market for the first year of operation. KGPLC's pricing principle would be cost base pricing. This is to say, a percentage of an amount would be added to the cost per unit of a product as the company's profit.

4.5.3 Promotion Strategy

4.5.3.1Personal Selling

We would send the products to the consumers personally in their schools; homes, stores and place of work to enable our product more accessible to our target markets. This would help us know their attitude towards the product to enable us review our strategies very often.

4.5.3.2 Sponsorship Packages

The Company would also establish sponsorship packages for the inter schools, football and athletics competition as well as debating clubs in schools thereby promoting our products since these groups have a greater number of supporters and participants to increase our market share.

4.5.3.3 Sales Promotion

The Company would also introduce the product to the users by the use of sales promotion. This is where “buy two, get one free” system would be implemented to attract and retain our target market and beyond for our consumers to use and know the product for the first year.

4.5.3.4 Vigorous advertising

The Company would embark on intensive advertising on highly watched or listened to programmes on both television and radio respectively by the public to enable consumers especially, our target market know the nutritional value in the product and be convinced to use our product instead of others.

KGPCL would embark on personal selling, sales promotion and vigorous advertising as its main promotional strategy. That notwithstanding, KGPCL would still use the rest of the promotional strategies outlined above concurrently.

4.5.4 Place Strategy

The products would be sent directly to the wholesalers points in the various institutions through our own minivan. Shops in and around institutions would be stocked and run on commission bases. Our sales representatives would also be at various bus terminals and lorry stations.

4.5.5 Distribution Strategy

Our initial distribution strategy will involve a combination of distributor (wholesale) and direct sales. Relationships with local distributors will be established to increase promotional reach and potential users. The first orders will be available immediately through direct delivery by our management team. Outsourcing distribution entirely in the future will allow KGPCL to focus its efforts on marketing and expanding as quickly as possible. The relationship between KGPCL and the product distributors will be essential. A flexible distribution system will be critical to the success and growth of our product. Good distribution will allow our product to satisfy and flexibly expand to accommodate demand.

4.5.5.1 Direct Distribution

KGPLC would use vans with public address system at bus terminals and lorry stations from morning till evening each day through our sales representatives and at vantage points mainly densely populated areas such as, Atonsu, Bantama, Aboabo and Asafo. The company would also distribute the products through other designated shops (retail shops) around senior high schools to make it easier for students to get access to the product if school warehouses run out of stocks.

4.5.5.1 Indirect Distribution

KGPCL would serve the institutions and its potential consumers in the Kumasi Metropolis by contacting established wholesalers in and around secondary schools to sell it in larger quantities to other retailers who may not easily be reached.

By the start of 2014, distribution will be entirely outsourced to distribution companies, and direct deliveries from the management team will cease.

Distribution Channels

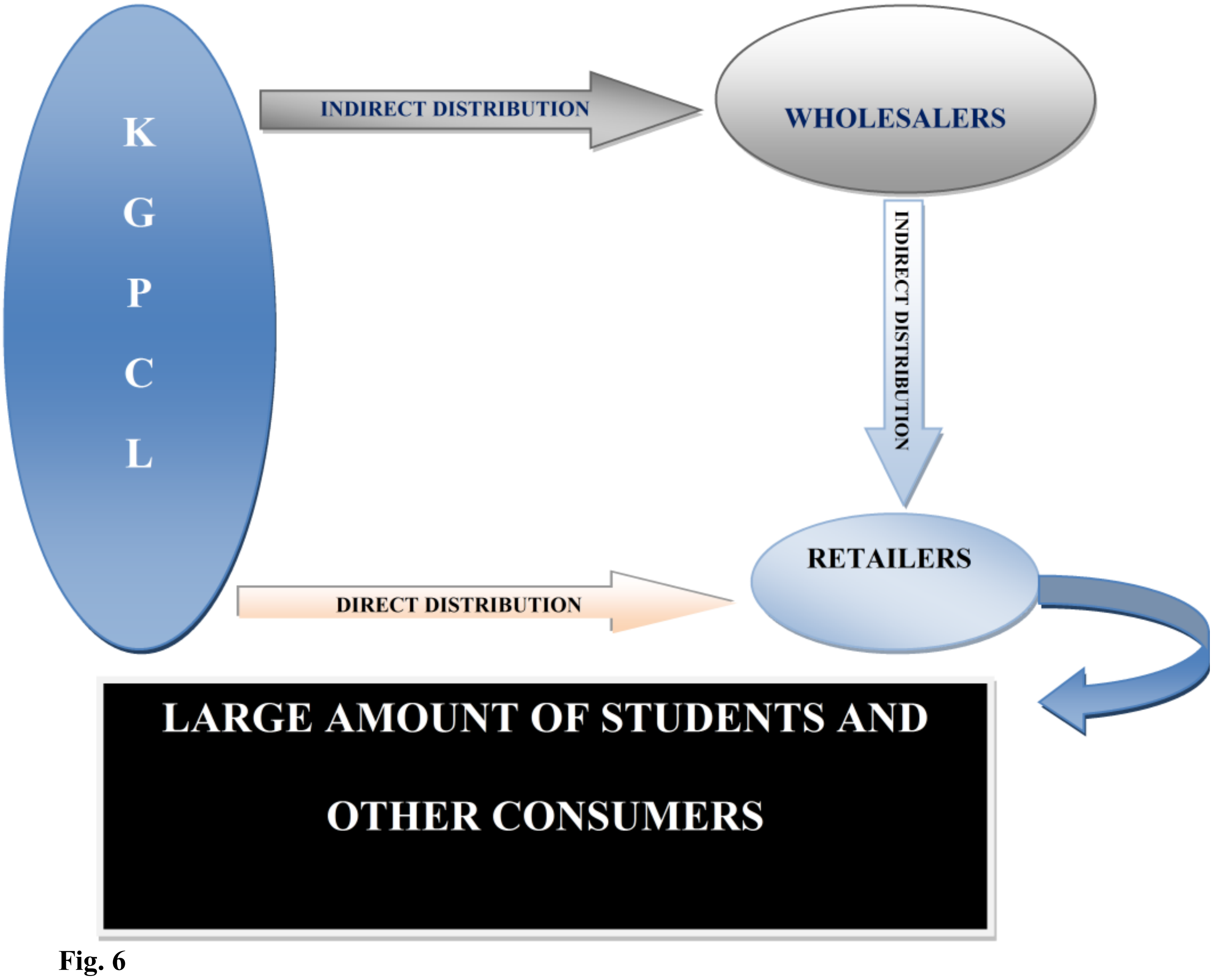

Fig. 6

5.0 FINANCIAL ANALYSIS

5.1 ASSUMPTIONS AND RISK ANALYSIS

We forecast a very rapid growth for KGPCL for the second and third years based on our vigorous sales strategy. This rate of growth will be due to the large orders we expect to receive from our distributors, (wholesalers) and shops and the increasing number of orders from various institutions.

The business will start with an initial capital of GH¢90,000 which will be raised through equitable contribution of 20% each by the five founders of the business. The targeted turnover volume for 2012, 2013 and 2014 are GH¢111,586, GH¢146,413 and GH¢176,304 respectively. This will generate profits of GH¢21,943, GH¢44,716 and GH¢66,197 for the respective years.
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5.1.1 RISK ANALYSIS

Every business is apt to risk in one way or the other. The consequences attached to not finding ways to reduce the uncertainty of losing all or part of our invested capital and effort can be lethal to the company, employees and the employers as well. KGPCL has identified the following as potential risk that may ensue or affect its operations. Some of these risks are, price risk, risk of theft, risk of food poisoning, risk resulting from legal liability, fire outbreak, injury as a result of operating the machines, operational risk and credit risk.

5.1.2 Price risk

The cost of raw materials (cassava, cashew nuts, milk powder and brown sugar) may rise and this may affect the cost of one unit of the product. In the same way, the selling price per unit of a product would also rise marring our price strategy of price penetration.

5.1.3 Risk of Theft

KGPCL faces the risk robbery. We anticipate that this would affect the company's operations tremendously.

5.1.4 Risk of Food Poisoning

This may occur as a result of inappropriate exposure of the HQCF to the environment. Such an exposure would not be known until it is consumed by the final consumer. Moreover, the product's overstay in the shelf's can cause food poisoning leading to adverse health implications.

5.1.5 Risk Resulting from Legal Liability

The risk of legal liability for damages for harm to suppliers and other stakeholders or members of the public can have an adverse effect on the entire company.

5.1.6 Risk of Fire Outbreak

KGPCL faces the risk of fire outbreak to the entire company (production house and our office). The managers of the company presume may lead to financial distress which may also lead to bankruptcy and other indirect losses; for instance, suppliers of raw materials and the numerous customers and consumers may switch to other alternate products in the market.

5.1.7 Risk of Injury

Injury may occur to both the employees and the managers of the company emanating from operating of the machines in the production house leading to indirect losses.

5.3.7 Operational Risk

Manufacturing process can be interrupted due to some of the workers error. Since operational risks occur through human error, solving it becomes difficult but it can be minimized to its infinitesimal level.

5.3.8 Credit Risk

Customers may default or delay in their payment of goods (products) delivered to them on credit basis.

5.1.8 Risk Management

Risk as it were cannot be totally eliminated and so with this basic fact staring right in the face of the company, the management of KGPCL would embark on the following strategies to reduce the above uncertainties to its minimum level.

KGPCL would go into hedging with the suppliers of our raw materials in order to lessen the possible changes in the prices of inputs, thereby decreasing the possible variability of output prices by the company.

We would also go for insurance cover against our risky operations like machine operators, motor vehicles as well as fire outbreak and burglary from an Enterprise insurance company to share some our risks. KGPCL would also employ the services of a-well trained security personnel to man the entire factory and offer training for the use of fire gadgets. Fire extinguishers will be place at easy access able places at all times.

KGPCL would also seize the opportunity of training its management and employees to stick to simple safety rules and the application of quality assurance to prevent food poisoning.

A legal practitioner would be hired to take care of any litigation that may arise from any individual as a result of any misunderstandings.

To be able to solve the problem of operational risks, the company’s management would run shifts for the labourers through the production units to acquaint all workers in the company as to how to use and even repair the machines when there is an error or human error.

In solving the problem of credit risks’, KGPCL would make provision for bad debts and also ensure that, its customers are credit worthy before given out credits to its clients and its potential customers.

Moreover, KGPCL would adopt loss control, loss prevention and internal risk reduction measures to lower any such uncertainties.

To be able to solve the problem of operational risks, the company’s management would run shifts for the labourers through the production units to acquaint all workers in the company as to how to use and even repair the machines when there is an error or human error.

FUTURE STRATEGIC ALLIANCES

KGPCL will in the fourth year of its operation enter into a critical strategic alliance in two distinct areas;

The Government:

By teaming up with government organizations, KGPCL will be able to reach out to a much larger potential audience than could be directly contacted. Government endorsement of our product and the mention of its benefits in government brochures and written materials could be a major competitive advantage and sales opportunity for KGPCL.

The International Institute of Tropical Agriculture (IITA):

By aligning KGPCL to IITA, the leading research NGO in Africa would mean an enhance quality and productivity for the company. With their pedigree in agricultural activities, they would be able to give an excellent advice to both our company and the farmers who supply us with the raw materials.

5.2 KGPCL

FINANCIAL ANALYSIS

KGPCL STATEMENT OF FINANCIAL POSITION FOR THE YEARS

NON CURRENT ASSETS	**2012 GH ¢**	**2013 GH¢**	**2014 GH¢**
Property plant and equipment	77,687	69,328	61,129
CURRENT ASSETS			
Inventories	9,612	10,800	11,071
Bank and cash	23,707	78,541	153,722
Trade receivables	937	970	994
	111,943	**159,639**	**226,916**
EQUITY AND LIABILITIES			
Capital	90,000	90,000	90,000
Income surplus	21,943	69,639	136,916
	111,943	**159,639**	**226,916**

5.2.1 KGPCL PROJECTED INCOME STATEMENT FOR THE THREE YEARS

	2012 GH ¢		**2013 GH ¢**			**2014 GH ¢**
Sales		111,586		146,413		176,304
Less cost of sales:						
Op. stock	-		4,420		4,640	
Add production cost	48,283		57,611		63,637	
	48,283		62,031		68,277	
Less closing stock	4,420		4,640		4,810	
		43,863		57,391		63,467
GROSS PROFIT		**67,723**		**89,022**		**112,837**
Administrative expenses:						
Administrative salaries	24,000		27,610		29,800	
Insurance	124		130		138	
Electricity	440		462		481	
Fire extinguisher	130		0		130	

Rent	220		220		220	
Dep. Acct. machine	3,754	28,668	3,754	32,176	3,754	34,523
Selling & Distribution Expenses:						
Sales Reps. Salaries & Wages	6,600		6,250		6,250	
Advertisement and Promotion	2,200		2,400		2,350	
Fuel and Transport	1,500		1,950		2,020	
Legal Fees	320		-		-	
Recruitment Expenses	240		-		-	
Business registration	350		-		-	
Food and drugs board	400		-		-	
Product launching	1,200		-		-	
Telephone & recharge card	650		600		540	
Stationary	400	13,860	450	11,650	450	11,620
Financial charges:						
Bank charges	210		245		252	
Discount allowed	214	424	235	480	245	497
Net profit		**21,943**		**44,716**		**66,197**

5.3 PROJECTED CASH FLOW STATEMENT

Cash inflows:	**2012** **GH¢**	**2013** **GH¢**	**2014** **GH¢**
Sales Receipt from debtors	110,649 -	145,443 937	175,310 970
Capital	90,000	-	-
Cash outflow:	**200,649**	**146,380**	**176,280**
Fixed asset	82,790		
Administrative Exp.	28,668	25,422	30,769
Direct labour	3,010	3,841	3,201

Indirect labour	510	550	840
Fuel and transport factory	2,100	2,220	2,404
Carriage inwards	470	494	498
Raw materials	40,040	43,989	48,124
Recruitment expenses	240	-	-
Business registration	350	-	-
Food and drug board	400	-	-
Product launching	1,200	-	-
1nsurance factory	620	650	690
Electricity factory	2,200	2,310	2,456
Financial charges	424	480	497
Selling & Distribution Expenses.	13,860 **176,882**	11,650 **99,306**	11,620 **101,099**
Opening balance	23,767	54,774	75,181
Closing balance	-	23,767	78,541
	23,767	**78,541**	**153,722**

5.4 PROJECTED MANUFACTURING ACCOUNT FOR THE THREE YEARS

	2012	2013	2014
RAW MATERIALS:	**GH ¢**	**GH ¢**	**GH ¢**
Opening stock of raw materials	-	2,472	3,320
Purchases of raw materials	40,040	43,989	48,124
Add carriage inwards	470	494	498
Raw materials available	40,510	44,483	51,942
Less closing stock	2,472	3,320	3,401
Raw materials consumed	38,038	41,163	48,541
Direct labour	3,010	3,841	4,201

Prime cost	**41,048**	**47,476**	**52,742**
FACTORY OVERHEADS			
Indirect labour	510	550	840
Insurance	620	650	690
Electricity	2,200	2,310	2,456
Fuel and transport	2,100	2,220	2,404
Depreciation (Plant & Machine)	4,525	4,525	4,525
	51,003	57,731	63,657
Add opening work in progress	-	2,720	2,840
	51,003	60,451	66,497
Less closing work in progress	2,720	2,840	2,860
PRODUCTION COST	**48,283**	**57,611**	**63,637**

5.2.3 INCOME SURPLUS ACCOUNTS FOR THREE YEARS

	2012 **GH ¢**	**2013** **GH ¢**	**2014** **GH ¢**
Bal b/f	----	21,943	69,639
Profit from Trading	21,943	44,716	66,197
Total Surplus	**21,943**	**69,639**	**136,916**

5.3 KGPC

Projected Break- Even Analysis for year 1

Fixed Cost :	GH¢
Salaries	30,600
Insurance	744
Rent	220
Fuel and Lubricants	3,600
Depreciation	6,279
Total	**41,443**

Variable Cost :	
Advertisement & promotion	2,200
Product Launching	1,200
Electricity	2,200
Legal fees	320
Recruitment	240
Telephone	650
Stationery	400
Indirect labour	510
Total	**7,720**

Contribution: = Sales – Variable Cost

= 111,586 – 7,720

= **103,866**

Break- Even Point $= \frac{41,443 \times 111,586}{103,866}$

= 44,523

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3. L.O. Sanni, O.O. Onadipe, P. Ilona, M.D. Mussagy, A. Abass, and A.G.O. Dixon (2009), Successes and Challenges of Cassava Enterprises In West Africa: A Case Study of Nigeria, Bénin, and Sierra Leone. IITA, Ibadan, Nigeria, 19 pp.
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APPENDIX

Notes:

i. Accounting Policies:

The financial statement has been prepared under historical cash concept.

ii. Fixed asset and depreciation:

Fixed assets are depreciated using the straight line method in order to reduce the book value of the assets to nil at the expiration of their effective economic useful life at the rate of 10% with the exception of Land.

The assets include;

a. Grating, Sifter & Presser and Rotary dryer.
b. Motor vehicle
c. Office equipment
d. Land & building
e. Milling machine
f. Rotary sieve

iii. Factory and administration expense are to be apportion into factory 4/5 and Administration 1/5 with the follow expenses;

	Factory	Administration
Insurance	4/5	1/5
Electricity	4/5	1/5

iv. Provision for doubtful debt should be charge at the rate of 5% per annum.

v. Our projections indicate that KGPCL will achieve its profitability within the three years of operation and we are optimistic that we will always break even making the business financially profitable.

- The company will prepare its financial statement based on historical cost concept.
- The company will depreciate its fixed assets on a straight line basis at a rate of 10%.
- For the company's operational goal and objective in expansion, the company shall introduce other services and products. This will increase our income by 30% and 35% in the second and third years respectively. The cost of cassava is expected to increase from GH¢25.00 per bag to GH35.00. In response to this, the company will adjust its prices by 25% accordingly.

The General Administrative, Selling and Distribution expenses shall increase by a margin of 8% and 10% in the second and third year respectively.

Insurance and electricity will be apportioned at the rate, 4/5 factory and 1/5 administration respectively, whiles provision for doubtful debt will be at the rate of 5%.

The operation cost for the second year will increase at the rate of 20% while in the third year it is expected to reduce by 10%.

Management will receive an allowance for the three years of establishment of the company after which they will be enrolled into the company's payment voucher with some bonuses.

INVESTMENT APPRAISAL

CALCULATION OF FINANCIAL RATIOS

	2012	2013	2014
ROCE	$= \frac{21,943}{111,943} \times 100$	$\frac{44,716}{159,639} \times 100$	$\frac{66,197}{226,916} \times 100$
	= 19.6%	**= 28.0%**	**= 29.2%**

GROSS PROFIT MARGIN =	$\frac{67,723}{111,586} \times 100$	$\frac{89,022}{146,413} \times 100$	$\frac{112,837}{145,210} \times 100$
	= 60.7%	**= 60.8%**	**= 77.7%**
NET PROFIT MARGIN =	$\frac{21,943}{111,943} \times 100$	$\frac{44,716}{159,639} \times 100$	$\frac{66,197}{226,916} \times 100$
	= 19.6%	**= 28.0%**	**=29.2%**

PROJECTED NET PRESENT VALUE ANALYSIS

Year	Net cash flow	Discount factor (20%)	Present value
0	(90,000)	1	(90,000)
1	23,767	0.833	19,797.91
2	54,774	0.694	38,013.15
3	75,181	0.579	43,529.79
Net Present Value (+)			**11,340.85**

Discount factor = $\frac{1}{(1 + r)^n}$

Year 1 = $\frac{1}{(1 + 0.20)^1}$ = **0.833**

Year 2 = $\frac{1}{(1 + 0.20)^2}$ = **0.694**

Year 3 = $\frac{1}{(1 + 0.20)^3}$ = **0.579**

The entity will achieve a positive net present value of **11,304.85** showing the viability of the project.

b. Calculations of profitability index = $\frac{101,340.85}{90,000}$ = **1.12**

Our PI is more than 1 which shows that our project will be viable.

FIXED ASSETS SCHEDULE

Assets	Grating, Sifter, Presser & Rotary Dryer	Motor vehicle	Office equipment	Land & building	Milling Machine	Rotary Sieve	Total
Balance at start	20,400	28,500	9,040	19,600	750	4,500	
Additions	-	-	-	-	-	-	
Dep. For the year (10%)	(2,040)	(2,850)	(904)	(1,960)	(75)	(450)	**(8,279)**
2012	21,536	25,650	8,136	17,640	675	4,050	**77,687**
2013	19,496	22,800	7,232	15,600	600	3,600	**69,328**
2014	17,456	19,950	6,328	13,720	525	3,150	**61,129**

EXPENSES

Item	Unit cost GH¢	Quantity GH¢	Total GH¢
Administrative exp.			28,668
Selling & Distribution			13,860
Insurance factory			620
Electricity factory			2,200
Fuel expenses factory			2,100
Carriage inwards			470
Indirect labour			2,210
Financial charges			210
Raw materials			40,040
Direct labour			3,010
			93,388

ASSETS

Description	Unit	Quantity	Total
Plant & equipment	20,400		20,400
Motor vehicle	28,500		28,500
Office chair	4,150		4,150
Office desk	300	4	1,200
Conference table	1,050	1	850
Reception sofa	720	1	620
Desktop computer	500	3	1,500
Paper bags/ spoons	520		520
Printer	200	1	200
Land & building	19,600		19,600
Milling machine	750	1	750
Rotary sieve	4,500	1	4,500
Total Assets			**82,790**

(W1)

CALCULATION OF RAW MATERIALS:

ITEMS	GH¢
1. ***Paper cups /bags***	3,040
2. ***1 ton of cassava***	20,000
3. ***Cooking oil***	4,374
4. ***Cashew nut***	6,848
5. ***Brown sugar***	4,740
6. ***Disposable spoons***	1,038
TOTALS	**40,040**

Calculation of Office Equipment:	**GH¢**
Office chair	4,150
Office Desk	300
Conference table	850
Reception Sofa	720

Desktop computers(3)	500
Scanner machine	280
Printer machine	200
Photocopy machine	1,040
Total	**9,040**

COMPUTATION OF SALARIES

Personnel	**No of employees**	**Monthly**	**Yearly**
General manager	1	400	4,800
Financial manager	1	400	4,800
Production/ operational manager	1	400	4,800
Marketing manager	1	400	4,800
Human resource manager	1	400	4,800
Workers	5	80	4,800
Driver	1	80	960
Security	1	70	840
Totals			**30,600**