

CHRISTIAN SERVICE UNIVERSITY COLLEGE-KUMASI

DEPARTMENT OF BUSINESS STUDIES

BARCHELOR OF BUSINESS ADMINISTRATION

KIDS' TIME RECREATION CENTER

BUSINESS PLAN

A BUSINESS PLAN SUNMITTED TO THE DEPARTMENT OF BUSINESS
STUDIES OF CRISTIAN SERVICE UNIVERSITY COLLEGE, KUMASI IN
PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR THE COURSE

CSAD 443 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 other source. I also declare that I have been under supervision for this Business Plan herein submitted.

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(Head of Business Studies Department)

Signature	Date
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EXECUTIVE SUMMARY

Kids' Time Recreational Center is a proposed organization that provides recreational facilities for Kids within the Kumasi Metropolis and its environs. The recreational center is behind the Sports Hotel at Asokwa-Stadium.

The services to be provided by the center includes;

- ✓ Play care
- ✓ Educational play with learning
- ✓ Children activities
- ✓ Gymnasium.

The facility is to be opened to children between the ages of two and fifteen years whilst the gymnasium is opened to adults. Our services are going to be safe, secured and reliable.

Though Kids' entertainment does not have any major competitor in the Kumasi Metropolis but Kids' Time will differentiate itself with two strategies. The first strategy is benchmarking – a customer centric attitude will be infused within the organization. The second is the pricing structure which will be very moderate. We recruit the best employees and give them additional train to enable them attract and impress both guardians and kids to becoming loyal customers.

The Center has targeted four main customer groups. The first group is parents who cannot combine childcare and business (Permanent Members). These parents spent most of their time at work and hence will like someone to take care of their kids. This group is our major target and is expected to grow at a growth rate of 51%. The second is the drop-ins which is also expected to grow at a rate of 58%. The third is persons who want to keep fit and this group is also expected to grow at a rate of 65% whilst the final group which is the basic schools is also expected to have

a growth rate of 35% after the 1st year in existence. Management expects about 450 customers in the Kumasi Metropolis at the end of the 1st year.

The management team will comprise of well experienced, dedicated and qualified persons who will together guarantee effective and efficient leadership and service to develop the organization. The team will be lead by Mr. Hartley Nkrumah who until now was the Regional Manager for Merchant Bank. When he was put in-charge of Management at Merchant Bank, he helped the bank increased its revenue over 215.86% in the first year and the subsequent years.

The Company will have a very sound and strong financial status. The viability of the investment has been ascertain by the net present value appraisal with an NPV of GH¢300,640. A net profit of GH¢15,969 has been projected and is expected to increase favourably in the subsequent years. The company also expects to have a strong financial position with working capital base of GH¢62,393 in the first year and GH¢100,029 in the second year. The cash flow projection shows that proviso for ongoing expenses are adequate to meet the needs of the company as the business generates sufficient cash flow to support its operations. The expected net cash flow in the first and second years are respectively GH¢202,714 and GH¢125,685.80.

VISION STATEMENT

Kids' Time Recreational Centre is to provide a perfect ultra modern recreational centre for kids in a kid friendly environment. Whiles we ensure that both parents and children receive excellent service in a playful, educational and safe environment.

MISSION STATEMENT

We will go all out to gain the trust of our customers by providing high quality recreational service and superior educational programmes in a very sound and siren environment for a for a better child development.

OBJECTIVES

Kids Time is committed to:

- ✓ Becoming an established community destination by end of first year.
- ✓ To increase the number of customers by at least 45% per year through superior and quality customer service.
- ✓ Have a clientele return rate of 74% by end of first year.
- ✓ Create a service-based company which exceeds customers' expectations.
- ✓ Develop each child's creative and learning skills through edutainment

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1.0 ORGANIZATIONAL BACKGROUND

Entertainment is one of the most essential tools for a social, physical, mental and emotional development for every child so this center will become an edutainment center for children. Therefore it has become our responsibility to take off the hardship most parents and guardians go through to provide ultra modern recreational facilities for their children. The idea of starting this company was first realised by Esi Ampaih Patricia, who is a mother and upon seeing the difficulties she goes through to give her 5 year old daughter a better recreation consulted her friends to establish the Recreational Center that could provide for this need of parents like her.

The name “**KIDS’ TIME Recreational Centre**” is a registered trade name with a registered logo. The new company is to provide an “edutainment” and “quality play care” in various forms.

KIDS’ TIME Recreational Center will be incorporated on December, 2011 and is expected to be completed on 1st January, 2012 at the Registrar General Department in the Ashanti Regional’s capital Kumasi and we wish to commence business on February, 2012 after all the necessary Certificates of Incorporation have been issued.

The firm is registered under the Companies Code, 1963 (Act 179) and it is a Limited Liability Company owned by Stephen Ofosuhene Tabi, Atta Kankam Junior, Esi Ampiah Patricia, Samuel Amankwaa and Razak Abdul Yakubu by each contributing US\$20,000 equivalent to GH¢30,000 each. The management of the company have been separated from ownership and therefore competent personnel have been select to manage the firm.

1.2 BUSINESS STRATEGY

As a new firm, KIDS' TIME recreational center will operate through several functional units which would include mainly of the operations unit, the marketing unit and finance unit.

The operations department would be responsible for the actual business activities of the firm, providing the entertainment services to clients. To work better in the long run a research and development will be done come out with most recent entertainment technologies and processes.

The finance unit will engage in activities that work to achieve the financial goals of the firm by the professional personnel.

The marketing department of the firm is considered the most crucial due to nature of the firm's activities. A strong marketing and promotional force would therefore, be established sell the firm very strategically. Assessment of global business conditions and the distinct competences and weaknesses of the firm would be considered as we promote the firm and its products.

2.0 PRODUCT IDEA

Entertainment has over the years been very instrumental in the development of the human life especially to children. The problem is that children play but how beneficial is that play to the child. Countless of children have been led astray and introduced into all kinds of social vices while seeking to be entertained

As the child plays it is expected that he would acquire social, physical, mental and emotional development. This is the problem our firm seeks to address as we introduce a means of entertainment where children gain discovery and edutainment. Besides being a recreational centre, the firm also has motive of educating the child through active learning to complement the passive one gained in school. We believe that the child must be given the opportunity to explore and come out with and independent discovery, hence, our firm is providing a multi- purpose information technology and communication system with professional instructors to give a more productive entertainment to children.

There are also physical outdoor recreational activities by professional instructors to enhance the physical wellbeing for children and a gym centre for adults who wants to keep fit since we believe physical entertainment is the best way to keep the human body in shape.

Most career parents have lost their kids to social vices because they lack the time and knowledge guide their children at KIDS' TIME. The kid thus, plays only for fun and learns nothing.

KIDS' TIME is a new firm that will provide high- level play-care, edutainment and physical strength to our clients. Our main services would be:

- ✓ Play care

- ✓ Educational play with learning
- ✓ Children activities
- ✓ Art and Craft Theatre
- ✓ Movie Cinema
- ✓ Swimming Lesions
- ✓ Gymnasium.

The firm would also organize birthday and other forms of parties for families with digital and professional photography and videos.

Special events such as comic shows that would stage children entertainers would intermittently be organized at the recreational centre.

2.1 REALIZATION OF SCHEDULE

KIDS' TIME Recreational centre will begin actual business activities after the following have been realized.

- ✓ Registration and incorporation of the firm in the early days of the first month of the year 2012
- ✓ Acquisition non-current and current assets and their allocation the respective areas of use
- ✓ Set up and installation indoor and outdoor equipment.
- ✓ Selection and recruitment of all required personnel and giving the necessary training and the appointment unit heads.
- ✓ By the close of the third month the centre would be ready to take off in its entertainment services to clients after outdoorizing the firm and its activities to the targeted customers through advertisements via both the print and electronic media and visits to basic schools in the Kumasi metropolis.
- ✓ It is anticipated that by the end of the third month the firm would have registered a remarkable number of fulltime customers with whom operations could begin.
- ✓ Sales are therefore expected to be made right after registration and operations have began in the third and forth months

3.0 DESCRIPTION OF MANAGEMENT TEAM

The Board of Directors, Shareholders and the Management Team will all help in managing the company. The management team will comprise of well experienced, dedicated and qualified persons who will together guarantee effective and efficient leadership and service to develop the organization.

3.1 BOARD OF DIRECTORS

POSITION

Dr. K. K. Sarpong (Board Chairman – Kumasi Asante Kotoko F.C.)	Chairman
Mr. Evans Kwame Kyere (Retired Educationalist)	Vice Chairman
Mrs. Vivian Gyan (Solicitor - Holy Trinity Chambers, Adum)	Secretary
Mr. Anthony Fosu (Executive Director – Sinapi Aba Trust)	Member
Mr. Yakubu Adbul Razak (Shareholder)	Member
Mrs. Esi Ampiah Patricia (Shareholder)	Member
Mr. Amankwaa Samuel (Shareholder)	Member
Mr. Jeffery Asare (Sport Analyst - Hot FM)	Member
Dr. Nsiah Asare (Paediatrician – KATH)	Member

3.2 EXECUTIVE DIRECTOR

Mr. Hartley Nkrumah holds a Master Of Science Degree in Entrepreneurship from Cambridge University, a certificate in Chartered Accounting from ICAG, a Diploma in Marketing,

Management and Public Finance from GIMPA and he is currently writing his final papers in ACCA. When he was put in-charge of Management at Merchant Bank in the Ashanti Region, he helped the bank to increase its revenue over 215.86% in the first year and the subsequent years have seen increase in revenue. His experience will have a direct impact on our organisation.

He will be responsible for the day – to – day administration of the school. He will also be responsible for co-ordination of all activities of his subordinates.

3.3 FINANCIAL CONTROLLER

Mr. Atta Kankam Jnr. is the company's financial officer. He holds a Bachelor of Business Administration in Accounting from Christian Service University College and a certificate in Marketing from CIMG. He has worked at the Komfo Anokye Teaching Hospital as an accountant for 6 years. He will be responsible for preparing all the needed budgets of the firm, handling all financial aspects and handling all expenditure of the company.

3.4 HUMAN RESOURCE MANAGER

Human resource is the most important assets to every organization and its efficient management is the key to triumph of our company, therefore **Mr Ofosuhene Stephen Tabi** who is the Human Resource Manger for Merchant Bank has been selected to head this department and will be working as a part-timer. He has also worked with the Drivers Vehicle licensing Authority for 8 years. He holds a Master of Business Administration in Human Resource Management from the University of Ghana, Legon and he is currently pursuing a certificate in Chartered Accounting from the Institute of Chartered Accounting – Ghana. He will also handle issues in relation to the recruitment, dismissal, promotion, demotion of staff, He is also in charge of bi – yearly and yearly appraisal of employees, he also to assess the training needs of employees and conduct

specific training programmes to meet these needs and he is responsible for staff incentive programmes.

3.5 OPERATIONS AND SAFETY MANAGER

Mr. Richard Andoh shall be KIDS' TIME Recreational Centre's Operations and Safety Manager. He holds an MSc in Computer Science from KNUST, HND in Mechanical Engineering from Sunyani Polytechnic and is currently at CSUC offering BBA Banking and Finance. He has a lot of experience from his previous jobs. He has worked with Sinapi Aba Trust as the Head of Operations Unit for 4 years, Head of Safety Unit at Bibiani Gold Mines for 2 years and the General Oversees for Seer Limited until now. His responsibilities will be; seeing to the safety of our clients, supervising the daily activities of the firm and will be responsible for the purchasing and quality control.

3.6 MARKETING MANAGER

Mrs Barbara Dwomoh holds a Bachelor's Degree in Marketing from Christian Service University College, Kumasi and a certificate in Marketing from ICM – UK. She has worked with East Cantonment Pharmacy as a sales executive for two and half years and is currently the Marketing Manager for Star Life Assurance. Mrs. Barbara Dwomoh is tasked; for determining our service prices, for advertisements and promotions to formulate our business strategies and she is also in charge of public relations.

3.7 OTHER PERSONNEL

3.7.1 Instructor

Qualified applicants must hold at least a first degree and must have a three year working experience with a reputable child care centre.

3.7.2 Nurse

A qualified applicant must hold a Diploma in Nursing and must have at least 3 years working experience with a recognized health centre.

3.7.3 Accounts Clerk

A qualified applicant must hold at least a Diploma in Business Studies - Accounting Option. His/her responsibilities will be; assisting the financial controller, for preparing employees payrolls and receives payment and make payments on behalf of the company.

3.7.4 Driver

The driver; must have a Senior High School leaving Certificate, a valid driver's license, must have at least three (3) years working experience and must be able to work without supervision.

3.7.5 Cleaners

He/ she must be a Junior High School graduate and should have over one year working experience. The cleaner will be responsible for the general tidiness of the organization's surroundings.

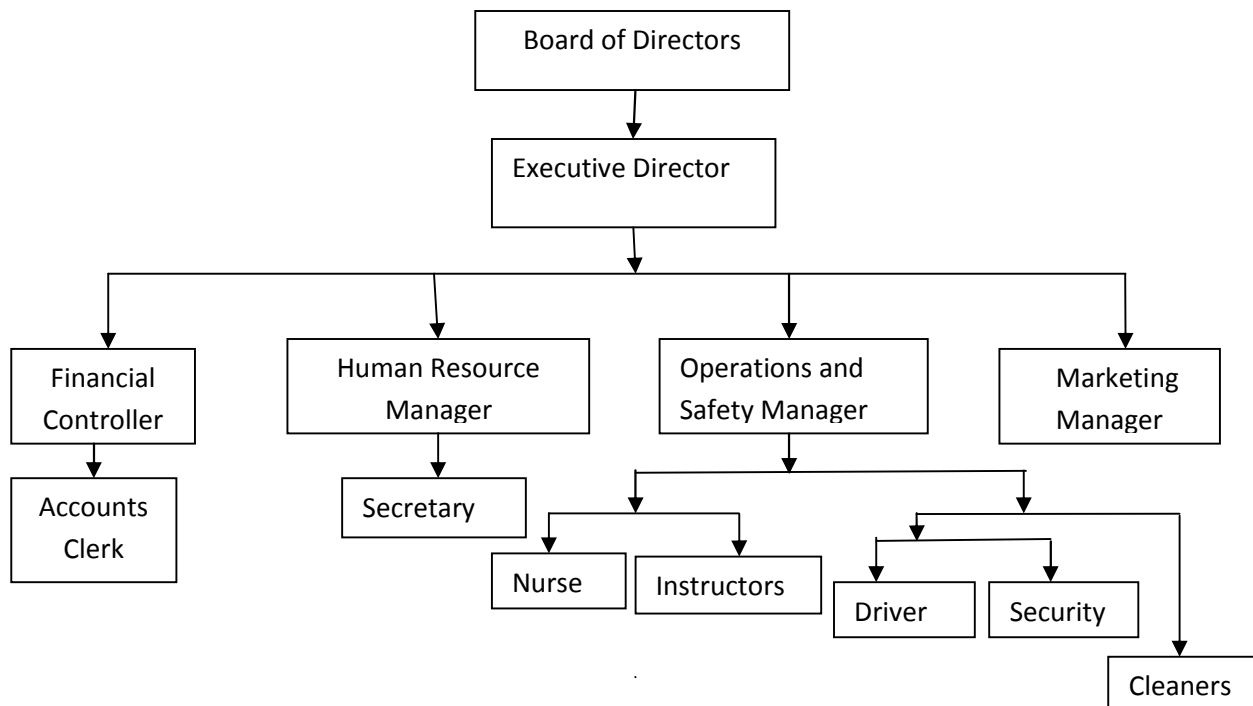
3.7.6 Security

The applicant must have minimum qualification of Junior High School certificate, a 2 years working experience with a reputable organisation and certificate from a recognised Security Institution. His duties will be; protecting Life and Property and closely monitoring visitors and customers within our premises e.g. Inspecting ID cards and other items of clients. He will also make sure that a registered person picks-up a child for the recreational centre.

3.7.7 Front Desk Attendant

The applicant should have a Diploma in Business Studies (Secretarial Option) and will be responsible for; the of provision general information to clients and prospective clients, Correspondence and all other Secretarial duties.

3.7.8 Organogram / Organizational Structure



3.8 PERSONNEL PLAN

The company expects to make its personnel feel satisfied and happy to work with us and hence the remuneration plan over the next three years is as show below.

	Year 1	Year 2	Year 3
	GH¢	GH¢	GH¢
Executive Director	5,880.00	9,660.00	12,075.00
Financial Controller	7,200.00	8,280.00	10,350.00
Human Resource Manager	5,400.00	6,210.00	6,750.00
Operations and Safety Manager	6,600.00	7,590.00	9,108.80
Marketing Manager	6,600.00	7,590.00	9,108.00
Instructor (6)	21,600.00	24,840.00	29,808.00
Nurse	4,200.00	4,830.00	5,796.00
Account Clerk	3,000.00	3,450.00	4,140.00
Driver	2,400.00	2,760.00	3,312.00
Cleaner (3)	3,600.00	4,140.00	4,968.00
Security (4)	4,800.00	5,520.00	6,624.00
Front Deck Attendant	<u>1,440.00</u>	<u>1,656.00</u>	<u>1,987.00</u>
Total	75,240.00	86,526.00	104,026.00

4.0 MARKET ANALYSIS

4.1 BUSINESS SYSTEM AND OPERATION

KIDS' TIME will be enrolling children between the ages of 2 and 15 years. Membership registration will be ensured and members will be required to provide 3 passport sized photograph with a birth certificate and a medical report sign and certified by a qualified Medical Doctor from any government hospital. A completed application form plus a monthly registration fees will have to be submitted one can be admitted. These requirements will be demanded from anybody who uses the facilities.

The center will also hire a place Festive Delight Catering Services to operate a cafeteria within its premises but the cafeteria will be strictly supervised by management to make sure the kids are served with good, hygienic and nutritious meals.

Furthermore, the center will engage the services of a qualified and competent Medical Doctor who will periodically examine the kids. There will also be a permanent senior nurse who will administer first aid but should the need arise that a child be rush to the hospital, KIDS' TIME has made agreement with Asafo Adjei Hospital where the center's Doctor works to take care of our clients.

KIDS TIME Recreational Center will fence its premises and will also outsource for security personnel to guard our premises to enable us offer our customers a safe and secure child care environment and close personal attention.

4.2 ENVIRONMENTAL ANALYSIS

KIDS' TIME would be operating under serene and conducive atmosphere. Our environment will be beautifully decorated with colourful tresses and flowers.

4.2.1.1 Political Factors

Ghana's political environment has been very stable and democratic since 1992 and hence people have the liberty to move about freely without any barriers. This environment is conducive for the private sector development and as such is good for the establishment of a recreational center such as ours.

4.2.1.2 Economic Factors

The economic indicators such as; interest rate, exchange rate, inflation are quite stable in the country whiles GDP is growing and the government through various means is helping the small and medium enterprises to grow. As a result of this, the average Ghanaian is better off to patronize our services.

4.2.1.3 Socio-Cultural Factors

Socio-Cultural factors like customs, values, and traditions are used to orient members into the society. We will use our medium to modify, train and develop our clients to fit well into the society.

4.2.1.4 Technological Factors

We will take advantage of the ever-increasing technological advancement to provide quality and well defined services. We will expose these technologies such as computer games at their early stages of their development.

4.2.1.5 Legal Factors

The legal requirements of businesses in this country are not much of a burden on entrepreneurs.

4.2.2 COMPETITIVE STRATEGY

The company will compete well in the defined market by offering competitive prices high-quality play care services, and leading-edge educational toys with certified, university-educated instructors, and by maintaining an excellent reputation with parents and the community. KIDS TIME recreations center will also have a competitive edge by providing facilities like; swimming pool, art and craft studio, drama studio, birthday parties, music studio, movie theatre, computer game, large playing ground group activities, special programs periodic excursions and gym for grown-ups. We will also make sure that there is proper supervision of every individual and group work.

4.2.2 SWOT ANALYSIS

4.2.2.1 Strengths

- ✓ Our instructors are carefully selected from institutions that specialize in child care centers.
- ✓ Our strategic location will make it easy and accessible by our cherished clients.

- ✓ God-fearing, dedicated and committed staff will be our missile.
- ✓ Quality and modern recreational facilities.
- ✓ Moderate and affordable pricing of our fees.

4.2.2.2 Weakness

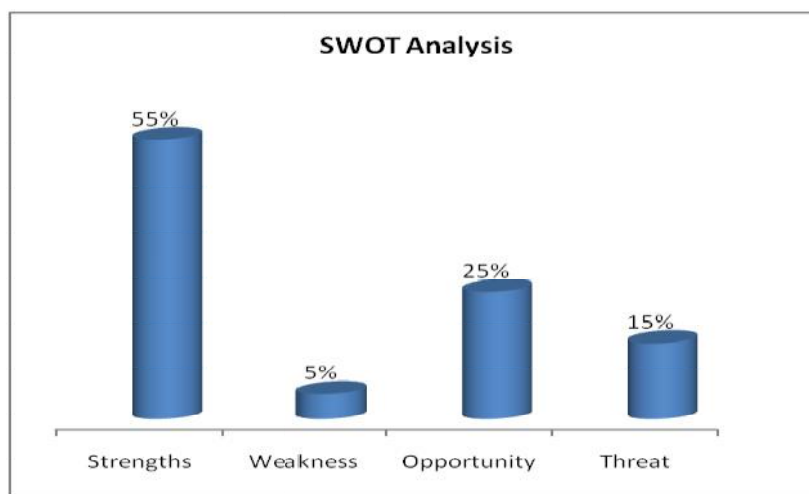
- ✓ Limitation of funds to enter this lucrative venture will be our biggest challenge.
- ✓ Not being able to pay our staff what they really deserve.

4.2.2.3 Opportunities

- ✓ Potential large market.
- ✓ Unavailability of a competitor.
- ✓ A fast growing facility.

4.2.2.4 Threat

- ✓ Low entry barrier will give rise to competitors coming into the market.
- ✓ High employee turnover rate has become our major threat.



SWOT Analysis

4.3 MARKET SEGMENTATION

KIDS' TIME Recreational Center is focused on meeting the local need for child recreational services within the Kumasi Metropolis. Our clients are admitted on either a full-time or part-time bases from Monday to Saturday from the hours of 8:00am-6:00pm and on Sundays at 10am-5pm.

4.3.1 Full-Time Clients

The company wants to establish a significantly large full-time regular client base in order to establish a healthy, consistent revenue base to ensure stability of the business. Customer relations are extremely important, as it is imperative to keep the parents pleased in order to keep their children in the day-care center.

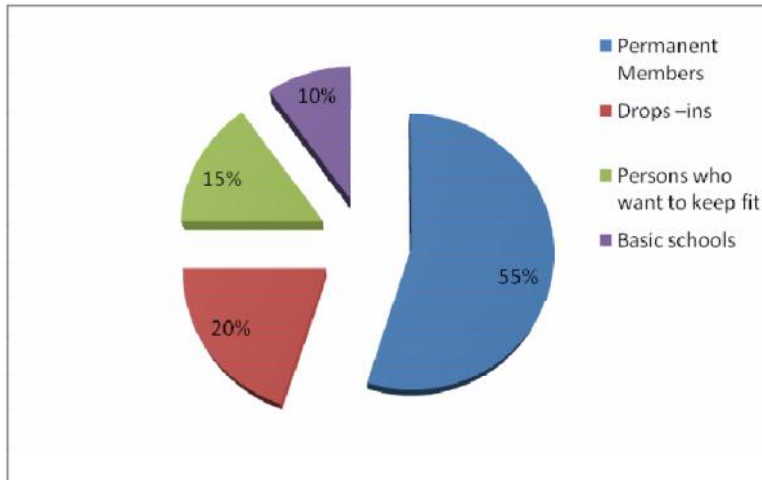
4.3.2 Part-Time Clients

Part-time clients comprise approximately 30% of the company's revenues. While this market is not the primary focus, sufficient flexibility to handle this secondary market is important to producing supplemental revenues.

4.4 TARGET MARKET

The targeted market comprises of:

- ✓ Drops –ins
- ✓ Parents who cannot combine childcare and business(Permanent Members)
- ✓ Persons who want to keep fit
- ✓ Basic schools

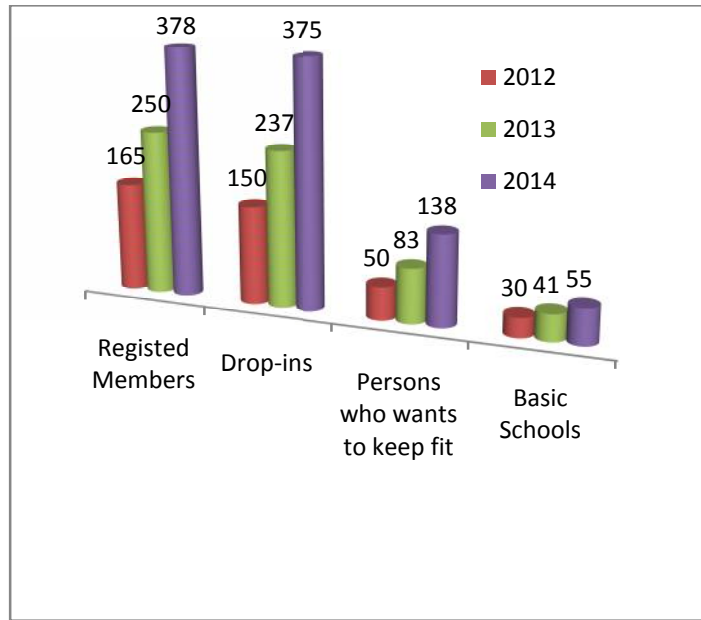


Target Market

4.5 GROWTH RATE

Kids' entertainment in Ghana is growth rapid and for that matter those in existence are in the capital city hence KIDS' TIME Recreational Centre will seize this opportunity to grow the industry in the Kumasi Metropolis. We therefore expect to grow our membership by 58%, after a first year in existence, then drop – ins by 51% whiles the fitness centre is expected to grow at a rate of 65% within the same period and basic schools in partnership is also expected to grow by 35% after the first year.

Potential Customers	Growth Rate	Year 1	Year 2	Year 3
Registered Members	51%	165	250	378
Drop-ins	58%	150	237	375
Persons who wants to keep fit	65%	50	83	138
Basic Schools	35%	30	41	55



Growth Rate

4.5 MARKETING MIX

4.5.1 PRODUCT STRATEGY

KIDS' TIME will offer interesting services such as, art and craft theatre, movie cinema, swimming lessons, birthday parties, gymnasium and an instructor lead group activities that will be fun and educative.

4.5.2 PRICING

While KIDS' TIME is in business to make profit, client satisfaction will be our major priority.

We will price our charges at a level which will be affordable for many middle income earners.

4.5.2.1 Direct Sales

Unit Price (Cumulative)	Year 1	Year 2	Year 3
	GH¢	GH¢	GH¢
Full-Time Child	39,600.00	60,000.00	90,720.00
Drop-In	45,000.00	71,100.00	112,500.00
Basic Schools	4,800.00	6,560.00	8,800.00
Registration Fee (Full time)	16,500.00	25,000.00	37,800.00
Registration fee (Keep-Fit)	7,500.00	12,450.00	20,700.00
Monthly Dues (Keep Fit)	15,000.00	24,900.00	41,400.00
Total	128,400.00	146,010.00	311,920.00

4.5.2.2 Direct Costs

Unit Price (Cumulative)	Year 1	Year 2	Year 3
	GH¢	GH¢	GH¢
Full-Time Child	23,760.00	36,000.00	54,432.00
Drop-In	28,800.00	45,504.00	72,576.00
Basic Schools	1,200.00	1,640.00	2,200.00

Registration fee (Keep-Fit)	10,800.00	17,900.00	29,808.00
Total	64,560.00	101,044.00	159,196.00

4.5.2.3 Start-up items/Cost

GH¢

✓ Video, TV consoles & DVD	1,300.00
✓ Computers –Learning & Administration, Internet	7,600.00
✓ Cleaning Suppliers	1,000.00
✓ Office Supplies	1,250.00
✓ Legal Registration Fees	1,500.00
✓ Insurance	4,200.00
✓ Projectors and Screens	1,200.00
✓ Advertisement(Print & Electronics)	1,800.00
✓ Medicine Kit(first Aid)	1,000.00
✓ Arts Supplies	11,500.00
✓ Equipments (Toys)	4,500.00
✓ Outdoor Play Ground Sets	40,000.00
✓ Laundry Supplies	1,500.00
✓ Rest room	1,000.00
✓ Utility Bills(Electricity, Water, Telephone etc)	3,200.00
✓ Vehicle	13,000.00

4.5.3 PUBLICITY

Management will promote the center through advertising. We will advertise through Word-of-mouth advertisement (Public Relation), Print and Electronic advertisement. We will also design Brochures, Leaf-lets, Flyers, Banners, T'-Shirts etc. All brochures, flyers and other marketing tools will promote our website, detailing our services that benefit the community. Our website will also provide all information about us, our operational hours, schedules of events, and a registration form for online enrolment. Email will be used to connect with our clients frequently through monthly newsletters and updates on upcoming events and special offers.

5.0 FINANCIAL ANALYSIS

The owners of Kids' Time Recreational centre will raise a start-up capital of Eighty Thousand US Dollars (US\$80,000.00) equivalent to Hundred and Twenty Thousand Ghana Cedis (GH¢ 120,000.00)

5.1 RISK ANALYSIS

Kids' Time realises that it will be faced with business risk that can reduce its business value. The below risks were identified as possible business risk that can seriously affect our productivity.

Price risk; we realise that the size of our cash flow are uncertain due to the possible changes in either the prices of inputs or outputs. Changes in the prices that we demand for our services is the output price risk whilst the input price risk is the risk of changes in the prices that KIDS' TIME will pay for labour, materials and other inputs that will be needed in rendering our services for sale. The input and output price risks are mostly affected by the prevailing commodity price, interest rate and the exchange rate.

With the **credit risk** we also understand that some of our customers will delay or even fail to make payment at the appropriate time.

Pure risks that can affect the firm are;

- ✓ Reduction in value of our business due to physical damage and theft.
- ✓ The risk of legal liability for damages for harm to our customers, suppliers, shareholders and other parties.

- ✓ We identified the risk associated with paying benefits to injured workers under workers compensation laws and risk of legal liability for injuries or other harms to employees that are not covered by workers compensation laws.
- ✓ Finally, the risk of death, illness and disability to employees for which the business have agreed to make payment under employee benefit plan, including obligations to employees under pension and other retirement savings plans.

5.1.2 RISK MANAGEMENT

Methods that would be applied to solving the various forms of risks that will affect the firm are;

Loss Control is actions that reduce the expected cost of losses by reducing the frequency and/or severity of losses that may occur. KIDS' TIME will use the below strategies to control our losses;

- ✓ There shall be frequent safety talks to constantly remind employees of our safety policies.
- ✓ Assets such as machines and vehicles will be periodically maintained to prevent any unforeseen damages in the future.
- ✓ Drivers will be given extensive training on safety, such as limiting the number of hours driven in a day

Loss Financing is a means of obtaining funds to offset losses that may occur. The firm has purchased an insurance contract from Donewell Insurance Company Limited for all our assets and employees. The company will also make sure that all its employees are covered under the National Health Insurance Scheme.

For the Internal Risk Reduction, the firm will as a means of reducing risk internally will invest in information to obtain superior forecasts of expected losses. Research will be conducted on the potential demand for different products to reduce output price risk and forecast future commodity price and interest rate.

5.2 PROJECTED INCOME STATEMENT

KIDS' TIME RECREATIONAL CENTER

PROJECTED INCOME STATEMENT FOR THE YEAR ENDING 2011, 2012 & 2013

	2012	2013	2014
	GH¢	GH¢	GH¢
Sales:	128,400.00	146,010.00	311,920.00
Cost of Sales (Direct Cost)	(32,280.00)	(50,522.00)	(79,598.00)
<i>Gross Profit</i>	<u>96,128.00</u>	<u>95,488.00</u>	<u>232,322.00</u>
<i>Less Expense:</i>			
Administrative Expenses	1,400.00	1,540.00	1,694.00
Stationary	250.00	275.00	302.50
Rates (electricity, water & telephone)	3,200.00	3,520.00	2,872.00
Advertisement	1,800.00	1,980.00	2,178.00
Legal & Registration	1,500.00	-	-
Insurance	4,200.00	4,620.00	5,082.00
Cleaning Expenses	1,000.00	1,100.00	1,210.00

Finance Charges	1,500.00	1,500.00	2,000.00
Depreciation	7,860.00	7,860.00	7,860.00
Medicine Bills	1,000.00	1,100.00	1,210.00
Salaries	<u>52,668.00</u>	<u>60,568.20</u>	<u>72,818.20</u>
Total Expenses	76,378.00	84,063.20	98,226.70
Net Profit before Tax	19,750.00	11,424.80	130,095.30
Less tax (25% of profit)	<u>4,937.50</u>	<u>2,856.20</u>	<u>33,523.80</u>
Net profit after year	14,812.50	8,568.60	100,571.50
Income Surplus:			
Balance b/f	<u>.....</u>	<u>14,812.50</u>	<u>23,381.00</u>
Net Profit for the Year	14,812.50		23,381.00
123,952.50			

From the company's income state below, it is projected that profit would be generated in all the three years. Though profit decreases in the year 2013 due to the fact that prices would not be reviewed in that year. However it is expected that profit would increase enormously due to the increased growth rate of the customer base and the review of prices of the various services.

KID’S TIME RECREATIONAL CENTER BREAK EVEN ANALYSIS

FIXED COST:	GH¢
Vehicle	13,000.00
Office Equipment	1,000.00
DVD, TV Consoles	1,300.00
Computers	7,600.00
Projector and Screens	1,200.00
Outdoor play Ground	40,000.00
Toys	4,500.00
Total fixed Cost	68,600.00

VARIABLE COST:	
Salaries	52,668.00
Direct Cost	32,280.00
Administration expenses	1,400.00
Stationery	250.00
Rates	3,200.00

Advertisement	1,800.00
Legal & Registration	1,500.00
Insurance	4,200.00
Cleaning Expenses	1,000.00
Medicine bills	1,000.00
Total variable Cost	<u>99,298.00</u>

Sales revenue = GH¢ 128,400.00

Break even = $\frac{\text{Total fixed cost}}{\text{Out put}}$

$$= \frac{68,600}{128,400} = \text{GH¢}0.53$$

Unit fixed Cost = GHS¢ 0.53

Variable breakeven = $\frac{99,298}{128,400}$

Unit variable cost = GH¢ 0.77

Unit Cost = Unit fixed cost + Unit Variable cost

$$= 0.53 + 0.77$$

$$= \text{GH¢} 1.3$$

Assuming a profit margin of GH¢ 2

$$\begin{aligned}\text{Selling Price} &= \text{Unit cost} + \text{profit margin} \\ &= 1.3 + 2 \\ &= \text{GH¢ } 3.3\end{aligned}$$

$$\begin{aligned}\text{Break even sales} &= 20,787 \times 3.3 \\ &= \text{GH¢ } 68,597\end{aligned}$$

$$\text{Break even period} = \frac{68,597}{128,400} \times 12$$

The company will take a little over 6 months within the first year of operation to equate its fixed cost to revenue with a break even Sales and units of GH¢ 68,597 and 20,787 units respectively. That is, after producing the 20,787 units of the company's products, the total cost of GH¢ 68,600 will approximately equal the revenue generated from the sales of the products. (GH¢ 68,597)

7.2 CASH FLOW STATEMENT

The cash flow projection shows that provisions for ongoing expenses are adequate to meet the needs of the company as the business generates sufficient cash flow to support its operations. The projection covers the period 1st January, 2012 to 31st December 2014.

PROJECTED CASHFLOW STATEMENT FOR THE YEAR ENDING 2012, 2013 & 2014

	2012	2013	2014
	GH¢	GH¢	GH¢
Inflow:			
Capital	150,000.00	----	----
Sales revenue	<u>128,400.00</u>	<u>146,010.00</u>	<u>311,920.00</u>
Total Inflows	278,400.00	146,010.00	311,920.00
Less Outflows:			
Non-Current assets	28,600.00	31,460.00	34,606.00
Start-up Expenses	65,750.00	52,350.00	79,558.00
Salaries	<u>52,668.00</u>	<u>60,568.20</u>	<u>72,818.20</u>
Total Outflows	147,018.00	144,378.20	186,982.20
Net Cash flow	131,382.00	1,630.80	124,937.80

KID'S TIME RECREATIONAL CENTRE

PROJECTED STATEMENT OF FINANCIAL POSITION AS AT 31/12/2012, 2013, 2014

	2012		2013		2014	
	GH¢	GH¢	GH¢	GH¢	GH¢	GH¢
Non – current Assets:						
Property, plant & equipment		54,880		50,880		49,880
Current Assets:						
Inventory	23,797		22,750		33,025	
Trade receivables	900		990		1,089	
Prepaid Rates	18,336		14,939		17,704	
Cash & Cash equivalents	75,950	<u>119,893</u>	85,500	<u>124,179</u>	121,769	<u>173,587</u>
Total assets		173,893		175,059		223,467
Current Liabilities:						
Trade payables	12,500		13,750			15,125
Financed by:						
Capital		150,000		160,043		161,309
Income Surplus	<u>11,392.30</u>	<u>161,393</u>	<u>5,283.50</u>	<u>161,309</u>	<u>31,908.3</u>	<u>208,342</u>

171,893

175,059

223,467

APPENDIX

APPRAISAL OF PROJECT BY NPV METHOD USING INTEREST RATE OF 20%

YEAR	CASH FLOWS	PV Factor	PV
0	(165,000.00)	1.000	(165,000.00)
1	202,714.00	0.833	168,860.80
2	125,685.80	0.694	87,225.90
3	361,924.30	0.579	<u>209,554.20</u>
		N PV	300,640.90

KID'S TIME RECREATIONAL CENTER FINANCIAL RATIO ANALYSIS

PROFITABILITY

a) Return on capital employed (ROCE)

$$\text{ROCE} = \frac{\text{operations profit}}{\text{Capital employed}} \times 100\%$$

$$2012 \text{ ROCE} = \frac{31,372}{62,393} \times 100 = 50.3\%$$

$$2013 \text{ ROCE} = \frac{31887.8}{100029} \times 100 = 31.9\%$$

$$2014 \text{ ROCE} = \frac{169,634}{222,374} \times 100 = 76.3\%$$

B) Net Profit Margin

$$= \frac{\text{Operating Profit}}{\text{Sales Revenue}} \times 100\%$$

$$2012 = \frac{31,372}{128,400} \times 100 = 24.4\%$$

$$2013 = \frac{31,887.8}{146,010} \times 100 = 21.8\%$$

$$2014 = \frac{169,634}{311,920} \times 100 = 54.4\%$$

LIQUIDITY RATIOS

a) Current Ratio = $\frac{\text{Current Assets}}{\text{Current liabilities}}$

$$2012 \text{ Current Ratio} = \frac{119,893}{57,500} = 2.1 \text{ times}$$

$$2013 \text{ Current ratio} = \frac{158,779}{58,750} = 2.7 \text{ times}$$

$$2014 \text{ Current Ratio} = \frac{257,499}{35,125} = 7.3 \text{ times}$$

b) Quick ratio = $\frac{\text{Current assets} - \text{inventory}}{\text{Current liabilities}}$

$$2012 \text{ Quick ratio} = \frac{96,096}{57,500} = 1.7 \text{ times}$$

57,500

$$2013 \quad \text{Quick ratio} \quad = \quad \frac{126,029}{58,750} \quad = \quad 2.1 \text{ times}$$

$$2014 \quad \text{Quick ratio} \quad = \quad \frac{214,474}{35,125} \quad = \quad 6.1 \text{ times}$$

The firm will depreciate non-current assets at the rate of 20% as follows:

	COST	DEPRECIATION	NBV
Vehicle	13,000	2,600	10,400
Office equipment	1,000	200	800
DVD, TV Consoles	1,300	260	1,040
Computers	4,600	920	6,080
Projector and screen	1,200	240	960
Building & playground	40,000	8,000	32,000
Art supplies	7,500	1500	6,000
Furniture & fittings	2000	400	1,600
Toys	<u>2,500</u>	<u>500</u>	<u>2,000</u>
Total	73,100	14,620	58,480

4.5.2.1 Direct Sales

Unit Price (Cumulative)	Year 1	Year2	Year 3
	GH¢	GH¢	GH¢
Full-Time Child	3,300	5,000	7,560
Drop-In	3,750	5,925	9,375
Basic Schools	400	546.67	733.33
Registration Fee (Full time)	1,375	2,083.33	3,150
Registration fee (Keep-Fit)	165	1,037.50	1,725
Monthly Dues (Keep Fit)	1,250	2,075	3,450
Total	10,700	12,167.5	25,993.3

4.5.2.2 Direct Costs

Unit cost (Cumulative)	Year 1	Year 2	Year 3
	GH¢	GH¢	GH¢
Full-Time Child	1,980.00	3,000.00	4,536.00
Drop-In	2,400.00	3,792.00	6,048.00

Basic Schools	100.00	136.67	183.33
Registration fee (Keep-Fit)	900.00	1,491.67	2,484.00
<i>Total</i>	<i>5,380.00</i>	<i>8,420.33</i>	<i>13,266.33</i>