

CHRISTIAN SERVICE UNIVERSITY COLLEGE – KUMASI

DEPARTMENT OF BUSINESS STUDIES

BACHELOR OF BUSINESS ADMINISTRATION

NAPAA PROCESSING COMPANY LTD

BUSINESS PLAN

BY

NKRUMAH JAMES

APPIAH KONTOH JAMES

PEPRAH MANU PETER

AFRANE BUABENG SETH

ANTWI BENEDICTA.

DECEMBER, 2011.

CHRISTIAN SERVICE UNIVERSITY COLLEGE – KUMASI

DEPARTMENT OF BUSINESS STUDIES

BACHELOR OF BUSINESS ADMINISTRATION

NAPAA PROCESSING COMPANY LTD

BUSINESS PLAN

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

COURSE

CSAD 443 TEAM BUSINESS PROPOSAL

BY

NKRUMAH JAMES

APPIAH KONTOH JAMES

PEPRAH MANU PETER

AFRANE BUABENG SETH

ANTWI BENEDICTA.

DECEMBER, 2011.

STATEMENT OF AUTHENTICITY

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

Name of Students	Index Numbers	Signature	Date
1. NKRUMAH JAMES	10135220	.....	.....
2. APPIAH KONTOH JAMES	10135316	..... ..	.....
3. PEPRAH MANU PETER	10136199	.....	.....
4. AFRANE BUABENG SETH	10135250	.....	.....
5. ANTWI BENEDICTA	10135207	.....	.....

Certified By

.....

(Supervisor)

Signature

Date

Certified By:

.....

(Head of Business Studies Department)

Signature

Date

EXECUTIVE SUMMARY

NAPAA is a processing company of making a unique, high quality 3 in 1 Tom Brown food with a unique taste at an affordable price. NAPAA is a company incorporated in 2011 at the Registrars General Office in Kumasi .The name NAPAA was arrived at by the use of acronyms of the group members' surnames. NAPAA was formed by five members and the firm is been managed by them. Old Tafo is where the business is located.

NAPAA Company produces a high quality 3 in 1 Tom Brown which contains nutritional value which is essential to the health of our consumers. NAPAA has not taking it easy since the competitors of Tom Brown product have already captured the greater portion of the market.

The high quality nutritional value of NAPAA Company Tom Brown has made it possible to serve hospitals, schools and the entire market and this to our view will help us to attract more consumers and gain competitive advantage and survive in an industry already in existence with many Tom Brown producers. NAPAA Company has the challenge of differentiating its product against competitors. This means we should focus on our outstanding customer service with high quality product that leads to a customer's repeat business with us. The initial capital of NAPAA Processing Company is \$25,000 with an equivalent rate of GH¢ 1.50P when converted will be amount to GH¢ 37,500.

MISSION STATEMENT

NAPAA Company's mission is to produce and sell high quality, 3 in 1 Tom Brown to enrich the lives of our customers.

VISION STATEMENT

NAPAA Company has the vision of becoming the largest producers of Tom Brown in the next 5-10 years within the West Africa sub-region and make customers to get value for what they have paid for.

CORPORATE OBJECTIVES.

- To gain greater market share of 30% within 3years.
- We intend to gain, return on the investment we have made at least 25% within 3 years.
- NAPAA Company is in to produce product that will meet the needs of our customers' base on the total products (goods) we will be able to offer and the amount customers will be able to buy at a given period(at least 1 year.)

TABLE OF CONTENT

CONTENT	PAGE
Executive Summary	i
Mission Statement	ii
Vision Statement	ii
Corporate Objectives	ii
1.0 ORGANIZATION	1
1.1 Company Background	1
1.2 Business and Industry Profile	1
1.3 Type of Business	2
1.4 Business Strategy	4
1.4.1 NAPAA's Image	4
1.4.2 Positioning	4
1.4.3 Company Goals	4
1.4.4 Objectives	5
1.4.5 Competitive Strategy	5
1.4.6 Cost Leadership Strategy	5
1.4.7 Focus Strategy	6
2.0 PRODUCT IDEA & RELISATION OF SCHEDULE	7
2.1 Product Idea	7
2.2. Relisation of Schedule	7
2.1 Raw Materials	8
2.2 Ingredients	9
2.3 Raw Materials	9
2.4 Key Suppliers	9
2.4 Leads Times	10

3.0 MANAGEMENT TEAM	11
3.1 Position Categories among the Five Members	11
4.0 MARKETING ANALYSIS	15
4.1 Business Systems & Operations	15
4.1.1 Consumer Benefits	15
4.1.2 Uniqueness of the Product	15
4.2 Environmental Analysis	16
4.2.1 Main Competitors	16
4.2.2 SWOT Analysis	16
4.3 Market Segmentation	17
4.4 Target Market	18
4.5 Marketing Mix	19
4.5.1 Patent or Trademark Protection	19
5.0 FINANCIAL ANALYSIS	22
5. 1 Assumptions And Risk Analysis	22
5.2 Projected Statement of Financial Position	25
5.3 Projected Income Statement	26
5.4 Projected Cash Flow	27
APPENDIX	28

2.0 ORGANIZATION

1.1 Company Background

NAPAA company has realized that the Tom Brown in the market has to be prepared on the fire after which sugar and milk are added, as such we have taking into consideration to produce 3 in 1 Tom Brown (cereal, milk and sugar) which is easy to prepared, fast and convenient.

NAPAA Company was established in 2011 by five partners to engage in 3 in 1 Tom Brown production. However, as a result of financial hardships we intend to commence business activities in 2012. It is located at Old Tafo, Kumasi in the Ashanti Region.

1.2 Business and Industry Profile.

The 3 in 1 Tom Brown industry is located at Old Tafo a suburb of Kumasi. The place is just 3-miles away from the main market centre of the city. Three in one Tom Brown is going to compete with the other Tom Brown in the competitive market.

The economic structure of an industry is not an accident. Its complex nature is the result of long-term social trends and economic forces. But its effect on you as a business is immediate because it determines the competitive rules and strategies you are likely to use.

B-Wicker Tom Brown is one of the few competitors in the market. These are some of the weakness of our competitors (Tom Brown producers). The products excludes sugar and milk which can be found in our product (3 in 1 Tom Brown)

The Tom Brown in the market is not packaged well. Most of the sellers use empty margarine tins to serve their customers when they are purchasing their products. Even though, there is some imported Tom-Brown in the market, they are very expensive and are not 3 in 1 as compared to our product. The new dimension of 3 in1 Tom Brown in the market will give us the competitive edge over our competitors.

Name of Business.

NAPAA Processing Company Limited.

Date and Place of Registration.

NAPAA is a company incorporated in 2011 at the Registrars General Office in Kumasi .The name NAPAA was arrived at by the use of acronyms of the group members' surnames.

Actual Operation Date.

NAPAA Company was established in 2011 by five partners to engage in 3 in 1 Tom Brown production. However, as a result of financial hardships we intend to commence business activities in 2012. It is located at Old Tafo, Kumasi in the Ashanti Region.

1.3 Type of Business

NAPAA Company is Micro Business and which was formed by five members and the firm is been managed by them. Old Tafo is where the business is located.

Form of Ownership

Five members will contribute to finance the business

Mr. Nkrumah James -20% =7,500.00

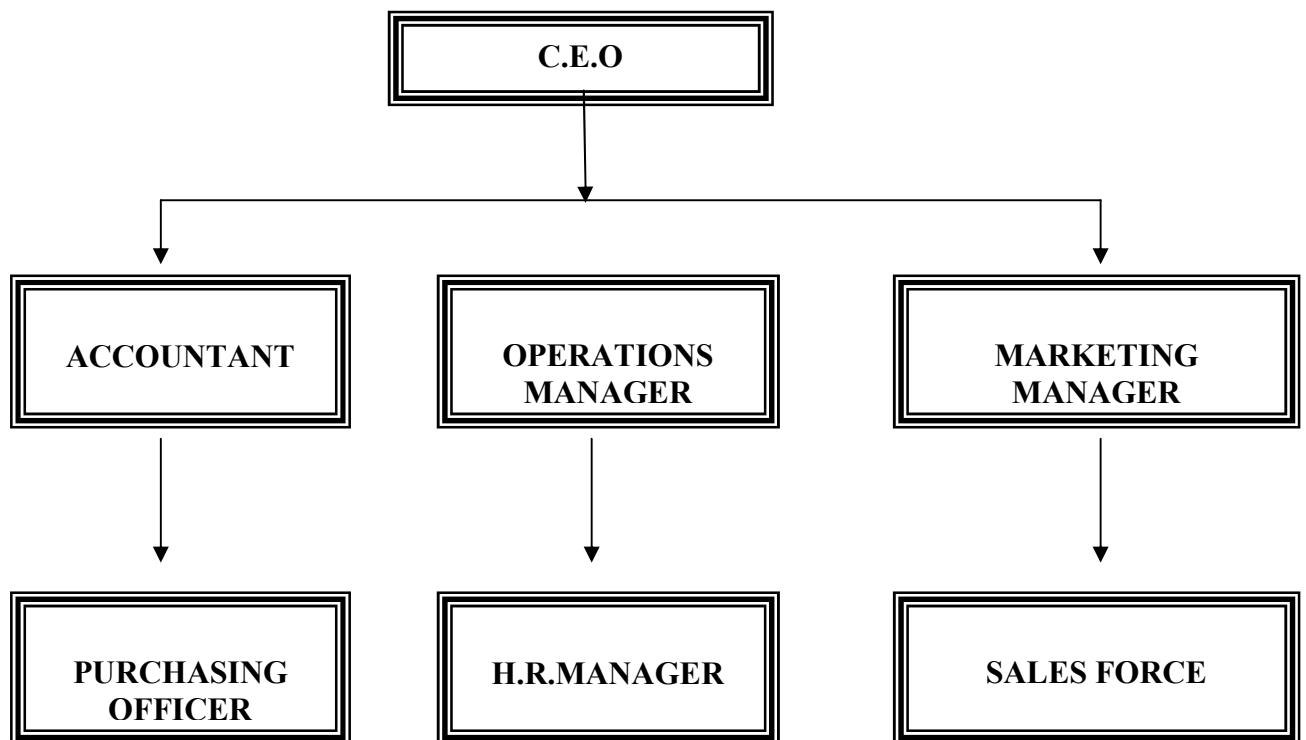
Mr. Appiah Kontor James – 20% 7,500.00

Mr. Peprah Manu Peter – 20% 7,500.00

Mr. Afrane Buabeng Seth – 20% 7,500.00

Mrs. Antwi Benedicta – 20% 7,500.00

GENERAL ORGANIZATION / OPERATING UNITS.



1.4 Business Strategy

1.4.1 Napaa's Image

We believe that NAPAA product will be viewed as unique, of good quality, delicious and affordable. Although, many Tom Brown businesses attempt to achieve this, we hope that through our close connection with the customers and on-time- delivery, we will be able to accomplish this goal more successfully.

1.4.2 Positioning

NAPAA will position itself as the centre of professional Tom brown producers in the competitive market.

1.4.3 Company Goals.

- Our goal is to produce the best Tom Brown among the best in the competitive market.
- To produce the most nutritious and 3 in 1 affordable Tom Brown in the market.
- To Produce and distribute genuine 3 in 1 and high quality goods by using required raw materials to the market through the requirements of the Food and Drugs Board.
- Business Uniqueness: The unadulterated material used, the way NAPAA product is packaged and the excellent flavour have differentiated it from those on the market.

1.4.4 Objectives

- To gain greater market share of 30% within 3years.
- We intend to gain, return on the investment we have made at least 25% within 3 years.

- For these goals to be achieved effectively, we intend to produce a unique Tom Brown as a key strategy.
- Again, we intend to lower cost of production such as cost of labour, materials and facilities.
- We intend to serve our potential customers with their needs and expectations.
- We intend to create a convenient access or availability of 3 in 1 Tom Brown.

1.4.5 Competitive Strategy

NAPAA Company adopts a combined strategy that will help the business to blend elements of a cost leadership and focus strategy.

1.4.6 Cost Leadership Strategy.

As a result of the high competition on the market, the company adopts cost leadership by pricing our product as low as possible to enable customers with different income level to purchase our product.

- Cost leadership strategy will offer efficient distribution channel to help our distributors reduce their cost and to increase the cost of their competitors.
- Cost leadership will help us as a new entrant to bridge entry barriers and to remain in the market and attract a greater number of consumers of the product.
- NAPAA Company may be able to have the competitive advantage based on cost leadership if competing firms do not reduce their cost price by similar amount or margin.

1.4.7 Focus Strategy

This is a strategy which focuses on a particular segment to achieve cost leadership or differentiation

Focus strategy will give us the edge to attract a greater customer loyalty and this reliable loyalty can discourage other companies from competing directly. Focus strategy will help us know our potential customers and serve them well.

2.0 PRODUCT IDEA & RELISATION OF SCHEDULE.

2.1 Product Idea

All products designs begin with an idea. The idea of the 3 in 1 Tom brown came from the co-founders. After the idea has been developed, the co-founders evaluated the idea to determine the likelihood of its success, according to the needs of the general public. This idea came as a result of solving the following problems;

- Helping consumers to get extra health benefit.
- Help them to save money in the sense that, they will not use extra money in buying sugar and milk before consuming the product.
- It also prevents the formation of weak bones among children and strengthening the bones of adults who consume the product.
- It also prevents stunted growth among children.

NAPAA company intends to produce again another different 3 in 1 Tom Brown (called NAP) with maize, millet, unpolished white rice, beans, milk and sugar as the ingredients to give a different taste of 3 in 1 Tom Brown when the maize, groundnut unpolished brown rice, cowpea, milk and sugar 3 in 1 Tom Brown gets to the maturity stage.

Distribution Channel

How the product manufactured gets to the target market and customers is our main concern with the distribution channel. NAPAA Company intends to focus on indirect and direct channel of distribution. NAPAA Company will deliver its product to its potential customers through the use of the company's delivery van, (direct distribution of products). With regard to the indirect distribution, the firm will supply its product to the potential customer through the retailers.

Stages of Growth.

Introduction Stage:

At this stage the product is new, and demand is low while people learn about it, try it and see if they like it.

Growth Stage:

At this stage new customers buy the product, it gains popularity and demand for it rises quickly, profit rises, competition increases.

Maturity Stage:

Demand stabilizes as most potential customers know about the product and they buy it in steady numbers. At this stage, also, the price tends to drop due to the proliferation of competing products and brand differentiation affects the company's profit.

Declining Stage:

At this stage, the product gets old and sales volume falls as customers start switching to new alternatives.

2.2. Relisation of Schedule.

2.1 Raw Materials.

These are the raw materials that NAPAA company use in its production; milk, sugar, maize, unpolished brown / white rice, groundnut, millet, soya beans, sorghum and cowpea. These raw materials can be found in the Ashanti region (Kumasi), Brong Ahafo (Atebubu, Techiman, Akomadan, Ejura) and all the three northern regions.

(Batore, Goshegu, Bawko, Kyereponi, Teselema, Peru.)

2.2 Ingredients

The ingredients used to produce the 3 in 1 Tom Brown are milk, sugar, maize, groundnut, sorghum, soya beans, millet, cowpea, unpolished brown rice, unpolished white rice.

These ingredients are washed in clean water and dried after which they are roasted in a gas oven. We then grind the ingredients in a corn mill. The grinded ingredients are spread in a clean airy place for accumulated heat to evaporate before packaging, weighing and seal them with a machine called impulse filler.

2.3 Raw Materials.

COST: Currently, it will cost us GH¢ 70.00 to buy a bag of maize, GH¢ 170.00 to buy a bag of beans, GH¢ 240.00 to buy a bag of groundnut, GH¢ 90.00 to a bag of millet, GH¢ 210.00 to buy a bag of cowpea, GH¢ 90.00 to buy a bag of sorghum, GH¢ 210.00 to buy a bag of unpolished brown rice, GH¢200.00 to buy a bag of milk powder, GH¢ 88.00to buy a bag of sugar but as a result of NAPAA purchasing in bulk we anticipate trade discount.

2.4 Key Suppliers.

Our raw materials will be supplied by 16 suppliers from the local farmers from Techiman, Nkoransa, Ejura, Batore, Goshegu, Bawko, Kyereponi, Teselema, Peru.

NAPAA Company intends to store some of these raw materials to avoid shortages. We intend to support the farmers who are producers of our raw materials with some kind of financial assistance and provide them with equipment like cutlasses, hoes, weedicides, pesticides, wellington boots, fertilizers at a subsidize rate to motivate them (farmers) to produce in a large quantities. We again intend to educate them on the efficient use of the fertilizers, weedicides and proper way of doing business with NAPAA Company.

2.4 Leads Times

We intend placing an order for our raw materials on weekly basis. The company has a warehouse to store our raw materials.

3.0 MANAGEMENT TEAM

The company will be managed by five (5) members. Among the five, there will be managers and departmental heads to work assiduously to achieve the anticipated medium and long term goals, aims, and objectives.

3.1 Position Categories among the Five Members

Name: **Mr. Peprah Manu Peter**

Position: **Chief Executive Officer (CEO)**

Mr. Manu holds diploma in business management. He holds degree in Banking and Finance from Christian Service University College. He has also worked with some financial institutions like Odotobri Rural Bank where he was made the sales executive manager to steer the affairs of the sales department. So with all the above experiences, Mr. Manu qualifies to be the chief executive officer of NAPAA processing company limited.

He will be charged with these duties;

1. Formulation of firms' policy. The CEO shall in the interest of the firm develop and recommend a sound policy and policy alternatives to the management team for consideration.
2. Policy Implementation. The CEO shall implement the policies considered by the management team and shall see to it that they properly encroached, explained and adhere to by all staff.
3. The CEO shall in line with law and company act:
 - a. Receive projects that management has directed him for execution and bring to the notice those projects to the appropriate department.

- b. He shall also evaluate all proposed programs of the various department and recommend or make some alternations where it demands and discussed with management
- c. Evaluate the activities, duties of the various department and effect changes where necessary in the direction of the business.
- d. Through performance appraisal methods, he promotes and demotes employees where necessary.

Name: Mr. Seth Afrane Buabeng

Position: Production and Operations Manager

Mr. Afrane holds certificate in risk management, he also holds diploma in Operations Management. He again holds a degree in Human Resource Management from Christian Service University College and aside these, he has worked with Ashh FM as Head of Operations, and has all the experiences it takes to hold this position.

Duties of Productions and Operations Manager

- 1. He will be in charge for most of the financial negotiations such as equipment procurement, replacing equipment or repairing equipment.
- 2. He is responsible for preparing the firms' budget by breaking down the operation into its elements and submit it to the accountant
- 3. He is supposed to develop and maintain the database and system of records to provide effective administrative follow-up and supporting documentation for all operations and human resource activities.

Name: Miss Antwi Benedicta

Position: Marketing Managress

Miss Antwi Benedicta holds Diploma in marketing from Sunyani Polytechnic, she also holds diploma in Estate Management from U.S.T Kumasi and degree in marketing from Christian Service University College. She is the Estate Officer of State Housing Company in Kumasi, North Suntresu.

She has served as a Marketing Executive Officer for five years and through that the agency got to its peak of operations.

Her duties will include;

1. All marketing aspects, advertising, promotions, door to door sales and the sales executives' officer activities will be designed and monitored by the marketing manager.
2. Evaluate all marketing strategies.
3. Design marketing plan and implement the plan.
4. Draw marketing department budget and submit to the management team.

Name: Mr. Appiah Kontoh James

Position: Accountant

Mr. Appiah holds CA Part 2 from Institute of Chartered Accountants-Gh. and has also worked with the accounts department at St. Martins Catholic Hospital, Agroyesum.

His duties include:

- 1 Preparation of financial statement for the organization and submit to management.
- 2 Examines operational cost and the income and expenditure of the company.

- 3 Determines payroll requirements, maintains payroll data, prepares and process monthly payroll.
- 4 Review and process expense vouchers, invoices and other fiscal documents for payments and reconcile them.
- 5 Maintains various ledgers, journals and other appropriate functions.

Name: Mr. Nkrumah James

Position: Human Resource Manager

He holds diploma in Human Resource Management. He has attended lot of seminars on human resource management and customer care across the nation. He has also served as the general secretary for the Seventh-Day Adventist Church, Tafo Nhyiaeso district.

His duties include:

1. Overseeing the human resource unit of the firm.
2. Recruit and give orientation to employees.
3. Organize in- service training for employees
4. Determines the base pay of workers and others.

4.0 MARKETING ANALYSIS

4.1 Business Systems & Operations

NAPAA Processing Company will commence its operations as a limited liability company. In limited liability, a shareholder maximum loss is limited to the amount they have invested in the firm in case there is collapsed. In that case, the business has the right to any profit that it has earned.

NAPAA Company will produce, package and label it as **3 IN 1 Tom Brown** with **NAPAA** as its Trade mark.

4.1.1 Consumer Benefits.

NAPAA 3 in 1 Tom Brown contains nutritious value which will be beneficial to our consumers.

- Milk helps build a strong bones and teeth, as a result of the calcium in milk.
- Maize on the other hand is a cereal which helps the body to grow.
- The 3 in 1 Tom Brown also helps consumers to save money since consumers will not buy sugar or milk when consuming the product.
- It saves time since once the product is bought there wouldn't be the need to search for shops to buy milk and sugar.

4.1.2 Uniqueness of the Product.

The 3 in 1 (i.e. the combination of cereal (maize, unpolished rice, groundnut and cowpea, sorghum, soya beans, millet), milk and sugar, makes the product unique as compare to those Tom Brown in the market.

4.2 Environmental Analysis.

4.2.1 Main Competitors

Future Competitor

Looking at the pace at which production firms are increasing we anticipate that there could be new firm (new entrants) to compete strongly with us to disturb the above profit we will enjoy in the long run. NAPAA Company has put some measures such as fast track policy to improve our services and operations.

Moreover, NAPAA Company will solicit for ideas and suggestions scrutinize these suggestions and pick out the proper ones and operate with them to stand the text of competition. We believe that with these strategies we will be able to increase the purchasing force of our product.

4.2.2 SWOT Analysis

Strength

Every firm dwells much on its product for its strength. The absolute uniqueness of our product is its 3 in 1 ingredients that gives consumers extra health benefit and help them to save money. For instance, 3 in 1 Tom Brown have maize, groundnut, cowpea unpolished rice which have calcium for strong bones and teeth, and cereal which helps the body to grow. Example, groundnut gives protein for body energy. There is a mutual understanding between the co-founders which enhances our operational activities we do not require a large amount of resources for our production and distribution to be effective.

We always experience increase in production as a result of strong base human resources. Since, the co-founders have the knowledge, skills and ability to utilize resources effectively and efficiently. The unique branding and labeling also give us a competitive advantage.

Weaknesses.

Our main weakness is inadequate resources such as finance to expand the operations of the business to other parts of the market; so as to purchase new production plants.

Opportunities.

- The 3 in 1 strategy will help us attract a greater percentage of customers and retain them as well.
- High price of our competitors.

Threat.

- Milk and sugar free consumers will not purchase the product.
- High cost of raw materials.
- High cost of storage facilities.

4.3 Market Segmentation.

Market segment is dividing the market into groups of individual markets with similar wants or needs that a company divides into distinct groups which have distinct needs, wants behaviour or which might want different products and services. NAPAA Company is concentrating on serving these people of Ashanti, Greater Accra, Eastern, Brong Ahafo, and Central regions as our geographical segmentation.

4.4 Target Market

Is a group of customers that the business has decided to aim its marketing effort and ultimately its merchandise.

NAPAA Company intends to focus on the General Public, Schools, restaurants and Hospitals. One of the strengths of a company is how best it can identify its target market and NAPAA company has identified its target market and have the believe that with this target market strategy it will be able to price, promote and distribute our product easier and more cost effective and provide a focus to all our marketing activities.

Moreover, the uniqueness of our product will give the consumers the edge to even promote the product. It is our aim to give customer value for their money by providing them nutritious 3 in 1 Tom Brown for them to enjoy delicious meals all the time. The product will be conveniently packed for easy transportation and distribution and we hope to offer just-in-time services to customers. Our product will help consumers to save money that will be used to buy sugar and milk.

This is a group of customers that the business has decided to aim its marketing effort and ultimately its merchandise.

NAPAA Company has decided to service the following target markets;

- The general public
- Schools
- Hospitals
- Restaurants

Barriers to Entry and Exit.

Barriers are obstacles that hinder a potential new entrant to enter the market and compete with other market competitors. The trade barriers can prevent new entrant into the market. Here, two barriers arise first the huge capital needed to start its operations will discourage the new entrant. Secondly, Government policy and regulation also discourage new entrants.

4.5 Marketing Mix

4.5.1 Patent or Trademark Protection.

The patent right is an intangible asset which when sold to someone will increase the capital as a business. The company will use NAPAA as its trade mark or patent right which will not allow any person or firm to use it to produce any product unless a formal authority has been given to the person or a firm.

Though many promotional strategies are out there, NAPAA company will adopt: pull strategy and supportive strategy where all our focus will be directed towards the final consumer to build up consumer demand and also to entice them to purchase in abundant our product.

Pricing of the Product

Production cost, administrative cost, distribution cost, and other cost will be taken into consideration before putting value on our products. NAPAA company intends to price its product as low as possible (penetration method of pricing) to meet the level of income of all customers. NAPAA Company will price its products at the range from GH¢ 1.00, and GH¢ 1.20ps and GH¢ 1.30ps.

Promotional Strategy

NAPAA Processing Company intends to embark on vigorous promotional sales activities to enable us to increase the size of our customers by offer them both cash and credit sales, promotion like buy a dozen of our product and get one sachet of our product free.

Personal Selling

In other to make our product available to our customers, personal selling will be adopted to reach the doorsteps of our customers with our product. This selling strategy demand sales personnel and as such we will employ the services of 5 people who will be given in service training on customer service and human relationship. These sales executives will be paid on commission basis

Advertisement

This is were we will reach our customers to explain the features, trade mark and benefits of our products through the use of the television advertisement, radio advertisement, bill board advertisement since the product is new on the market. With the advertisement we hope that people will purchase our product

Supportive Strategy

This strategy will beef the personal selling strategy.

Competitive Analysis

Products of our competitors

- There is no trade mark to identify their product.
- Our competitors products are not packaged
- Their product are uncovered in the market
- Consumers buy their product at one place and buy milk and sugar also from somewhere
- Comparatively their products are expensive.

NAPAA Company Product

- Our product are well packaged and labeled
- There is a trade mark on our product for easy identification.
- Our product is more nutritious
- Our products are combined with multiples of cereals

5.0 FINANCIAL ANALYSIS

5.1 Assumptions and Risk Analysis

NAPAA Company will have shareholders and within the shareholders, the company shall appoint five members of Board of Directors who will give long term strategic plans for management to implement. There will be internal and external auditors.

Remuneration shall be given to these auditors upon the agreement of the shareholders at the annual general meeting.

There will be promotional packages to create customer awareness and to reward our potential customers such as buy a dozen of our product and get a sachet free. There will be trade discount policy.

Risk Analysis

Risk is used to describe any situation where there is uncertainty about what outcome will occur. In insurance risk may refer to the expected losses associated with a situation.

Types of Risk

Business risk – is concern with reduction in business value from any source. The major business risks that give rise to variation in cash flows and business values are Price Risk, Credit Risk and Pure Risk.

Pure Risk – comes in various forms

- This risk comes in the form of reducing the value NAPAA Processing Company business assets due to physical damage, theft and appropriation (i.e. Seizure of assets by foreign government)

- The risk of legal liability for damages, for harm to customers, suppliers, shareholders and other parties of NAPAA Processing Company.
- Risk associated with paying benefits to injured workers under workers compensation laws with regards to NAPAA Processing Company.
- The risk of death, illness and disability to NAPAA Processing Company employees for which business have agreed to make payment under employee benefit plans.

Price Risk

This refers to uncertainty over the magnitude of cash flows due to possible changes in the prices in output and input prices.

Price Risk involved three specific types: commodity price risk, exchange rate risk and interest rate which may affect the activities of NAPAA Processing Company.

Credit Risk

The risk that firm, customers and the parties to which it has lent its product will delay or fail to make promised payments.

Risk Management

Risk management process involves several identification of all significant risk to be dealt with, then evaluating the severity of the risk identified followed by developing and selecting methods for managing the risk, then implement the risk management method chosen, last but not the least, is to monitor the performance and suitability of the risk management methods and strategies on an on-going basis.

Though these processes are there, NAPAA Processing Company cannot avoid all risk, and as such we intend to manage risk with:

Loss Control

This is where NAPAA Processing Company will resort to precautionary activities and reduce expected cost of losses by reducing the frequency of losses or severity of losses that occur.

These can be achieved by:

- NAPAA Processing Company putting in place good safety precautions policies that will guide employees and customers.
- NAPAA Processing Company will provide safety and protective clothing, boots, goggles, gloves to avoid or manage risk.
- There will be frequent risk managing awareness programs for employees

Loss Finance

This is the method use to obtain funds to pay for or offset losses that occur to NAPAA Processing Company Ltd. This method includes 1. Retention 2. Insurance 3. Hedging and 4. Other contractual risk transfers. These methods are not mutually exclusive, that is they are often use in combination. With Retention, NAPAA Processing Company retains the obligation to pay for part or all of the losses. With Insurance, NAPAA Processing Company will purchase insurance, example SIC.

5.2 NAPAA PROCESSING COMPANY LTD.

PROJECTED STATEMENT OF FINANCIAL POSITION AS AT

31ST DECEMBER 2011.

	2011		2012		2013	
	GH¢	GH¢	GH¢	GH ¢	GH¢	GH¢
Non current assets						
Property, plant & equip.		28883.80		57363.60		87843.40
Current assets						
Inventories at close						
Raw materials	240		360		420	
Work-in-progress	360		420		480	
Finished goods	96		120		132	
Trades & other rec'bles.	8688.30		17224.50		27732.70	
Prov. for bad debt.	(168)		(192)		(240)	
Cash & Bank	<u>23910.10</u>	<u>33126.40</u>	<u>24631.80</u>	<u>72584.30</u>	<u>24799.35</u>	<u>115324.05</u>
		<u>62010.20</u>		<u>99947.90</u>		<u>141167.45</u>
Equity Liability:						
Stated capital		37500		62010.20		99947.90
Income surplus		24510.20		37745.70		40979.55
Current Liability:						
Trade payable		-		192		240
		<u>62010.20</u>		<u>99947.90</u>		<u>141167.45</u>

5.3

NAPAA PROCESSING COMPANY LTD.
PROJECTED INCOME STATEMENT FOR THE YEAR ENDED
31ST DECEMBER 2011.

	2011		2012		2013	
	GH¢	GH¢	GH¢	GH ¢	GH¢	GH¢
Sales revenue		57118		74424		79764
Less cost of sales		<u>(9648.20)</u>		<u>(11460.40)</u>		<u>(10616.60)</u>
Gross profit		47469.80		62963.60		69147.40
General & Adm Exp.	11552		9184		10908	
Selling&distribution.	3180	<u>(14732)</u>	3372	<u>(12556)</u>	3504	<u>(14412)</u>
Profit before Int & tax		32737.80		50407.60		54735.40
Finance cost		<u>(43.20)</u>		<u>(60)</u>		<u>(72)</u>
Profit before interest		32694.60		50347.60		54663.40
Taxation		<u>(8184.50)</u>		<u>(12601.90)</u>		<u>(13683.85)</u>
Net Profit after Tax		<u>24510.20</u>		<u>37745.70</u>		<u>40979.55</u>

5.4 NAPAA PROCESSING COMPANY LTD.
PROJECTED CASH FLOW FOR THE YEAR ENDED
31ST DECEMBER, 2011.

	2011		2012		2013	
	GH¢	GH¢	GH¢	GH ¢	GH¢	GH¢
CASH INFLOW						
Balance b/f	-		23910.10		24631.80	
Stated capital	37500		-		-	
Turnover (sales rev)	<u>57118</u>		<u>74424</u>		<u>79764</u>	
		94618		98334.10		104395.80
CASH OUTFLOW						
Motor Van	22920		-		-	
Production equipment	4084		-		-	
Office equipment	3400		-		-	
Gen. Admin exp.	11552		9184		10908	
Selling & dist. Exp.	3180		3372		3504	
Finance charges	43.20		60		72	
Cost of production	9744.20		11484.40		10628.60	
Taxation	8184.50		12601.90		13683.85	
Other Cash Payment	7600	(70707.90)	37000	(35828.40)	40800	(79596.45)
		<u>23910.10</u>		<u>24631.80</u>		<u>24799.35</u>

APPENDIX

BREAK EVEN ANALYSIS.

B.E in units = fixed cost / Contribution per units

Maize, millet, cowpea	sorghum, rice, maize	maize, cowpea, rice
Milk and sugar	Milk and sugar	Milk and sugar
<u>15053.44</u>	<u>12033.12</u>	<u>15053.44</u>
1.00 – 0.30p	1.20 – 0.30p	1.30– 0.30p
=21505 units	=13370 units	=15053 units

Total breakeven in units = **49928 units**

NAPAA PROCESSING COMPANY LTD. PROJECTED FIXED ASSETS SCHEDULE.

	2011			2012			2013		
	COST	DEP	NBV	COST	DEP	NBV	COST	DEP	NBV
Pro. Equip.	4084	204.20	3879.80	4084	408.40	3675.60	4084	612.60	3471.40
Off.Equip.	3400	170	3230	3400	340	3060	3400	510	2890
Motor van.	22920	1146	21774	22920	2292	20628	22920	3438	19482
Addition	-	-	-	30000	-	30000	62000	-	62000
	<u>30404</u>	<u>1520.20</u>	<u>28883.80</u>	<u>60404</u>	<u>3040.40</u>	<u>57363.60</u>	<u>92404</u>	<u>4560.60</u>	<u>87843.40</u>

VARIABLE COST:

	2011	2012	2013
	GH¢	GH¢	GH¢
Raw material	6000	7200	7440
Carriage inwards	60	72	96
Direct labour	996	1020	1056
General factory expenses	720	780	840
Lighting & Heating	660	720	960
Provision for bad debt	168	192	240
Lighting (office)	720	840	960
Water bill	300	420	480
Administrative expenses	720	780	840
Sales commission	420	540	600
Carriage outwards	420	480	540
Discount Allowed	300	312	324
Labeling & packaging	1200	1440	1560
Bank charges	<u>48</u>	<u>60</u>	<u>72</u>
	<u>12732</u>	<u>14856</u>	<u>16008</u>

FIXED COST

	2011	2012	2013
	¢	¢	¢
Research & development cost	480	480	480
Processing fees	648	-	-
Office rent	3600	-	-
Insurance	504	504	504
Factory workers	1200	1200	1200
Motor Van	22920	-	-
Administrative salaries	2400	2400	2400
Sales representative	1200	1200	1200
Advertisement & promotion	840	840	840
Social security	864	864	864
Office & production equipment	<u>7484</u>	<u>-</u>	<u>-</u>
	<u>42140</u>	<u>7488</u>	<u>7488</u>

PROJECTED SELLING AND DISTRIBUTION COST

	2011	2012	2013
	¢	¢	¢
Sales commission	420	540	600
Carriage outwards	420	480	540
Discount Allowed	300	312	324
Sales representative	1200	1200	1200
Advertisement & promotion	<u>840</u>	<u>840</u>	<u>840</u>
	<u>3180</u>	<u>3372</u>	<u>3504</u>

PROJECTED GENERAL ADMINISTRATIVE.

	2011	2012	2013
	¢	¢	¢
Light (office)	720	840	960
Administrative Expenses	720	780	840
Provision for bad debt	168	192	240
Water bill	300	420	480
Research & development exp.	480	480	480
Labeling & packaging cost	1200	1440	1560
Processing fees	648	-	-
Office rent	3600	-	-
Administrative expenses	2400	2400	2400
Depreciation: office equipment	170	340	510
: Motor van	<u>1146</u>	<u>2292</u>	<u>3438</u>
	<u>11552</u>	<u>9184</u>	<u>10908</u>

PRODUCTION EQUIPMENT

	2011	2012	2013
	¢	¢	¢
Gas oven	2500	-	-
Impulse filler	100	-	-
Weighing scales	140	-	-
Corn mill	1344	-	-
	<u>4084</u>	<u>-</u>	<u>-</u>

OFFICE EQUIPMENT

	2011	2012	2013
	¢	¢	¢
Computer & accessories	1600	-	-
Printer	800	-	-
Furniture	400	-	-
Fixtures and fittings	600	-	-
	<u>3400</u>	<u>-</u>	<u>-</u>

**NAPPA COMPANY LIMITED PROJECTED MANUFACTURING ACCOUNT FOR
THE YEAR ENDED 31ST DECEMBER, 2011**

	2011	2012	2013
	¢	¢	¢
Raw material	6000	7200	7440
Add carriage inwards	<u>60</u>	<u>72</u>	<u>96</u>
	6060	7272	9536
Less Closing stock	<u>240</u>	<u>360</u>	<u>420</u>
Raw material consumed	5820	6912	5516
Add Direct labour	<u>996</u>	<u>1020</u>	<u>1056</u>
Prime cost	6816	7932	6572
Add factory overheads:			
Insurance	504	504	504
Factory workers salary	1200	1200	1200
Light & heat	660	720	960
General Factory exp	720	780	840
Dep. of factory Equip.	<u>204.20</u>	<u>408.40</u>	<u>612.60</u>
	10104.20	11544.40	10688.60
Add work in progress	<u>-</u>	<u>360</u>	<u>420</u>
	10104.20	11904.40	11108.60
Less work-in-progress @ end	<u>360</u>	<u>420</u>	<u>480</u>
Production cost	<u>9744.20</u>	<u>11484.40</u>	<u>10628.60</u>

PROJECTED COST OF SALES

	2011	2012	2013
	¢	¢	¢
Op. stock of finished goods	-	96	120
Add production cost	<u>9744.20</u>	<u>11484.40</u>	<u>10628.60</u>
	9744.20	11580.40	10748.60
Less closing stock of finish goods	<u>96</u>	<u>120</u>	<u>132</u>
Cost of sales	<u>9648.20</u>	<u>11460.40</u>	<u>10616.60</u>

SELLING PRICE

Maize, millet, cowpea	sorghum, rice, maize	maize, cowpea, rice
Milk and sugar	Milk and sugar	Milk and sugar
Price GH¢1.00	Price GH¢1.20p	Price GH¢1.30p

NAPAA PROCESSING COMPANY LTD

ESTIMATED SALES BUDGET

	2011		2012		2013	
	Units'	sales	Units	sales	Units	sales
	¢	¢	¢	¢	¢	¢
Maize, millet, cowpea,	21505		30024		30024	
Milk & sugar	@1.00	21505	@ 1.00	30024	@1.00	30024
Sorghum, rice, maize,	13370		24000		25200	
Milk & sugar	@1.20	16044	@ 1.20	28800	@1.20	30240
Maize, cowpea, rice	15053		12000		15000	
Milk & sugar	@1.30	19569	@ 1.30	15600	@1.30	19500
		<u>57118</u>		<u>74424</u>		<u>79764</u>

ESTIMATED ANNUAL PRODUCTION

2011
15012
12000
15012
42024

VARIABLE COST APPORTIONMENT

a) Maize, millet, cowpea $\frac{15012}{42024} \times 12732 = 4548.2$

b) Sorghum, rice, maize $\frac{12000}{42024} \times 12732 = 3635.64$

c) Maize, cowpea, rice $\frac{15012}{42024} \times 12732 = 4548.2$

UNIT PER VARIABLE COST

a) $\frac{4548.20}{15012} = 0.30p$

b) $\frac{3635.6}{12000} = 0.30p$

c) $\frac{4548.20}{15012} = 0.30p$

FIXED COST APPORTIONMENT

a) Maize, millet, cowpea $\frac{15012}{42004} \times 42140 = 15053.44$

b) Sorghum, rice, maize $\frac{12000}{42024} \times 42140 = 12033.12$

c) Maize, cowpea, rice $\frac{15012}{42024} \times 42140 = 15053.44$

FIXED COST PER UNIT

$$\text{a) } \frac{15053.44}{15012} = 1.00$$

$$\text{b) } \frac{12033.12}{12000} = 1.00$$

$$\text{c) } \frac{15053.44}{15012} = 1.00$$

NET PRESENT VALUE

Year	Cash Flow	$1/(1+r)^n$	Present value
0	(37500)	1	(37500)
1	23910.10	0.9091	21736.67
2	24631.80	0.8264	20355.72
3	24799.35	0.7513	<u>18631.75</u>
			NPV = <u>23224.14</u>

NOTE:

The decision rule says that a project with positive NPV should be accepted. Therefore, the project embarked by NAPAA Processing Company Ltd should be accepted since the NPV gives a positive NPV of = **23224.14**

NAPAA PROCESSING COMPANY LIMITED

P.O.BOX 12093

KUMASI

TEL: 0243956561

FAX: 2439565

E-MAIL: napaaprocessingcompany@yahoo.com.gh

WEBSITE: www.napaaprocessingcompany.com.gh

KEY MEMBERS.

NKRUMAH JAMES: TEL: 0243706603, BOX: 3795. ADUM- KUMSI

APPIAH KONTOH JAMES: TEL: 0246074064, BOX: 1373, ADUM-KUMASI

PEPRAH MANU PETER: TEL: 0275872424, BOX: KS12093, ADUM-KUMASI.

AFRANE BUABENG SETH: TEL: 0243266736, BOX 8065, ADUM – KUMASI.

ANTWI BENEDICTA: TEL: 0244084684, BOX 987, ADUM-KUMASI.