Good business plan on roi=net profitcost of onvestment 100

Business, Company

- Return on investment commonly referred to as ROI is a profitability ratio that determines how much an investor or a company gets form an investment. In this case, it is calculated through use of net profits form the production process and the cost of investment.

= 1, 005, 000/5, 000, 000= 20. 1%

- Just-in-time purchasing advocates zero inventories and stock less production within an organization through just in time purchasing and production. The objective is to purchase goods so that stocks are delivered immediately before the production process starts. As such, the method calls for strong supplier relationships to ensure that the materials are delivered at the right time. The method has several advantages that include:
- Reduced set up times: the setup times are significantly reduced under JIT since time is properly accounted for in the production process. This allows the company to improve their bottom line, become more efficient and focus time on other areas of the company that need improvement.
- Flow of goods: the flow of goods from the warehouse to the shelves is also improved as a result of employees focusing on specific areas. This allows them to process foods faster relieving them of the stress of being vulnerable to fatigue as a result of doing many jobs at an amount of time.
- Utilization of multiple skills: employees within a company that has multiple skills are utilized more efficiently. This is because; employees are trained on diverse parts of the inventory cycle system which allows the company to use the employees in situations where their skills are required. This allows the company to cover for workers' shortages and also meet high demand for products.

- Better scheduling and consistency: Just-in-time inventory method allows and enhances scheduling in the production process together with the consistency of employees work hours. That is, if there is no product demand, employees are not paid for the time they are not working, and they, therefore, focus on other jobs within the company.
- Supplier relationships: Just in time method calls for enhanced supplier relationships. This is because; inventory and supplies have to be delivered immediately before production starts. Any failure to deliver inventory means that production is delayed, leading to several consequences such as costs associated with idle time. As such, when JIT is utilized, the relationship between the company and the suppliers is enhanced since suppliers have to guarantee that they will deliver on a timely basis.
- Continuous supply: the continuous supply of inventory keeps the workers productive and focused on the business turnover. As such, the management of the company is focused on meeting deadlines and thus has to sensitize the workers to work hard to meet the consumer's demands. As a result, the company can meet its predetermined goals.
- Idle time is the non-productive time paid for in the production process. For example, workers are still paid when there is machine breakdown in the production process yet they are not working. If TP is experiencing a very high idle time, it may be due to machine breakdowns, inefficient scheduling of times, and a shortage of raw materials or inappropriate policy decisions. Therefore, in order to minimize this idle time, he needs to ensure that his baking machines are properly maintained so that they do not break down often.

In addition, he should ensure proper scheduling of jobs within the production process to ensure that the time spent on waiting for the production of good is minimized. That is if the load of work is too much for him to handle; he should consider hiring more employees. Such an action will minimize the loss of time in the production process, so that there is efficient production of cakes. If the idle time is being caused by raw materials shortage, TP should utilize an inventory method such as Just in time that ensures that materials are available and ready for use when he require them.

- Gross profit margin is the ratio of gross profit margin to sales. It can be expressed as a percentage.

Gross profit margin= Gross profitsales

= (1235000/3456000)*100%= 35. 7%

- Capacity ratio is the relationship between the budgeted number of working hours and the actual hours worked. If the hours that were available were less than the budgeted, then the firm worked below its capacity.

Capacity ratio= Actual hours workedBudgeted hours*100%

= (30000/40000)*100%= 75%

The capacity ratio of TP at this period was 75%, meaning that TP worked below his capacity. There was an underutilization of time as budgeted, hence inefficiency.

- Increase the units produced, Minimize the idle time

- Variance analysis investigates any deviance from the expected or budgeted proportions. When considering whether to investigate a variance, the quantities and the prices of the variable should be considered. This includes the standard prices and quantities together with the actual prices and quantities.

- Budgetary control and standard costing are effective when used in cost control since they assist the company in planning its activities in advance. The company uses its standards to set budgets and therefore plan in advance its future prospects. In addition, the methods assist the company in carrying out a variance analysis. Variance analysis involves a comparison of actual performance with the budgeted performance and necessary actions taken to correct the variances. Also, the method assists the company in setting of product prices that will ultimately aid in the formulation of the company's policy. They also act as a guide to the company on ways to avoid and minimize costs incurred in the various sectors of the company.
- TP can achieve growth by ensuring that the capacity ratio is enhanced since he is operating below capacity. Full capacity will assist in cutting down cost of labor and hence the realization of more revenues. In addition, TP should reduce the idle time associated with his business since idle time costs are also accounted for in the production process and minimize revenues. Idle time can be avoidable or unavoidable. Unavoidable idle time cannot be minimized in the production process since it is inevitable. Therefore, TP should focus on minimizing or eliminating the avoidable idle time costs so that higher revenues are recognized. As a result, there will be more resources that will be directed towards growth of the business.

10. There are many financial factors that affect growth such as labor costs among other costs. On the non-financial factors, TP should focus on Customer loyalty, and satisfaction he gets from the business.

Works cited

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