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## Introduction

The name of this business is Star Magazine. The name springs from the kind of the business together with the activities involved. The Star Magazine will be involved in the marketing of an educative, informative, and inclusive magazine called Star. The magazine captures such critical areas in the society as Education, Environment, Entrepreneurship, and Empowerment. Consequently, the Star Magazine organization highlights these as the key areas the society that needs to be addressed accordingly. It is however important to note that the main role of the company is to get the content of the magazine from a group of university students, then assemble, format and publish. In other words, the company is not the actual producer. It only processes the produced content into a product that is appealing to the customer.   
In order to run the business, the company is therefore going to inject a capital of £ 100000. Half of the capital will be obtained from bank loans while the remaining half will be from personal savings, inheritance, and charity. The money shall be used in buying machinery, equipment, rental, and settling staff cost.

## Product

The major product for the business will be the magazine. The content of the magazine will be Education, Environment, Entrepreneurship, and Empowerment matters. In covering such matters, the business will be of its kind and therefore, giving it a better competitive advantage over its business rivals in the local market. The uniqueness of this product is projected to compel customers to buy from the business. Furthermore, the policy of production, which requires that the products reflect its description on the brochures, is projected to boost the confidence and the trust from the customers. This is so because some of products in this industry have not been honoring their outline of production and advertisement. Upon completion of production, the magazines will be packaged and sealed in transparent polythene and packed in carton boxes for storage and subsequent mailing to the marketing centers.

McKeever (2010) argues that while venturing into this business, there are factors that are bound to affect the business. Factors, which include raw material, work force, economic, environmental, and social factors will be analyzed and strength of the business derived from these factors. First, the raw materials that will be required to produce the magazine are locally and readily available. Locally, the country has paper producing industry that will form the major raw material required for the business. Therefore, the business will not spend a large amount of money on importation. Secondly, the labor that will be required to assemble the raw materials and other facilities to be used will be locally available and cheap (Schwetje & Vaseghi, 2010).

Thirdly, the economic factor that will involve finance and capital required to start and keep the business in operation will be acquired from the bank, small business enterprises, personal saving, youth enterprise funds and charity of which all are reliable sources of the business capital. In addition, the business will be insured to cover risks, which are likely to ground the business (Pinson, 2008).

The social factor will play a role in the business especially in analyzing the customers of the business. This will include the age bracket of the potential buyers and their income and views of the customers concerning the business products. In addition, the business will acquire itself with modern techniques of production, as this will be a major driving tool for its growth and competition. Use of modern equipment tools facilities and ICT enabled electronic equipment will facilitate the quick research and production of the business products. This factor is dynamic, thereafter the business will go as per its availability, and its usefulness will be analyzed on the quality of the products (Pinson, 2008).

Finally, the geographical factor, which will determine the choice of location of the business, will be based on the existing business in that location, support facilities, and infrastructure. Success of the business and their challenges will also be considered under this factor (Sahlman, 2008).

## Analysis of break-even

In the break-even calculations for Star magazine:   
Contribution per unit (£) = Sales Revenue/Unit-Variable cost/Unit= 3-1-£2   
On the other hand, contribution to sales ratio (%) = Contribution/Unit/Sales Revenue/Unit= 2/3= 67%   
Break even Points (units) = Fixed costs/Contribution/Unit= 65840/2 Units.

This means that the organization will break even after selling 32920 units of magazine.

Break-even point (£ Revenue) = Fixed Costs/Contribution to sales ratio= 65840/0. 67=£98760   
This means that the organization will attain break-even point on raising revenue of £ 98760.   
Margin of safety (units) = current level of sales-breakeven sales= 100000-32920= 67080units. The organization therefore, has a bigger margin of safety, implying that it is prospective and secure. The margin of safety (percentage) also testifies the safety and prospective nature of the venture. Consequently, the margin of safety (%) = current level of sales-break-even sales/current level of sales= 67080/10000= 67%

## Analysis of business performance using financial ratios

Financial ratios of Star Magazine   
Gross profit margin= gross profit/sales= 200000/300000= 67%. This implies that the business is very profitable.   
Net profit margin= net profit/sales= 134160/300000= 45%. The implication of this is that the business is viable.   
Return on capital used= net profit/capital used= 134160/210160= 64%. This implies that for every capital invested in the business, the percentage return is high at 64.   
Current ratio= current assets/current liabilities= 261737/8337= 31. 4: 1. This is a good indicator of the viability and profitability of the business. It means that the assets are greater than liabilities; hence, profits are higher than losses.   
Acid test ratio= current assets-stock/current liabilities= 256045/8337= 30. 7: 1. This means that even after subtracting the stock, the business is still profitable. The business is therefore very secure.   
Debtor days= debtorsx365/sales on credit= 5000x365/60000= 30. 4days. Seen alongside the one month given for debtors to settle their debts, the days indicate a promising business with no signs of bad debts.   
Creditor days= creditorx365/purchases on credit= 8337x365/105692= 28. 8days. This is a good report for the business since it means that when it comes to settling its debts, it does so within the indicated time of 1 month.

d) Explanation of the differences between profit and cash using relevant theories

According to Abrams & Kleiner (2003), the difference between profit and cash can be seen by considering profit and loss account and cash flow statement. Consequently, while assessing the viability of a project, it is more prudent to use a cash flow statement instead of a profit and loss account. The reason for this is that cash flow statement makes it possible for not only the evaluation of changes occurring in an entity’s net assets but also the evaluation of the entity’s financial structure (its solvency and liquidity). The cash flow statement also help in development of models for assessing and comparing present value of cash flows meant for different periods, to expect in the future. In other words, cash statement tells more about cash impact, something that is very crucial in assessing the project’s viability. On the other hand, profit and loss account brings the picture upon making all the cash items and cash adjustments. Cash flow also brings out the actual cash received or spent and not credit while profit and loss brings together all transactions in a particular accounting period.

e) Conclusion on the financial viability of the business

Considering the break-even analysis and financial ratios, the business is very viable. In the break-even analysis, it only takes the business to sell 32920 units of the magazine for it to break-even. This is a possible target considering that the business is selling 100000 units per year. This means the business will recover the capital invested even before the one-year sales. In the financial ratios, the current ratio and Acid test ratio are testimonies that the business is viable (Sahlman, 2008).

The current ratio is 31. 4: 1, a good indicator of the viability and profitability of the business. It means that the assets are greater than liabilities; hence, profits are higher than losses. On the other hand, the Acid ratio is 30. 7: 1, implying that even after subtracting the stock, the business is still profitable. The business is therefore very secure (Stutely, 2002).

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