

# Feasibility study on customized shirt

Business



## Financial Study 5.

**1 TOTAL PROJECT COST** The L&M partnership needs a total cost of Php 12,000,000 to be able to operate its intended business covering the costs required for its initial operation. The amounts involve the costs of the purchases of office equipment, furniture & fixtures, raw materials, and office supplies; the costs of organizational and legal fees, and the acquisition of various permits and licenses from different government agencies. In addition, the loanable fund also form part in the amount specified.

The initial costs of the proposed project are broken down as follows: Petty cash fund Php 15,000 Machinery 1,075,000 Office equipment 1,169,000 Supplies 132,400 Office furniture & fixtures 210,000 Store fixtures and equipment 96,000 Raw materials 555,000 Operating ash 8,839,500 Organizational cost 40,500 Php 12,000,000

**5. 2 INITIAL CAPITAL INVESTMENT** The initial capital investment will be provided by the following partners:

Incorporators	Subscribed Shares	Subscribed Amount	Paid-in Capital
Labendia, Decerell	24,000	Php 2,400,000	Php 2,400,000
Lacsa, Ashleen	24,000	Php 2,400,000	Php 2,400,000
Laroza, Erika	24,000	Php 2,400,000	Php 2,400,000
Legamia, JohnLouie	24,000	Php 2,400,000	Php 2,400,000
Maranan, Oly	24,000	Php 2,400,000	Php 2,400,000
<b>TOTAL</b>	<b>120,000</b>	<b>Php 12,000,000</b>	<b>Php 12,000,000</b>

**5. 3 FINANCIAL ASSUMPTIONS** The financial assumptions of the L&M Partnership comprise the following:

- The income tax rate on the partnership is 30%.

- Depreciable assets would be depreciated using the straight-line method and would have a useful life of 10-15 years.
- Intangible assets are

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amortized every 5 years. • Repair and maintenance expense would be incurred yearly without subsequent increases. • Rent expense will increase every 5 years by 10%. • Utilities expense will increase by 2% semi-annually.

Advertising and promotional expense will increase by 5% annually. • Office supplies expense will increase annually by 2%; 80% of these supplies would be used. • Store supplies will increase annually by 2%; 80% of these supplies would be used. • Salaries of the internal auditor, general manager, and supervisor will increase 2% annually. • Salaries of the cashier, bookkeeper, and secretary will increase 4% annually. • Salaries of the client representatives, the credit investigators, the consultants, the collectors will increase by 10% annually.

• Fixed selling price is 50% marked-up. • Variable selling price increases annually by 5%. • Sales increases by 4. 68% annually. Raw materials increases by 10% annually, 80% of which are completely manufactured. • Franchise will be allowed at the third year of operation for P 250, 000.

• Franchise increases by 1 from the third year. • 20% of sales is on account.

5. 4 PROJECTED BALANCE SHEET Account Titles 2013 2014 2015 2016 2017  
 ASSETS Current Assets Cash P 4, 562, 530 P 4, 775, 260 P 5, 201, 002 P 5, 445, 231 P 5, 500, 604 Accounts receivable 558, 205 600, 980 654, 620 705, 127 723, 345 Inventories 855, 309 876, 340 897, 560 927, 121 934, 340  
 Total Current P 5, 976, 044 P 6, 252, 580 P 6, 753, 182 P 7, 077, 479 P 7, 158, 289 Non-current Assets

PPE P 5, 719, 762 P 5, 829, 120 P 5, 971, 024 P 6, 113, 261 P 6, 321, 456  
 Intangible assets 583, 230 599, 021 612, 234 653, 552 721, 234 Total non-  
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current P 6, 302, 992 P 6, 428, 141 P 6, 583, 258 P 6, 766, 813 P 7, 042, 690  
 Total assets P12, 279, 036 P12, 680, 721 P13, 336, 440 P13, 844, 292 P14,  
 200, 979 LIABILITIES & PARTNER'S EQUITY Current Liabilities Accounts  
 payable P 128, 479 P 301, 456 P 502, 398 P 600, 214 P 733, 659 Total  
 current P 128, 479 P 301, 456 P 502, 398 P 600, 214 733, 659 Partner's  
 Equity Labendia's Capital P 2, 400, 000 P 2, 400, 000 P 2, 400, 000 P2, 400,  
 000 P 2, 400, 000

Lacsa's Capital 2, 400, 000 2, 400, 000 2, 400, 000 2, 400, 000 2, 400, 000  
 Laroza's Capital 2, 400, 000 2, 400, 000 2, 400, 000 2, 400, 000 2, 400, 000  
 Legamia's Capital 2, 400, 000 2, 400, 000 2, 400, 000 2, 400, 000 2, 400,  
 000 Maranan's Capital 2, 400, 000 2, 400, 000 2, 400, 000 2, 400, 000 2,  
 400, 000 Share in profit(loss) 150, 557 379, 265 668, 220 1, 244, 078 1, 467,  
 320 Total PE P12, 150, 557 P 12, 379, 265 P12, 668, 220 P13, 244, 078 P13,  
 467, 320 TOTAL L P12, 279, 036 P12, 680, 721 P13, 336, 440 P13, 844, 292  
 P14, 200, 979 5. 5 PROJECTED INCOME STATEMENT