

Managing financial resources cafe restaurant



Managing Financial Resources Tasks A. The capital expenditure connected with acquiring fixed assets amounts to an estimated 000, 000 to 5000, 000 CZK for furniture, fixtures and fittings. If Jana and Jiri decide to buy the premises, the 6, 000, 000 CZK price of the property is also considered capital expenditure.

The revenue expenditures connected with running the business include the lease of 50, 000 CZK monthly or 6000, 000 CZK for the one year advance payments for the lease required by the owner and the 1000, 000 CZK inventories which are the initial stock of food and drinks.

B.

The following should be included in the capital expenditures: equipment for accounting purposes such as calculator or computer , cash register , and credit card machine; utensils for the use by customers such as forks, spoons, and knives; other furnishing and appliances such as a CD player for background music, trash baskets, flower pots and decorations, toilet fixtures, special lighting, and display shelves (refrigerated and non-refrigerated); safety equipment such as intrusion and smoke detectors; and of course , a sign that says " Jana's Caf" or something similar.

Capital expenditures like these are durable goods used over a long period of time by the business and their costs are depreciated or amortised over their useful lives which can last more than one year. Some restaurants businesses consider utensils as revenue expenditure if these get lost frequently and need to be replaced.

Revenue expenditures are the costs of running the business and should

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include government permits and fees, taxes, utilities such as power/light and water; building dues and fees; repair and maintenance of equipment and furnishings; office supplies such as paper, pens, and receipts; salaries of staff, and uniforms of serving staff, if any. If they borrow from a bank, they also have to pay bank interest.

C.

They have identified a total of 1, 000, 000 CZK from personal savings (500, 000 CZK), non-interest-bearing loan from their parents (300, 000 CZK), and securities

(2000, 000 CZK). This last source will depend on whether they sell the securities now to get the cash, or if they hope to borrow using it as collateral (they would get less than 200, 000 CZK because banks do not lend an equal amount since securities can go down in value over time, although it would depend on the kind of securities they have). They need an estimated total 1, 7000, 000 to 2, 2000, 000 CZK, so if they only have 1, 000, 000 CZK, they need an additional 7000, 000 to 1, 2000, 000 CZK from bank loan or other sources as in Task D.

D.

In today's fast changing economic environment, competitiveness, in terms of cost and productivity, has become the key to success for any enterprise. The task of managing finance used to be entrusted to financial executives, but in the changed scenario, such a responsibility has become very relevant at all the key decision making points in an organization. At times, for a start-up venture, which is yet to establish its creditability, finding easy finances proves to be an arduous task in itself. Therefore, possibilities are explored to get hold of finances from some other sources as well. Some such sources

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could be;

Loans from family and Friends: Generally such loans are goodwill loans and depending upon the paying capacity, are available without any interest obligations. Parents, friends, siblings and other near and dear one's can help in this process.

Own savings: The entrepreneurs can also make good use of their savings in banks, equities and other financial institutions.

Inviting Partners in the Venture: Jana Nov and Ji Hork can also invite some of their friends and other well-wishers, with good paying capacity to join in the enterprise. Of course, for this to happen they need to be ready with a comprehensive business plan and feasibility report, for convincing the friends.

Suppliers Credit: One of the main costs in a start-up business is the cost of supplies. If a way can be found out to convince the supplier/s that Jana Nov and Ji Hork mean business and they're about to write a grand-success story, the suppliers too can wait for their payments, and this money can be taken as supplier's credit to be paid once the business flourishes. There are other ways of negotiating a business deal with suppliers. Jana Nov and Ji Hork can offer the equipment suppliers to use their caf as a display shop, in return for a 30 days credit from suppliers of drinks and pastries. This would allow them to use the cash from sales for thirty days (or the agreed term) and make it grow, using the cash generated by the business to pay for their expenditures. This assumes, though, that the business will do well and generate cash revenues during its first month of operation.

Start-up business loan from a business-related or Government Sponsored organization: There are some industry confederations or governmental

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organizations promoting economic development in general. Such organizations often provide financial assistance to serious and sincere entrepreneurs. Such assistance generally comes as a soft loan (with nominal interest rates). Therefore, Jana Nov and Ji Hork can also explore such organization within their easy reach.

E.

The most reliable and tension-free source of start-up money comes out of the pockets of the entrepreneur, as the ready cash is the most liquid asset. Such finance from personal savings and the interest-free loans are very important because these carry no obligations for repayment. At times people mortgage their homes, or sell-off their property or possessions with a determination that they'd succeed in their venture. Yes indeed, the business is risky, but if does well, all such obligations can be met easily. All those who provided such financial assistance can be paid back quickly.

The finance from equities depends upon the volatility of the share market. The stock market behaves most unpredictably. Therefore securities cannot be termed as a very reliable source of funds until they are sold in a booming market.

Bank loans (in our case, as much as half of the starting-up cost needed) are indeed a costly loan as compared to other sources as they'd keep adding interest expenditures, besides the regular payment of the principal. Banks can extend the period of payback, depending upon the credit worthiness of clients, so that the interest burden becomes more manageable for its clients.

Getting other investors would be most suitable to minimise bank loans.

Suppliers credit can also help ease up the cash flow of the business.

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If some governmental agencies can be convinced to assist in the business venture, then it becomes the most reliable and easy finance for the business venture.

Letter to Jana Nova and Jiri Horak from the bank

Dear Ms. Jana Nova and Mr. Jiri Horak,

We have reviewed your business plan and would like to thank you for trusting us to help in making your business dream come true.

After reviewing your plan, we estimated that you would like a bank loan amounting to 7000, 000 to 1, 500, 000 CZK to be fund of 1, 000, 000 CZK that you already have. We also estimated that the 2, 2000, 000 CZK needed to start your business will consist of 1, 500, 000 CZK in capital expenditures for furniture and equipment and 7000, 000 CZK for the one-year lease and the initial stock of food and drinks. This would mean that you are requesting for a loan of 1, 2000, 000 CZK from the bank.

However, we noted that your business plan does not include revenue expenditure items (salaries, taxes and fees, bank loans, and others) that need to be considered to come up with a better estimate of the projected income from the business. These added expenditures may increase your starting-up funding requirements considerably.

Ideally, the bank can fund only portion of capital expenditures that are estimated at 1, 5000, 000 CZK. However, we have identified other options that we would like to discuss with you to help you raise additional funds from <https://assignbuster.com/managing-financial-resources-cafe-restaurant/>

sources other than a bank loan, such as getting other equity investors for the revenue expenditures and availing of supplier credits for the initial stock of food and drinks and for some of the equipment and fixtures that you would need for your business. These alternative sources of funding can be more convenient for you and help in making your business grow faster and make you profitable.

As you can see, we can help you start your business with the cash flow projections so you can have a better estimate of the financial requirement of your business, the monthly net profits you can earn, the other possible sources of business financing, and the plan of repayment of your loan officers who can guide you through the financial planning.

We look forward to your continued trust and we hope that we can begin a long-lasting banking relationship.

Very truly yours,

Bank Manager.

Works cited:

Case study: Jana and Jiri Caf Business Plan.

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