

UNIVERSITY OF NIGERIA, NSUKKA  
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(ARCHAEOLOGY/HISTORY)

SOPHIE'S FASHION AND DESIGNING

A BUSINESS PLAN  
PREPARED IN PARTIAL FULFILLMENT OF THE REQUIREMENT FOR  
THE COURSE  
CED342 (BUSINESS DEVELOPMENT & MANAGEMENT)

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## SOPHIE'S CLOTHES, SHOES AND BAG DISTRIBUTOR

### PART I

- 1.1** The following report and recommendation report to the proposal by Sophie's clothes, shoes, Bags distributors to establish a distributory business in Nsukka, Enugu State.
- 1.2** The project would require a start up capital of ₦200, 000, made up of ₦50, 000 for fixed assets and ₦150, 000 for working capital.
- 1.3** The enterprise vision is to be the most outstanding distributor and seller of clothes, shoes and bags in the south east of Nigeria, particularly Enugu.
- 1.4** The project will be located at Enugu because of its easy access to target market from that location.
- 1.5** A huge market is available for the business to serve.
- 1.6** The financial projections show that the project would be financially stable and liquid by the time it matures.

The sales figures stand at ₦17000 for year 1, year 2 and year 3 respectively. Also, the profits after tax are (₦85800), ₦209600.0 and ₦265000

- 1.7** The competitive edge of the enterprise lies in its ability to distribute and sale bags, shoes, clothes of exceptional quality
- 1.8** The profitability measures are as shown below:

	<b>Year 1</b>	<b>Year 2</b>	<b>Year 3</b>
Turnover	178,000	209600	265000
Profit before Int and Tax	(77900)	249000	299400
Profit after tax	(85300)	209600	265000
Return on Sales	N/A	36.04%	41.43%
Return on Equity	N/A	101.45%	99.40%
Return on Investment	N/A	72.88%	92.14%

From the point of view of the analysis of our finding the proposed projected is found to be technically feasible financially viable and economically desirable. This, the project offers good investment benefits, and is therefore highly recommended for implementation.

### PART II

#### 2.0 INTRODUCTION

The planned clothes, shoes, bags distribution and sales is as the result of strong industry an needs assessment studies undertaken in south eastern zone of Nigeria particularly Enugu by the promoters of this project. The studies reveal that the demand for clothes, shoes and bag is high while here are few distributors to meet with this demand.

### **2.1 Vision**

To be the most outstanding distributor in Enugu.

### **2.2 Mission**

To distribute the best and quality clothes, shoes and bags and to adopt the best distribute the best and quality clothes, shoes and bags and to adopt the best distributing method.

### **2.3 Key Success Factor**

The key success factors for are:

- a. Importing high quality clothes, shoes and bags from U.S.A, Europe and also from local product.
- b. The products form the local producers must be of high quality.
- c. The man promoter has undergone training in entrepreneurship.
- d. Existence of reliable market outlets.

### **2.4 Inherent Risks**

- a. There is a currently lean resource to contain the expansion that is normal with fashion.
- b. With the implementation of this project attract more entrants to the business to complete with.
- c. Provision of basic utilities like water supply and electricity is not guaranteed.

### **2.5 Business Ownership**

The distribution and sale project is located at Nsukka Enugu. What informed the choice of this location are:

1. It nearness to produce markets in Enugu state and airport in Enugu state will make it easy to purchase.
2. The existence of so may whit-collar employees and employers and students in Nsukka
3. Existence of good road network an ease to market access.

### **2.6 Available Market**

Information from survey shows that about 400000 clothes, shoes and bags are demanded yearly in Enugu area while that of the south east of Nigeria has been put at above 1,500,000 clothes shoes, bags per annum. This demand figure is expected to rise as the population within the market area being targeted increases, especially as osasee for or increase in fashion increase. Within Enugu area, expert opinion has it that not more than 32% of existing demands for clothes, shoes and bags are being met by existing suppliers, this leaves about 68% of demand and supply gap, implying a huge market available for new entrants into the business. This is cheering information for the promoters whose primary market as in the Enugu area.

## **PART III**

### **3.0 Products**

Sophie's clothes, shoes and bags will provide the following products

- ❖ Clothes
- ❖ Shoes
- ❖ Bags

#### **3.1 Product Description**

Clothes

- ❖ Men trousers, shirts, underwares,
- ❖ Women skirts, blouses, underwares, panties , shoes
- ❖ Men shoes, canvass, socks and slippers
- ❖ Women shoes, slippers, bag.
- ❖ Men bag, office bags, laptop bags
- ❖ Women handbag, fashion bags.

#### **3.2 Costing**

The costing of these products is built mainly around two major cost items, they are:

1. Importation
2. Transportation

- Importation

The goods mostly are imported form outside the country.

- Transportation

The main challenge is the bad roads. The roads are very bad and also the transport fare is exorbitant. Also the problem of custom officers is also another challenge.

However, Sophe's cloths, Bags and Shoes distributor and sale has plans to retain the services of a season and driver to attend to the transportation needs.

### 3.3 Market Demand

Sohie's clothes, bag and shoes distributors is located at Nsukka which is within easy reach of some markets like ObolloAfor, Obollo-Eke, Oriemene, Nkwo-EhaAfumona and NkwoOgbede where clothes, shoes and bags are on demand. Information from experienced operators in the business reveals that about 40,000 clothes, shoes and bags are demanded yearly in Enugu and its environs for the past 10 years. And that the demand figures is expected to increase as the population within the market area is also being considered to increase, especially as the urge for fashion increases, especially western fashion among the people. Experienced operators have agreed on the fact that not more than 60% of the clothes, shoes and bags distributions and sales demand figures are met by the existing distributors.

### 3.4 Projected Annual Demand of Clothes, Bags and Shoes in Enugu and its Environs (2014 - 2014).

As earlier stated, about 40,000 clothes, shoes and bags were demanded yearly in Enugu and its environs for the past 10 years. This figure is expected to grow with the growth in population. This, since population growth rate in the area hovers around 2.5% and 3.25 for about 5 years now, it seems rational to expect that the demand for clothes, shoes and bags will grow with at least a growth rate of ½% for the next three years (see table 3).

Table 3: Projected Annual Demand for Clothes, Shoes and Bags in Enugu and its Environ

S/n	Years	Annual growth Rate	Projected Demand
0	Base years (0)(2011)	0.5%	40,000
1	2014	0.5%	40,000
2	2013	0.5%	40,000
3	2014	0.5%	40,000
	Total	20%	161,200
	Average	0.5%	40,300

This projected average annual demand for porkers in Enugu and its environs is about 40,600 clothes, bags and shoes. It is expected that this level of demand will subsist for the next years.

### **3.5 Projected Demand-Supply Gap for Clothes, Shoes and Bags in Enugu and its Environs**

As earlier stated that the total demand figure for clothes, bags, shoes, only about 35% of the demand are met by existing distributors. Thus the demand-supply of clothes, bags and shoes in Enugu and its environs is shown in table 4.

**Table 4: Projected Demand-supply Gap of Clothes, Shoes and Bags in Enugu and its Environs.**

<b>Adjustment</b>	<b>Demand-supply Gap</b>
Estimated average and demand	40600
Less 35% of supplies of existing distributors in the area	14210
Less 20% due to expansion of existing distributors and establishing of new ones	26390
Less 5% estimate error	5280
	21110
	1100
Gap and Anticipated annual production of porkers	500

However, the plan is to distribute about 500 porkers yearly (the installed capacity).

This represents about 2.5% of the total demand-supply gap of distributors of clothes, bags and shoes. Thus, it is assumed that distributing and selling the clothes, bags and shoes will not be a problem.

## **PART IV MARKET, CUSTOMERS AND COMPETITORS**

### **4.0 Market Analysis**

Sophie's Clothes, Bags and shoes distributors has an exciting business opportunity since there is a huge market for Clothes, Bags and shoes in Enugu and its environs. The increase in the population and the increase desire for western fashion.

#### **4.1 Customers/Market Segmentation**



The following classes of customers for clothes, shoes and bag:

- a. They are those that mainly buy the clothes, bags, shoes in bulk for the purpose of selling it. They are usually price sensitive but can buy in bulk and even pay in advance.
- b. Household: These people buy in bits and sometimes are not particularly price sensitive. However, they are sensitive to style and quality of the clothes, bags and shoes.
- c. Sophie's Clothes, Bags and Shoes distributors' plans to articulate appropriate marketing strategy for each class of customer.

## **PART V**

### **5.0 Marketing Plan**

There are no major distributors to Enugu areas hence there is complete absence of structured distributors that can really put of commendable competition. Therefore if Sophie's Clothes, Bags and Shoes distributor commences operations as planned, it will be a market leaders in no distant time.

### **5.1 Production Strategy**

Sophie's Bags, Clothes and Shoe Distributor will embark on an aggressive awareness campaign to expose the beauty of western fashion. This will make the demand for clothes, bag and shoes to really increase. To do this, Sophie plans to use fliers, outreach sensitization programs, radio and also television programs.

## 5.2 Marketing Strategy

The maintain a sizeable portion of the clothes, bags and shoes market in Enugu and its environ. Sophie's clothes, bag and shoes distribution has decided that her clothes, bags and shoes will get to the market at a highly competitive price. Moreover, the clothes, bags and shoes being those of high quality and from popular producers like Gorge, Louis Vuitton, Papaya, Dolce and Gabana etc. which is the type of clothes, bags and shoes, that is very popular with consumers.

Furthermore, Sophie has planned her distribution as such a way that 35 bales of clothes, bags and shoes would be up for sale every month. The schedule of distribution would ensure that the distributors maintains its reputation amongst their customers as the place where supplies of clothes shoes and bags is most assured.

Sophie will also give trade discount to drive the market faster. There are plans to distribute Calendars and Almanacs to her numerous customers. This will help in no small way to increase the distributor popularity amongst the middlemen in the clothes, bags and shoes market.

## 5.3 Market Positioning

Sophie's clothes, bags and shoes distributor will position itself as the prime-mover and market leader in the distribution of clothes, bags and shoes in market in Enugu and its environs. The distribution will create peculiar leading edge profile for itself. The under stated is how the firm will want to be seen by its customers, competitors and the general public;

- a. As a provider of clothes, bags and shoes of best quality
- b. As a distributor that has the customer interest in the form of style, pricing and delivery in heart.
- c. As a trust worthy provider of consistently reliable clothes, bags and shoes.

## 5.4 Project Sales

	<b>Sales from single clothes, bags, shoes</b>	<b>Sales from bulk (N)</b>	<b>Total sales (N)</b>
Year 1	830000	950000	1780000
Year 2	2904000	2970000	5874000
Year 3	3194400	3267000	6461400

**Note:** To push sales, 2% of discount is given to regular customer

## PART VI

### Technical Analysis, Management and Organization

#### 6.0 Technical Analysis:

Style of clothes, bags, shoes are ever changing, and also rapidly, like every 2months, new style or design is released. Therefore, it is a normal problem and challenge to be atuned to the new designs. However, Sophie has planned its schedule of operations in such a way as to contain these challenge.

#### 6.1 Schedule of Operation

#### 6.2 Management and Organization

##### 6.2.1 Owner/Manager

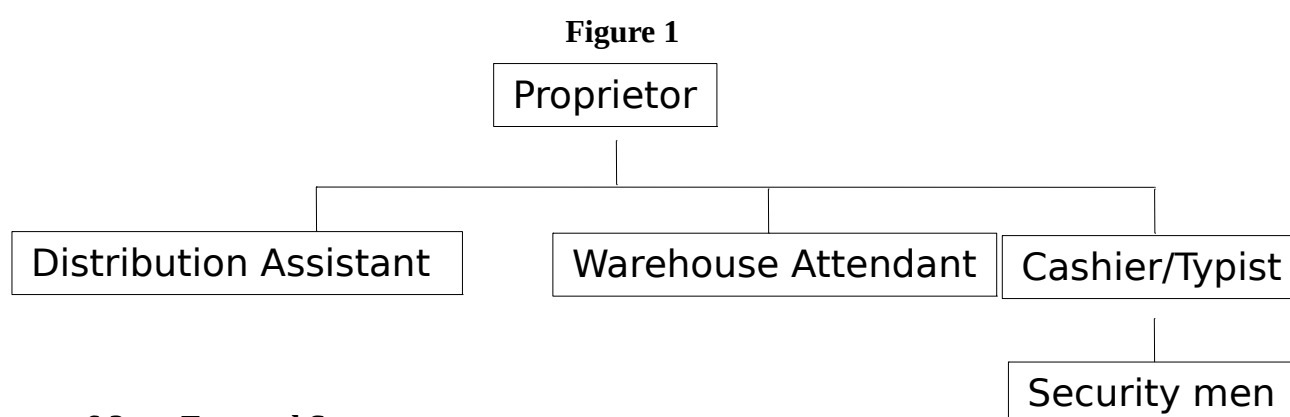
Sophie's clothes, bags and shoes distribution is a sole proprietorship. It is wholly owner by Sophia Inem who being the sole owner of the distribution will manage the affairs of the distribution. Miss Sophia is a trained stock broker and as such has enough basic knowledge of financial management which she is expected is expected to utilize in running the distribution.

To help in the day to day management of the farm, some other good hands will be hired. The plan is that the hired hands will compliment Miss Sophia especially in the area of technical know how in distribution of clothes, bags and shoes. Table 7 shows the staff and management compliments of the piggery farm.

Table 7: management and labour compliments.

S/N	Positions	No of Staff	Annual Salary per Staff (₦)	Total
1	Proprietor	1	360,000	360,000
2	Distribution Assistants	3	120,000	260,000
3	Typist/Cashier	1	132,000	132,000
4	Security Men	2	72,000	144,000
	Add 5% fringe			996,000
	Benefits			50,000
	Grand Total			11,046,000

Figure 1 below shows that organizational structure of the distribution



### 6.3 External Support

Sophie's clothes, bags and shoes distributor is discussing with Enugu small and odium Enterprises (SME) center to offer, over a period of years, strong management and business support service. Also the distribution will access the support on technical issues from the Entrepreneurship development center where the proprietor received training on entrepreneurship. Finally, the services of a distribution expert and consultant has been planned to be retained.

### 6.4 Value and Norms of the Company

Sophie's clothes, bags and shoes distributors plan to adopt the following norms and values:

- a. To offer the best for the benefit of her customer
- b. To uphold her integrity always
- c. To see here employees as her most valuable assets
- d. To always be available to her customers

- e. To do her business within the federal, state and local government laws.

## **PART VII**

### **Legal, Environmental, Social and Regulatory Issue**

#### **7.0 Legal Issues**

Sophie's Clothes, Bags and Shoes distributors' plans to commence commercial operations as a sole proprietorship, such it is just enough to register the business name with the appropriate department at the Local Government Headquarters. No special licenses are required for the operation of clothes, bags and shoes distribution; however every attempt will be made to get all necessary permit and licenses.

#### **7.1 Environmental**

Western fashion could pose an environmental challenge if certain precautions are not taken especially with respect to covering the body of customers very well. It is the plan of the distributors or seller to only distribute clothes that are moral and healthy. Handled this way, the clothes, bags and shoes will to contribute to environmental and moral threat to the community.

## 7.2 Social

The implementation of the project will bring about social and economic benefits to the society as the following ways;

1. It will create new jobs
2. It will bring what wealth creation and poverty reduction.

## 7.3 Regulatory

The distribution will comply with all environment regulations, as well as all relevant industrial safety regulatory requirements.

## PART VIII

### 8.0 Risk Analysis

This project has been subjected to risk analysis and some inherent risks identified and appropriate mitigants prefer to avoid the business being disrupted.

- Increased competition due to entry of more female wears and accessories shops.
- Initial long demand

To check these threats, the shop will launch out, at start up, aggressive awareness and sensitization programs to create huge demand; emphasize continuous high demand; emphasize continuous high quality service to retain clients and grow the market trend.

### 8.1 SWOT ANALYSIS

A SWOT Analysis carried out on the project reveal the following

#### 8.1.1 Strengths

- ❖ The location of the distributor make it to have easy access to its targeted customers
- ❖ The clothes, shoes and bag in distribution have very good design and quality.
- ❖ The distribution has very good plan to contain expansion which is one of the major

challenges of clothes, bag and shoes distribution.

The distribution would build on these strengths.

#### 8.1.2 Weakness

- ❖ Initial problems of raising adequate capital for the project anticipated.
- ❖ The proprietor has limited experience and expertise in clothes, bags and shoes

distribution.

Sophie's clothes, bags and shoes distribution plans to address these weaknesses

through hiring of skilled hands in distribution and retaining the services of experts to clothes,

bags, shoes, distribution.

#### 8.1.3 Opportunities

- ❖ Currently, there is no quality clothes, bags and shoes in the market. Therefore, the clothes, bags and shoes from developed countries and those from top textile companies in the country which is of high quality which will be a major advantages.
- ❖ These clothes, bags and shoes are in very heavy demand in other neighbouring states. Therefore, it is a possibility that the business might grow in future to take these clothes, bags and shoes to these states.
- ❖ The distribution hopes to exploit these opportunities

#### **8.1.4 Threats**

- ❖ Increased competition due to the entry of more clothes, bags and shoes distributors
  - ❖ Low initial demand
- To checkmate these threats, the distribution will mount aggressive awareness campaign and other promotions that will portray the clothes, bags and shoes from these companies as the best.

## 8.2 Exit Strategy

No exit is planned, rather diversification will pursue.

## PART IX

### 9.0 Company Financial

#### 9.1 Summary of project Cost

The total cost of the project is ₦3, 160,000.00 this made up of ₦2, 170,000. To fixed capital and ₦950, 000 in working capital

#### 9.2 Fixed Capital Investments

Table 9: Fixed Capital Investment

S/N	Detail	Qty	Unit Price ₦	
1	Warehouse	1	200,00	200000
2	Bulbs	5	1000	5000
3	Fan	5	10,000	50,000
4	Ladders	3	12000	36,000
5	Trolleys	4	12000	48,000
6	Delivery Van	30	750000	750000
	<b>Sub total B</b>			<b>244000</b>
	<b>Grand Total</b>			<b>2170000</b>
	(A+B)			

#### 9.3 Utilities

The warehouse and store is located in a place that is not connect to electricity and do not have good drainage system; as such light will be supplied by the use of generators and the water would be drained with pumps.

Table 10: Expenses on Utilities Projected

Utilities	Year 1 (₦)	Year 2 (₦)	Year 3 (₦)
Light	15000	15300	15600
Drainage	60000	61200	62400

#### 9.4 Other Expenses

There are other expenses expected to be increased in the course of running the distribution.

Table 11 shows the other expenses expected to be incurred.

Table 11: Other Operating Expenses

Type of Expense	Year 1	Year 2	Year 3
-----------------	--------	--------	--------



	(N)	(N)	(N)
Vehicle maintenance	100000	105000	110000
Business travels	30,000	31500	33000
Public relations/Advert	90,000	94500	99000
Miscellaneous	90000	52500	53600
Total	270000	283500	295600

## 9.5 Working Capital Forecast

To arrive at the working capital needed for the business, the following assumptions are made:

- i. Cost prices of items increase annually by 25% except for items mentioned under other operating expenses which grow by 5%
- ii. Selling prices of stocks increase annually by 10%
- iii. Trade credits are given and take to and fro deserving customers respectively.
- iv. It is expected that goods are disposal off at market as scheduled.

See table 12 for the forecast of working capital needed for the project.

See 12: Working Capital Forecast

<b>Working Capital Item</b>	<b>Year 0 (₦)</b>	<b>Year 1 (₦)</b>	<b>Year 2 (₦)</b>	<b>Year 3 (₦)</b>
Warehouse, transportation, importation	38300	38300	63200	64700
Provision for utilities and other expenses: 4 months needs	11500	11500	1200	12400
Salaries and wages	34700	34700	35400	36100
Debtors: 14 days value of annual sale		6800	22500	24800
Working Capital	70600	77400	89300	116200
Increase/Decrease in working capital		6800	11900	26900

### 9.6 Total required investment outlay (Required starting capital)

Table 13: Shows the total investment outlay required to execute the project

Table 13: Total start-up capital required

S/N	Capital item	Amount (₦)
1	Machinery, Equipment and others	217000
2	Working Capital Requirement	70600
	<b>Total</b>	<b>287600</b>

### 9.6 Financing Loan

To finance the required investment outlay, the proprietor plans to raise an equity

capital of ₦221, 000 will be borrowed from the bank

Table 14: Financing plan

Source	Amount (₦)
Equity contribution	66600
Bank Loan	221,000
<b>Total</b>	<b>287,600</b>

### 9.8 Loan Repayment Schedule and Interest Paid

It is expected that the loan would attract an interest of 10% and that funds are available to pay monthly interest as well scheduled repayments of the principal amount. See

Table 15.

Table 15: Interest and Repayment Schedule

Year	Loan	Repayments	Interests	Loan Balance
1	221000	Nil	7400	221000
2	221000	81000	16100	14000
3	14000	14000	5000	Nil

Note that a month moratorium period is required on the loan since sales would start by the 2nd month after commencing operations. Therefore, the interest would be period starting from the second month while loan repayment commences by year 2.

### 9.9 Depreciation

The annual depreciation is calculated using the straight line method. See table 16.

Table 16: Schedule for Annual Depreciation

S/N	Capital Items	LS	IV	SV	Depreciation
1	Warehouse	20	800000	60000	10000
2	Bulbs	10	2500	2000	250
3	Fans	5	500	100	40
4	Trolley	10	5000	1000	400
5	Delivery Van	10	75000	20000	5500
6	ladder	5	16000	Nil	3200
					<b>19390</b>

### 9.10 Forecast of Profit and Loss

Particulars	Year 1	Year 2	Year 3
	(N)	(N)	(N)
Expected Sales	199000	687400	748100
Less 1% discount	1900	60000	7500

Net Sales	125100	891600	739600
Expenses	125800	197000	194000
Cost of warehouse operations	8600	7700	8700
Utilities	27000	28400	26900
Other expenses salaries and wages	156000	156700	18800
<b>430200</b>	<b>335000</b>	<b>263000</b>	<b>Total expenses</b>

<b>Year 3</b>	<b>Year 2</b>	<b>Year 1</b>	<b>Total expenses</b>
<b>(N)</b>	<b>(N)</b>	<b>(N)</b>	
(78900)	259000	778,00	Profit before int B tax
7500	15200	7500	Loss Interest
295000	232900	(83500)	Profit Before, Tax
29400	24000	Nil	Less 10% Tax
	9200	9200	Less Depreciation
2669000	205000	94400	Net profit
200000	205000	(94400)	Retainer Earnings
66900	Nil	Nil	Dividend

Note that the loss of the first years is occasioned by the fact that sales was just for 2 months.

### 9.11 Cash Flow Projection

<b>Cash in:</b>	<b>Year 0</b>	<b>Year 1</b>	<b>Year 2</b>	<b>Year 3</b>
	<b>(N)</b>	<b>(N)</b>	<b>(N)</b>	<b>(N)</b>
Equity	66600			
Bank Loan	231000			
Net Profits		(94400)	205000	2669000
Depreciation		9100	9100	9100
<b>Total cash in</b>	<b>297600</b>	<b>85300</b>	<b>214100</b>	<b>2678100</b>

Cash out				
Equipment and others	217000			
Working capital	76000			
Increase/Decrease in cash		6800	12900	27900
Loan Repayment			82000	140000
Dividend			126700	5900
Increase/Decrease in cash				82300
Opening bal.	Nil	Nil	(92100)	25700
Increase/Decrease in cash closing balance	Nil	(92100)	25600	67800



### 9.12 Balance Sheet Projection

	Year 1 (N)	Year 2 (N)	Year 3 (N)	Year 4 (N)
Fixed Assets: Machinery, Equity and others Less com. Dep.				
Net Fixed Assets				
Current Assets Stock of material Operating bal B/F Debtor				
Cash in and/Bank				
Total of Current Assets				
Total Assets				
Long term liabilities Capital (Equity) Retained Earnings Bank Loan				
Total of Long Term Liabilities				
Current Liabilities Loan Repayment			81000	140000
Creditors	13900	13900	21300	21800
Dividend				55900
Total of Current Liabilities	13900	13900	102300	217700
<b>Total Liabilities</b>	<b>301500</b>	<b>209400</b>	<b>509400</b>	<b>484300</b>

### 10.0 Financial Analysis

The project comes out of the importation period in 2 months and even by that time the sales for the month stood at ₦445, 000.00. By the end of the first year the sales was ₦1780000 and this expected to grow to ₦5874000 and ₦6462000 respectively for the second and the third year.

### 10.1 Profitability Analysis

Relevant key profitability ration for the first three years are shown here under

	Year 1 (2 months)	Year 2	Year 3
Profit after Tax	85300	209600	265000
% Return on turn over	N/A	36.04	41243
% Return of Equity	N/A	101.45	99.40
% Return on Investment	N/A	72.88	92.14

## 10.2 Cash Flow Projection

By the second year of operation when the business has fully matured the cash flow position is as shown below

Year 2	Year 3
34600	56800

This means that the business will be able to generate enough funds to meet maturing obligation as from the second year of operation.

## 10.3 Projected Balance Sheet

For the three years period, it was shown that shareholders fund grew on the average (see Table below)

Years of operation	Year 1 (₦)	Year 2 (₦)	Year 3 (₦)
Shareholder fund	(25500)	267100	266600

## 11.0 Other Considerations and Conclusion

### 11.1 Economic Justification

From the view pint of our study and analysis of the finding made, the project offers good benefits to the promoter and the economy. Wealth will be created even as jobs are also created. These are connected with the External and States Government policy on entrepreneurship, wealth and job creation.

### 11.2 Commercial Viability

The commercial viability of the project is very clear. The project has been found to be commercially viable having shown through projections, an impressive sales, profits and cash flow positions.

### 11.3 Conclusion

Therefore, the project is highly recommended both finding and implementation.