

UNIVERSITY OF NIGERIA, NSUKKA
FACULTY OF THE SOCIAL SCIENCES
DEPARTMENT OF PUBLIC ADMINISTRATION AND LOCAL GOVERNMENT

TOPIC:

**BUSINESS PLAN FOR THE ESTABLISHMENT OF GRAPHIC
DESIGN**

**A BUSINESS PLAN
SUBMITTED IN PARTIAL FULFILMENT FOR THE REQUIRMENT OF
THE COURSE: CEDR 342
(BUSINESS MANAGEMENT AND DEVELOPMENT)**

BY

UGWUANYI, CHIDERA MATHEW

REG. NO: 2014/196278

LECTURER: DR (MRS) T. C. NWAOGA

JULY, 2017

TABLE OF CONTENTS

CHAPTER ONE

EXECUTIVE SUMMARY	-	-	-	-	-	-	-	-	1
1.0 Introduction									

CHAPTER TWO

2.1 The Business	-	-	-	-	-	-	-	-	2
------------------	---	---	---	---	---	---	---	---	---

CHAPTER THREE

3.0 Market Information	--	-	-	-	-	-	-	-	3
3.1 Products and Services-	-	-	-	-	-	-	-	-	3
3.2 Market	-	-	-	-	-	-	-	-	3
3.3 Competition	-	-	-	-	-	-	-	-	4
3.4 Marketing Activities	-	-	-	-	-	-	-	-	4
3.5 Prices and Margins	--	-	-	-	-	-	-	-	5
3.6 Sales Plan	-	-	-	-	-	-	-	-	5

CHAPTER FOUR

4.1 Location	-	-	-	-	-	-	-	-	7
4.2 People	-	-	-	-	-	-	-	-	7

CHAPTER FIVE

5.1 Capital expenditure	-	-	-	-	-	-	-	-	8
5.2 Finance	-	-	-	-	-	-	-	-	8
5.3 Direct costs	-	-	-	-	-	-	-	-	9
5.4 Overheads	-	-	-	-	-	-	-	-	9

CHAPTER SIX

6.1 Cash Flow	--	-	-	-	-	-	-	-	12
6.1 Funding	-	-	--	-	-	-	-	-	12

CHAPTER SEVEN

7.1 Projected Profit & Loss Account Graphics Designer	-	-	-	-	-	-	-	-	-
									13

CHAPTER ONE

EXECUTIVE SUMMARY

1.0 INTRODUCTION

My name is Ugwuanyi Chidera and I reside at No. 57 Aku Road Nsukka

I have been employed for the past five years as a designer with a local firm of Graphic Artists, and with the experience that I have gained I believe that this is the right time to set up my own business offering a Graphic Design service. I will operate my business from home and will target the SME market (small and medium sized enterprises). My key objective is to offer my clients a quality service, and build a successful business that will give me financial security in the future.

CHAPTER TWO

2.1 THE BUSINESS

I am an undergraduate in Graphics Design. My services will mainly include the design of promotional literature, company brochures, corporate identity, packaging etc. Initially I will work in the business on my own, but if successful I will consider employing a young assistant.

The business will be called Modern Graphics and will be formed as a sole trader.

CHAPTER THREE

3.0 MARKET INFORMATION

3.1 Products and Services

I will offer the following range of graphic design services:

- Design work for a wide range of products including labels, packaging, company brochures, corporate identity, company logos etc
- Multimedia and web display
- Direct mail concepts

3.2 Market

My target market will be at Main Market Nsukka. The Business Opportunities Profile that is included in the General Appendices points out that Main market Nsukka are unable to afford the cost of in-house design teams and are looking for businesses like mine to design business stationery, packaging, promotional literature, websites etc. The sector is a growth one as more and more companies place an increasing emphasis on the image that they want to convey to

their customers. From my previous experience I am confident that I can gain work in my target market.

3.3 Competition

My competition will come from the following main sources:

- Other local freelance graphic designers
- Media digital design companies

I have thoroughly researched my local competition and believe that the high standards that I will set in my work will allow me to compete with them. I will set my prices to be competitive but so as to allow me sufficient profit margin to build a viable business.

3.4 Marketing Activities

I will advertise in the Yellow Pages and also periodically in the local University Road Post, which has a good circulation within the local business community. My aim will be to establish a regular clientele and benefit from word of mouth recommendations. I will also introduce the following promotional activities to market my services:

- Mail shots and press releases to Main market Nsukka outlining my services
- Networking through Nsukka Chamber of Commerce

- A regularly updated portfolio featuring previous work

3.5 Prices and Margins

I have carried out extensive checks on the hourly rates being charged by my main competitors and have based my prices on being 5% cheaper than them.

Contracts will be priced based on my hourly rate of N20. The only direct costs associated with the business are in respect of paper and other consumables, which have been estimated at 1% of sales, thereby producing a gross margin of 99%. This pricing structure will allow me to make sufficient profit to build a viable business. Much of my design work is communicated electronically which is why my direct costs are low.

3.6 Sales Plan

First year sales assume a steady growth in the customer base. In years 2 and 3 I am assuming annual growth of 10%, as I benefit from advertising and word of mouth referrals. My sales plan is as follows:

YEAR 1 YEAR 2 YEAR 3

N	N	N
30,000	33,000	36,300

I estimate that I will work 40 hours per week and that 25% of my time will be given over to travelling, preparing quotations and carrying out routine administration etc. My turnover forecasts in the first year are therefore based on generating 3000 chargeable hours per week over 50 weeks of the year. My turnover forecasts are shown in the Financial Appendices.

CHAPTER FOUR

4.2 LOCATION

I will work from my home at No. 57 Aku Road Nsukka, Main market Nsukka, in order to keep overheads as low as possible, and to allow me to get my business established. If successful I may consider leasing small office premises at some time in the future.

4.2 PEOPLE

Initially I will operate the business on my own but if successful will consider employing a young assistant. I will look after the administration and record keeping of the business on a day to day basis, but will employ an accountant to prepare my year-end accounts and tax return.

CHAPTER FIVE

5.1 CAPITAL EXPENDITURE

The following is a summary of the capital expenditure that is required for the business. Full details are contained in the General Appendices.

	N
Drawing Equipment	1,000
Car	3,000
Computer	<u>1,000</u>
	<u>5,000</u>

I already own all of these assets with no outstanding finance along with some basic office furniture.

5.2 FINANCE

Viability

The forecast trading results for the first 3 years of trading are as follows with the details being shown in the Financial Appendices attached:-

PROJECTED PROFIT AND LOSS ACCOUNT			
	YEAR 1	YEAR 2	YEAR 3
	N	N	N
Sales	30,000	33,000	36,300
Less: Direct	300	330	363
Costs			
Gross Profit	29,700	32,670	35,937
Less: Overheads	6,193	6,563	6,983
Add: Grants	0	0	0
Net Profit/Loss	23,507	26,107	28,954

5.3 Direct Costs

Direct costs are in respect of sundry design consumables such as drafting and printing paper and have been estimated at 1% of sales.

5.4 Overheads

Insurance

A budget of N300 has been allowed for business insurance payable monthly.

Use of House

A provision of N360 has been made as an accrual at the year-end for the use of a room in my house as an office.

Postage & Stationery

N60 has been allowed to acquire an initial stock of stationery. Thereafter N10 per month has been provided making the charge for the year N170.

Marketing & Promotions

As discussed in the marketing section, N150 has been provided for the cost of fliers and business cards at start up, and N50 per month thereafter for advertising in the Yellow Pages and the University road Post, giving a total annual cost of N700.

Telephones

An amount of N50 per month has been provided for telephones including business use of my home phone and my mobile.

Travel & Motor Expenses

Car use will be extensive and the following amounts have been provided in the first year:

	N
Road Fund Licence	160
Insurance	600
Servicing	400

Fuel	<u>1,200</u>
	<u>2,360</u>

Professional Fees

I will maintain my own bookkeeping records but have allowed N300 as an accrual for my accountant to prepare my self-assessment returns at the end of the year.

Other Expenditure

An amount of N120 has been provided in the first year for sundry expenses.

Depreciation

The following depreciation rates have been charged in the forecasts on a straight-line basis:-

Motor Car	25%
Tools & Equipment	20%
Computer	33%

On this basis depreciation charged in the accounts amounts to N1,283.

CHAPTER SIX

6.1 Cash Flow

A Monthly Cash Flow Forecast has been prepared for the first year of trading to calculate the funding requirement for the business. The forecast is based on the following assumptions:

Credit Allowed to Customers

I have assumed that I will receive full payment for work carried out within one month of completion.

Payments to Suppliers

No credit is assumed from any suppliers and all expense items are assumed paid as they arise.

Drawings

My drawings will be dependent on my business trading in line with forecasts. In the first year I am targeting N1,300 per month.

6.2 Funding

Taking account of all of the foregoing and allowing for a small contingency, the forecasts show that N7,000 will be required to fund my business. I will fund the business from my personal resources and will introduce N2,000 in cash prior to

commencing to trade along with the assets detailed in Section 6.

CHAPTER SEVEN

3.1 PROJECTED PROFIT & LOSS ACCOUNT GRAPHICS DESIGNER

	YEAR 1		YEAR 2		YEAR 3	
	N	N	N	N	N	N
<u>SALES</u>		30000		33000		36300
<u>DIRECT COSTS</u>						
Materials/Stock	300		330		363	
Total Direct Costs		300		330		363
<u>GROSS PROFIT</u>	99.00%	29700	99.00%	32670	99.00%	35937
<u>OVERHEADS</u>						
Use of House & Insurances	660		700		750	
Postage & Stationery	170		200		220	
Marketing & Promotions	700		750		800	
Telephones	600		650		700	
Travel & Motor Expenses	2360		2500		2700	
Professional Fees	300		330		350	
Other Expenditure	120		150		180	
Depreciation	1283		1283		1283	
Total Overheads		6193		6563		6983
<u>TRADING PROFIT/(LOSS)</u>		23507		26107		28954
<u>GRANTS</u>						
Grants - Others/ Other income	0		0		0	
Grants - BsuA	0		0		0	
Total Grants / Other Income		0		0		0
<u>NET PROFIT/(LOSS) BEFORE DRAWINGS & TAX</u>		23507		26107		28954
Personal Drawings		15704		18000		22000

	PreStrt	Mth 1	Mth 2	Mth 3	Mth 4	Mth 5	Mth 6	Mth 7	Mth 8	Mth 9	Mth 10	Mth 11	Mth 12	TOTAL
INCOME														
Sales Income (Turnover)	0	0	2000	2000	2600	2600	2600	2600	2600	2600	2600	2600	2600	27400
Owners Investment	7000	0	0	0	0	0	0	0	0	0	0	0	0	7000
TOTAL INCOME	7000	0	2000	2000	2600	2600	2600	2600	2600	2600	2600	2600	2600	34400
EXPENDITURE														
Materials/Stock (Cost of Sales)	50	20	20	26	26	26	26	26	26	26	26	26	26	350
Insurances	0	25	25	25	25	25	25	25	25	25	25	25	25	300
Postage & Stationery	0	60	10	10	10	10	10	10	10	10	10	10	10	170
Advertising, Publicity & Entertainment	0	150	50	50	50	50	50	50	50	50	50	50	50	700
Telephones	0	50	50	50	50	50	50	50	50	50	50	50	50	600
Motor Expenses	0	310	150	250	150	150	250	150	150	250	150	150	250	2360
Capital Expenditure	5000	0	0	0	0	0	0	0	0	0	0	0	0	5000
Personal Drawings		1300	1300	1300	1300	1300	1300	1300	1300	1300	1300	1300	1300	15600
Class 2 NIC		8	8	10	8	8	10	8	8	10	8	8	10	104
Other Expenditure	0	10	10	10	10	10	10	10	10	10	10	10	10	120
TOTAL EXPENDITURE	5050	1933	1623	1731	1629	1629	1731	1629	1629	1731	1629	1629	1731	25304
SURPLUS/DEFICIT	1950	-1933	377	269	971	971	869	971	971	869	971	971	869	9096
OPENING BANK BALANCE		1950	17	394	663	1634	2605	3474	4445	5416	6285	7256	8227	0
SURPLUS/DEFICIT FOR MONTH	1950	-1933	377	269	971	971	869	971	971	869	971	971	869	9096
CLOSING BANK BALANCE	1950	17	394	663	1634	2605	3474	4445	5416	6285	7256	8227	9096	9096

PROJECTED BALANCE SHEET GRAPHICS DESIGNER

<u>FIXED ASSETS</u>	N	N	N
Cost			5000
Cumulative Depreciation			-1283
<u>NET FIXED ASSETS</u>			3717
<u>CURRENT ASSETS</u>			
Stock & Work in Progress	50		
Trade Debtors	2600		
Prepayments	0		
Cash on Hand/In Bank	9096		
		1174	
		6	
<u>CURRENT LIABILITIES</u>			
Trade Creditors	0		
Accruals	660		
Taxation	5324		
VAT	0		
PAYE/NI	0		
Bank Overdraft	0		
		5984	
<u>NET CURRENT ASSETS/LIABILITIES</u>			
			5762
<u>LOANS</u>			
Bank		0	
Other		0	
			0
<u>TOTAL NET ASSETS</u>			
			9479

<u>CAPITAL ACCOUNT</u>	N
Owners Investment	7000
	2350
Profit for Period	7
	-
	1570
Personal Drawings	4
Taxation	-5324
	9479