



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

**A BUSINESS PLAN WRITTEN IN PARTIAL FULFILLMENT FOR THE**  
**REQUIREMENT OF THE COURSE CED 342**  
**(BUSINESS DEVELOPMENT AND MANAGEMENT)**

**TOPIC**  
**BUSINESS PLAN ON PRODUCTION OF CUSTARD**  
**(MARICHUY SWEET VANILLA CUSTARD)**

**BY**

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**BUSINESS PLAN ON THE PRODUCTION OF CUSTARD**  
**(MARICHUY SWEET VANILLA CUSTARD)**

**PART I**

**Executive Summary**

The business whose summary appears below is derived from the fact that the demand for dietary intakes with little or low starch intake is on the rise due to increases in health related conditions like obesity; diabetes; high blood pressure; heart failure etc.

The business is a reaction to the above need. It has planned to use a mixture of corn flour and vanilla extract, fortified with vitamin A, B, B<sub>2</sub> and C to product a low starch meal that has won the acclaim of Raw Materials Research Development Council. The market potential of the product Marichuy Sweet Vanilla Custard of this business is low.

**1.11 Name of Business:**

The name of the Business is Marichuy Sweet Vanilla Custard Nigeria Limited.

**1.12 Legal Form of Business:**

Marichuy Sweet Vanilla Custard is a private limited liability company not yet registered.

**1.13 Contact Address:**

55, St. Peters, Arad Rd Kubwa Abuja

**1.14 Type of Business:**

Marichuy Sweet Vanilla Custard Nigeria Limited is a manufacturer operating in the agro processing sector.

**1.15 Concise description of the business idea:**

**Products or Services**

The product is Marichuy Sweet Vanilla Custard. A product produced from the mixture of corn flour and vanilla extract with the addition of vitamins S, B, B<sub>2</sub> and C. It is highly recommended for people on low starch diet.

**Customers:**

Public members that desire low starch intake.

**1.17 Number of jobs to be created:**

By the time the company is up and running, it is expected that it will create direct jobs for 50 people.

**1.18 Start-up Capital:**

The following are the components of the required startup capital:

Type of Investment	Amount (₦)
a. Investment (equipment, machinery and others)	47300.00
b. Working Capital and pre-operating expenses	310.000.00
<b>Total</b>	<b>₦783000.00</b>

**1.19 Source of Capital and share holding structure**

Capital requirement for the project will be sourced as shown in the table below

S/N	Source of Capital	Amount (₦)
a.	Owner's capital or my Equity	₦500,000.00
b.	Bank loan	₦28300.00
	<b>Total</b>	<b>₦ 783000.00</b>

**1.110 Profitability:**

The net profits over the years are:

1. Year 1= ₦5000,000
2. Year 2 = ₦790,000
3. Year 3 = ₦900,000

**1.111 Level of liquidity:**

The liquidity levels over the years are:

1. Year 1 = ₦400,000
2. Year 2= ₦900,000
3. Year 3 = ₦950,000

**1.12** Based on the fact that the planned business is technically feasible and commercially viable, it is therefore recommended for implementation and funding.

**PART II****2.10 General Introduction****2.11 Background:**

Given the rising trend of many adults in Nigeria (both male and female) to be very conscious of the food they take as a result of growing incidence of obesity, diabetes, other weight gain related health issues and the growing preference of people to be fit or trim. There is now a fast growing demand for low starch foods.

Marichuy Sweet Vanilla Custard produced from corn flour, custard and vanilla flavor. It is thus, a natural low starch diet that is targeted at the adult population in Nigeria – particularly South-East Nigeria.

#### **2.11 Vision Statement:**

To be known as the best and most reliable source of high quality low starch food in Nigeria.

#### **2.12 Mission Statement**

To consistently use man and technology to push the frontiers of low starch food diet by using the best quality custard corn flour vanilla to produce flour custard that is wholesome taste wise, diet wise and value wise.

#### **2.13 The Company**

The company is a legal person registered with the name Marichuy Sweet Vanilla Custard ltd. The company started with a grant from Raw Material Research Development Council (RMRDC) after the main promoters. Currently, the company's products have been registered with NAFDAC. Having gone through the product formulation and development stage, the company now desires to produce her products for commercial purposes and is now seeking financial assistance from NERFUND (National Economic Reconstruction Fund)

#### **2.14 Products or Services offered:**

Marichuy Sweet Vanilla Custard flour corn food that is consumed by drinking, it is produced by mixing the corn flours with vanilla flavor. The resulting flour meal is then fortified with vitamins A, B, B<sub>2</sub> and C.

#### **2.15 Legal form and Ownership of the Enterprise:**

Marichuy Sweet Vanilla Custard is a PARTNERSHIP business that is owned and managed by Alioha Chidimma Cynthia, Odoh Victor, Olajide Onyegoke Ijeoma,

#### **2.16 Location of the Business:**

The business will be located at Arab RD Kubwa Abuja.

#### **2.18 Industry Trend and Analysis:**

The sector within this business operate is low start flour meal sector. This sector has recently been witnessing fast growing demand that is easily noticed that the market has not been touched. Currently, the nearest substitutes to this product Marichuy Sweet Vanilla Custard are egg custard, banana custard, nycil custard, and other locally produced meals in the category. However sweet vanilla happens to be the product with low starch content.

Also, it should be noted that currently products from this sector, especially the ones that are known to be of very low calorie content are also being demanded by the youths who want to avoid weight gain due to eating the wrong diet. Thus, the size of the market is large and growing very fast.

### **2.19 Business Strategy:**

Marichuy Sweet Vanilla Custard will do everything possible to make sure her product is known to be among the lowest starch corn flour meal. Also, efforts will be made to ensure that the products are price competitive and available in most major markets being targeted (especially Lokoja, Lagos, Onitsha, Benin and Enugu).

### **2.20 Key Success factor:**

Some of the key success factors derive from the fact Marichuy Sweet Vanilla Custard as a diet has very low starch value. Also it is price competitive and is backed by an aggressive market force.

Furthermore the product is rich in protein and is fortified with vitamins. These make the product to be highly sought after.

The demand base is very large that industry observers are of the opinion that almost any quantity produced of this product will easily be absorbed by the market.



### PART III

#### 3.10 The Market:

The main target markets of Marichuy Sweet Vanilla Custard are in the south East of Nigeria. Particularly, the following markets are targeted: Onitsha, Lokoja, Awka and Enugu state. Also markets at Lagos and Port Harcourt (PH), will be targeted.

The reason for targeting these markets are due to the fact that they are all urban and have a large population of adults who are educated and are of, at least, middle income who are very likely to be conscious of the starch content of the meal they take. Also in these markets are fashion-minded individuals who do not want to gain weight and will be drawn naturally to Marichuy Sweet Vanilla Custard generally be consumed by a whole family as part of her regular diet.

#### 3.11 Sales and market share analysis:

The markets for the product Marichuy Sweet Vanilla Custard are dominated by egg custard, banana, nycil custard and other sundry products that fall into that category but Marichuy Sweet Vanilla Custard will complete favorably well with these on account of its low starch dietary value which is acclaimed by Raw Materials Research Development Council (RMRDC) of Nigeria.

#### 3.12 Key competitors and competitive advantage:

Marichuy Sweet Vanilla Custard will possibly face two types of competition as discussed in the sections below.

##### a. Competition:

Business Type	Competition Type	Strengths	Weaknesses
Egg folk custard	Direct competition	1. Already established in the market. 2. Branded 3. Nation wide channels of distribution	No core market
Banana custard	Direct competition	1. Already established in the	

		market. 2. Branded 3. Nationwide channels of distribution	
Nycil custard	Indirect competition	Already established in market nationwide channels of distribution	No core market

### 3.13 SWOT Analysis

Marichuy Sweet Vanilla Custard has some weaknesses, strengths, opportunities and threats. These are discussed below:

#### A. Strength:

1. Product has very low starch content compared to competing products.
2. Well articulated marketing plan.

#### B. Weaknesses:

1. Low capital.

#### Opportunities:

1. Growing demand as a result of more and more people resorting to low starch diet.
2. Increasing population will impact positively on the food.

#### C. Threats:

1. Activities of competitors like egg custard, banana custard and others.
2. Seasonal fluctuation in the price of input like corn flour.

### 3.14 Demand and Supply Analysis and Estimating the Initial Installed Capacity

Details	Size (number kg)
Potential demand to be served (Demand potential of Adult populations in	250,000kg

south East of Nigeria)	
Less 30% existing competitors estimated by industry watcher to consume	80,000kg
Available market (in the absence of expansion and very high entry wall)	200,000kg
Less 10% due to possible expansion of existing competitors/entrant of new ones	20,000kg
Available market	100,000kg
Less 5% due to error in estimation	7,450kg
Available demand/qualified market/demand supply gap	109,500kg
Initial installed capacity cat most 60% of available demand (served market)	40,000kg

#### **4.10 MARKETING PLAN:**

##### **4.11 Market segmentation:**

This is very important so as to accurately target marketing efforts in such a way as to yield best results. Segmentation here considers financial muscle – whereby cognizance is given to different financial capacities of customers; location – which considers level of consumption that varies with location as a good segmenting tool, i.e. the choice of distribution channels, also the preferences of customers may vary with their location, i.e. rural and urban dwellers usually differ in their taste and demographic attributes – which considers age, health, disease prevention. Specifically segmentation as adopted here looks at the following:

1. General adult population that desire to maintain healthy feeding habit.
2. Individuals with certain health conditions necessitating their taking food with low starch content.
3. The aged adult in government offices parastatals, ministries, depts.. and NGOs.
4. Adults in Banks and Corporate offices where there is sedentary work style.
5. Hospitals
6. Eateries like Mr. Biggs, Chicken legacy, Tetrzzini, etc.
7. Channels of distribution like Middleman/wholesalers.

##### **4.13 Target Market:**

The target markets are:

1. Middle aged adults in government offices, ministries, banks and other cooperate offices.
2. Hospitals, hotels, and eateries.
3. Middlemen/wholesaler, and retailer dealing on corn flour.
4. Schools (with) Dormitory.

##### **4.13 Description of the edge of product or product range of service:**

Marichuy Sweet Vanilla Custard has the specifications shown in the table below:

<b>Product/Service</b>	<b>Product # 1</b>
Denomination/product line	Marichuy Sweet Vanilla Custard
Specification (i.e. size, colour, and quality)	3kg yellow colour
Packaging	Packaged inside a transparent plastic rubber
After sale service	

#### **4.14 Marketing Plan (Using Price as a tool)**

<b>Product/Service</b>	<b>Product#1</b>		
How much are customers willing to pay?	Highest	Average	Lowest
	500	400	200
Competitors price	Highest	Average	Lowest
	500	450	300
My price	400/kg per plastic/bucket		
Reason for setting my price	To be price competitive, but remain profitable		
Margin for discount?	No		

#### **4.15 Market Positioning Strategy:**

Being a new entrant into the market for corn flour Marichuy Marichuy Sweet Vanilla Custard plans to use aggressive marketing to win a comfortable market share in the corn flour sector.

#### **4.16 Marketing Mix Implementation Tools:**

The marketing mix implementation targets to use the following tools:

1. Attractive packaging
2. Competitive pricing
3. Personal selling and
4. Advertisement

#### **4.17 Channel of Distribution:**

Marichuy Marichuy Sweet Vanilla Custard would utilize the following channels of distribution:

- a. Direct to individual final consumer

- b. Through the retailers and
- c. Through wholesalers

#### 4.18 Start-up Promotion

These are the planned actions to inform customers about the opening of the new business (i.e. posters, fliers, advertisement, radio, opening ceremony, church announcements, etc.)

However, Marichuy Sweet Vanilla Custard would utilize the following promotional activities:

1. Road shown in all markets
2. Advertisement which would utilize the following media:
  - a. TV
  - b. Radio
  - c. Flyers (print media)
  - d. Posters

#### 4.19 Alliances:

It is believed by the main promoter of the business that belonging to the Hospitality Industry Union or Flour Traders Associations would help in creating a platform that would aid sales. So, it is in the plan of Marichuy Sweet Vanilla Custard to join these associations.

#### 4.20 Marketing Calendar and Budget:

Here we set important deadlines for executing specific marketing functions. The individuals responsible for taking actions required and the overall marketing budget.

#### Marketing Budget

Date	Marketing Plan Activity	Evaluation Index	Personnel Involved	Estimated Cost (₱)
Start August 2017 End August 2017	Roads shows in major targeted markets	Presence of flyers in major markets converted	Outsourced	40,000.00
Start August 2017 End Sept. 2017	Advertisements in Radio and TV	2 times Radio and TV announcements	Outsourced	40,000.00
Start Oct. 2017	Sales promotion	Everyday for 3	Outsourced	500,000.00

End Dec 2017	through raffle	months entries for		
	draw	draw		
<b>Total</b>				<b>N580,000.00</b>

## **PART IV**

### **TECHNICAL ANALYSIS**

#### **5.10 Production Plan:**

#### **5.11 The Project:**

As already stated, the product being produced is the Marichuy Sweet Vanilla Custard corn flour based on mixing corn flour and vanilla extract the ratio of 750%:20% while the remaining 5% is for vitamins. Marichuy Sweet Vanilla Custard cereals are packaged in transparent plastic bucket. Each pack weighs 1kg and sells for N400.00. It is planned that the output per month should be 20,000kg of Marichuy Sweet Vanilla Custard in the first year of operation.

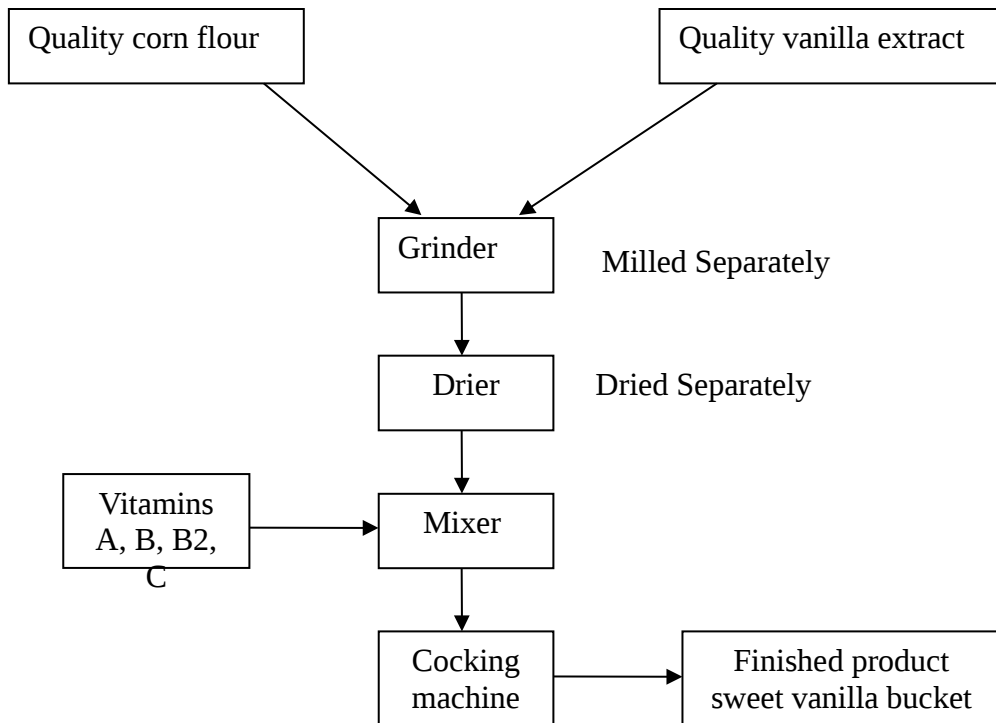
#### **5.11 Production Process**

The following basic steps are to be followed in the production chain. Good quality whole corn flour and vanilla extract are milled into flour and are mixed in a way that allows custard to constitute 75% of the final product while vanilla extract and vitamins (A, B & C) constitute 20% and 5% respectively.

So to produce 2000kg of output (10,000 bucket of Marichuy Sweet Vanilla Custard) 14800kg of custard and 100kg of are milled into flours. They are then passed through drier separately and mixed thoroughly with the automatic mixed while 100kg of vitamins (A, B, B<sub>2</sub>, C, follow coloured) are added. The resulting flour mixture are then bucket into 11kg bucket of flour.

#### **5.12 The Production Flow Chart:**

The diagram below shows the sequence of producing the product-Marichuy Sweet Vanilla Custard



### 5.13 The Production Schedule

The commercial production schedule of Marichuy Sweet Vanilla Custard limited has been articulated in the table below

		<b>Projected Production Schedule</b>			
		Targeted output (kg)	Corn flour input 1	Vanilla extract input 2	Vitamins Raw input 3
1.	Jan.	20,000	14800	5000	1000
2.	Feb.	20,000	14800	5000	1000
3.	Mar.	20,000	14800	5000	1000
4.	Apr.	20,000	14800	5000	1000
5.	May	20,000	14800	5000	1000
6.	Jun.	20,000	14800	5000	1000
7.	July	20,000	14800	5000	1000
8.	Aug.	20,000	14800	5000	1000
9.	Sept.	20,000	14800	5000	1000
10.	Oct.	20,000	14800	5000	1000
11.	Nov.	20,000	14800	5000	1000
12.	Dec.	20,000	14800	5000	1000
1.	Jan.	30,000	20,000	7,000	1000
2.	Feb.	30,000	20,000	7,000	1000



3.	Mar.	30,000	20,000	7,000	1000
4.	Apr.	30,000	20,000	7,000	1000
5.	May	30,000	20,000	7,000	1000
6.	Jun.	30,000	20,000	7,000	1000
7.	July	30,000	20,000	7,000	1000
8.	Aug.	30,000	20,000	7,000	1000
9.	Sept.	30,000	20,000	7,000	1000
10.	Oct.	30,000	20,000	7,000	1000
11.	Nov.	30,000	20,000	7,000	1000
12.	Dec.	30,000	20,000	7,000	1000
1.	Jan.	30,000	20,000	7,000	1000
2.	Feb.	30,000	20,000	7,000	1000
3.	Mar.	30,000	20,000	7,000	1000
4.	Apr.	30,000	20,000	7,000	1000
5.	May	30,000	20,000	7,000	1000
6.	Jun.	30,000	20,000	7,000	1000
7.	July	30,000	20,000	7,000	1000
8.	Aug.	30,000	20,000	7,000	1000
9.	Sept.	30,000	20,000	7,000	1000
10.	Oct.	30,000	20,000	7,000	1000
11.	Nov.	30,000	20,000	7,000	1000
12.	Dec.	30,000	20,000	7,000	1000

It is the plan of Marichuy Sweet Vanilla Custard plc. to commence commercial production by producing 20,000 of Marichuy Sweet Vanilla Custard. This translates into 10,000 buckets or plastic Marichuy Sweet Vanilla Custard sold at 400 per bucket. To produce this quantity of Marichuy Sweet Vanilla Custard 14,800kg of corn flour and 5000kg of vanilla extract will be utilized. This will be fortified with 1000kg of vitamins. However by year 2 the output targeted is 30,000kg of Marichuy Sweet Vanilla Custard. Inputs required for this level of output are corn flour 20,000kg vanilla extract – 7000kg; and vitamins – 1000kg.

#### 5.15 Machinery, equipment and other requirements

S/N	Investment (Equipment and others)	Qty	Life Span	Other comments
1.	Land			Existing

2.	Building/bore hole			
3.	Equipments and machine			
	i. Electric sieving machine	1	3yrs	1 piece of this is existing
	ii. Mill (grinder)	3	3yrs	1 piece of this is existing
	iii. Dryer (for drying the corn & vanilla extract)	2	5yrs	1 piece of this is existing
	iv. Weighing Balance	10	5yrs	1 piece of this is existing
	• Generator	2	5yrs	1 piece of this is existing
	• Delivery van	2	5yrs	1 piece of this is existing
	• Fork lift	1	5yrs	1 piece of this is existing
	• 10 ton truck	1	3yrs	Yet to be produced
	• Loose tools		10yrs	Existing
	Furniture/fixture/fittings			

### 5.16 Technology

The technology applied in the production of Marichuy Sweet Vanilla Custard is quite simple and can be divided into two: product technology; and process technology. The product technology implies the type of technology encapsulated in the machines used for production. The mill is imported from India (but can be fabricated locally) while the drier, sieving machine are locally fabricated. Also the ceiling machine and automatic mixer are imported. All the machines are purchased locally through local renders.

On the other hand, the main process technology utilized is that immediately after milling and mixing the vanilla extract custard, the resulting flour is passed through the drier to remove every moisture and ensure longer shelve life of product.

### 6.10 Management and Organizational Structure

#### 6.11 Shareholders/Directors:

Due to the fact that I own the business therefore the SWOT will only be taken by me.

#### 6.12 Management Team:

Production manager – B.Sc. Engr.

Admin/Act Manager – B.Sc. TCE with 3 years experience

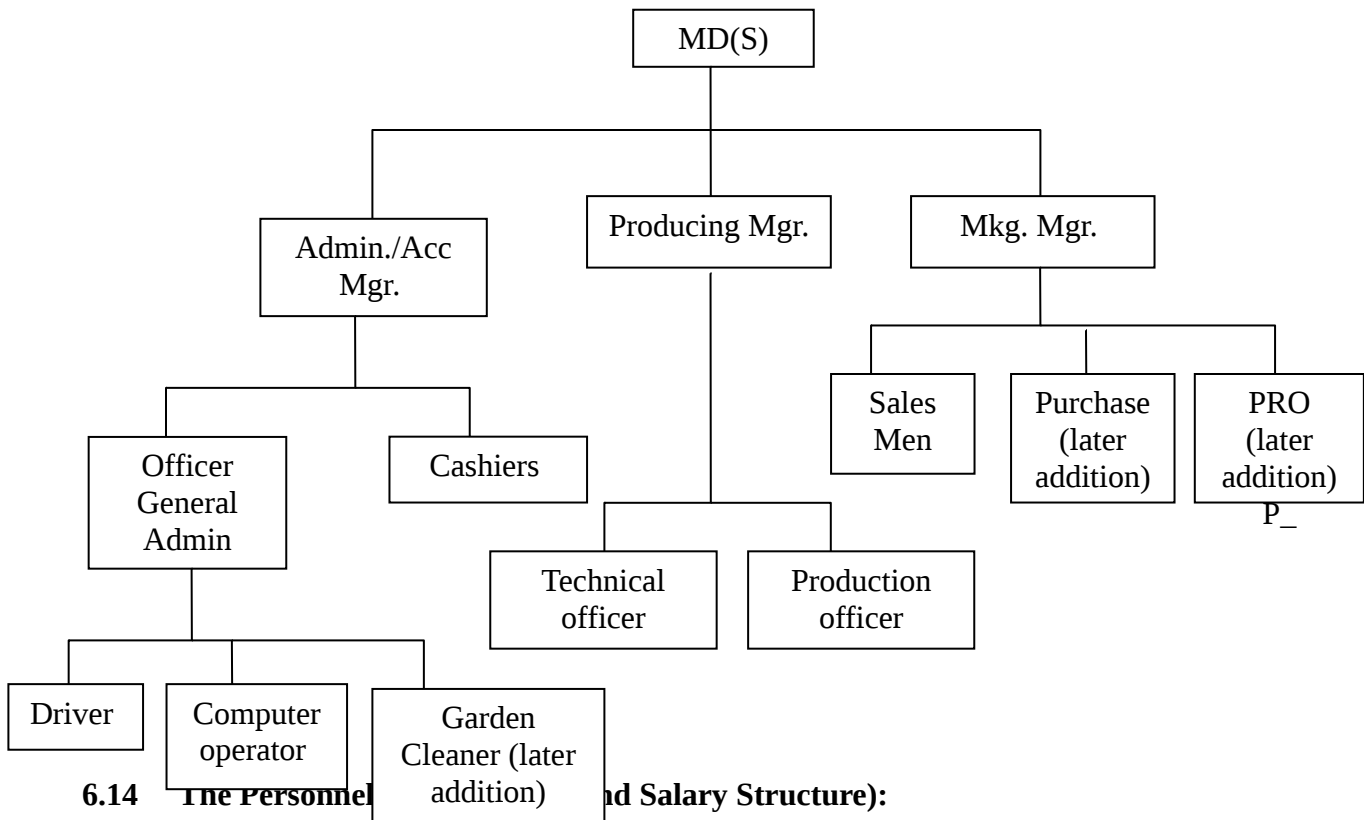
Marketing Manager – B.Sc. Mkg with 4 years experience.

It is the expectation of project promoters that the business would have rapid growth. If this happens the Administration function would be separated from the accounting function and new but capable hands would be hired to man the vacancies created.

**6.13 Organizational Structure:**

This shows the hierarchy in the management using an organizational chart.

**ORGANIZATIONAL STRUCTURE**



**6.14 The Personnel and Salary Structure):**

S/N	Position	No. of Staff	Salary per staff per month	Total annual salary
1.	Proprietor/M.P.	1	30,000.00	10,000.00
2.	Production Manager	1	20,000.00	10,200.00
3.	Admin/Accounts Manger	1	12,000.00	3,000.00
4.	Marketing manger	1	12,000.00	5,000.00
5.	Officer General Admin	1	14,000.00	3,500.00
6.	Production Supervisor	1	11,000.00	3,500.00
7.	Technical officer	1	10,000.00	2,400.00
8.	Cashier	1	11,000.00	1,200.00

9.	Sales men	3	20,000.00	1,800.00
	Computer operator	1	15,000.00	3,200.00
	Drivers			3,000.00
	Sub Total			40,800.00
	Add 5% fringe benefits			2,040.00
	<b>GRAND TOTAL</b>			<b>₦42,840</b>

#### 5.15 External Support (Out sourcing):

The capability of the managing crew and the organization as a body might not be adequate to handle all manner of tasks pertinent to the organization. In this instance, the organization may need to outsource certain roles or tasks.

The supply of flour corn flour and vanilla extract to the factory shall be outsourced to established produce wholesalers since sweet vanilla may not have the chance of visiting most of the nearby markets. However, efforts shall be made to select adults who source their supplies at farm gates. This is to ensure that the prices are competitive.

#### 5.16 Organization's values and norms:

Sweet vanilla's core values are as listed below:

- a. To carry out business on the best ethical standards.
- b. To show highest level of integrity and honesty.
- c. To maintain quality at all times.
- d. To be unique everywhere.

## PART V

### 7.10 LEGAL, REGULATORY, SOCIAL, AND ENVIRONMENTAL ISSUES

#### 7.11 Legal Issues:

There is a memorandum of understanding between Raw Materials Research and Development Council (RMRDC), Abuja and Marichuy Sweet Vanilla Custard Nigeria Limited on Marichuy Sweet Vanilla Custard (corn flour and vanilla extract) meal production from milled whole corn vanilla extract and fortified with Vitamin A, B, B<sub>2</sub> and C.

#### 7.12 Regulatory and Environmental Issues

##### A. Regulatory Issues

i. Marichuy Sweet Vanilla Custard is a regulated product and the regulatory agency is NAFDAC

ii. The product will be registered with NAFDAC

##### B. Environmental Issues

The by-products of this business are: corn chaffs; vanilla chaffs. The by-product are fed to animals like fowl and birds. So the bye-products have virtually no adverse effect on the environment. It can also be recycled into cereals.

### 8.10 Financials

#### 8.11 Equipment machinery and others costs:

Marichuy Sweet Vanilla Custard would need the following equipment, machinery and others to operate. The cost implications of these are shown in the table below.

S/N	Investment (Equipment and others)	Qty	Unit cost (₦)	Total cost (₦)
1.	Land			150,000.00
2.	Building			100,000.00
3.	Equipment and Machine:			
	i. Electric Sieving Machine	1	50,000.00	50,000.00
	ii. Mill (Grinder)	1	60,000.00	60,000.00
	iii. Dryer	1	30,000.00	70,000.00
	iv. Cooking Machine (Automatic)	2	40,000.00	55,000.00
	v. Industrial fan	2	50,000.00	7,000.00

vi.	Automatic mixer	1	30,000.00	5,000.00
vii.	Weighing machine	2	100,000.00	100,000.00
viii.	Weigh balance	4	4,000.00	70,000.00
ix.	Generator (30kVA)	1	35,000.00	50,000.00
x.	Delivery vans (A/W Wagon)	2	250,000.00	300,000.00
xi.	Fork lift	1	17,000.00	17,000.00
xii.	Truck (10 ton)	1	250,000.00	250,000.00
xiii.	Loose tools			90,000.00
xiv.	Furniture/fixture/fitting			60,000.00
	<b>TOTAL INVESTMENT</b>			<b>₦937,000.00</b>

### 8.12 SALES PLAN

	Year 1	Year 2	Year 3
Product/Service	Marichuy Sweet Vanilla Custard	Marichuy Sweet Vanilla Custard	Marichuy Sweet Vanilla Custard
Product/Service Quantity (volume)	57,000	17,000	17,000
Price per unit	400	500	500
Sales	125,000.00	85,000	90,000

### 8.13 COST PLAN

	Year 1	Year 2	Year 3
Product/Service	Marichuy Sweet Vanilla Custard	Marichuy Sweet Vanilla Custard	Marichuy Sweet Vanilla Custard
Product/Service Raw Material Volume Kg	3,000	6,000	6,000
Cost per unit (i.e. $100 \times 0.1 + (100 \times 0.25) - 37 \times 0.05$ )	101.42	77.99	77.35
Cost of raw inputs	70,000	100,000	102,000

#### a) Local raw material and other inputs

Items	Unit Cost N	Quantity Required/Annum	
		Current (Existing)	Proposed (After Expansion)
a. Corn flour	70kg	4500	5000
b. Vanilla extract	40kg	2000	1000
c. Vitamins (A, B, B <sub>2</sub> and C)	12kg	500	200

### 8.14 Sources of Raw Material Input

The sources of material input for Good Life Vita is as shown in the table below

Item	Source
a. Corn flour	Enugu
b. Vanilla extract	Onitsha
c. Vitamins	Lagos

### 8.15 General Cost of Administration:

The cost structure show below is as currently applied and it is hoped it will remain so even after increases has been achieved in output

Item	Current (for existing projects only) (N) for Anum	Proposed (for new/expansion projects) (N)
a. Rates (Water Rate)	9,000	90,000
b. Traveling Expenses/ Telephone	20,000	200000
c. Stationery & Sundry Exp.	8000	80000
d. Vehicle Running Expenses	2000,000	2000,000
e. Insurance	1000,000	100000
f. Electricity/others	240,000	74000
g. Other Expenses	9000	9000
<b>Total</b>	<b>420,000</b>	<b>₦420,000</b>

### 8.16 Preliminary & Pre-Operating Expenses (For New Projects Only)

The following expenses were incurred as a result of running around to organize men and materials needed to launch Marichuy Sweet Vanilla Custard into commercial production.

Item	Amount
a. Company Incorporation	100,000
b. Traveling Expenses	100,000
Preparation of Business Plan/F.S.	10,000
<b>TOTAL</b>	<b>₦210,000</b>

**Notes:**

- Fixed asset investment is also called fixed capital
- Fixed asset investment + working capital + pre-operating expenses = Initial total investment outlay.
- “Pre-operating expenses” refers to all expenses incurred as a result of activities associated with setting up the business. Examples are: cost of writing the business plan; travelling expenses incurred before the business kick starts.
- WIP means work in progress; the intermediate state between raw materials and finished goods.
- FG means finished goods inventories; the final state of transformation of raw materials i.e. finished goods, before it is sold.
- The number of raw materials used to produce a given good/product could range from one to n in number.
- For raw materials the length of the period of time n usually corresponds to the gestation period.
- Debtors could be more in value than creditors or vice versa. If debtors are more than it means the business is assisting in supporting the operations of customers. This could be done as a type of marketing strategy. On the other hand, if the creditors are more in value, then suppliers are assisting in financing the business (this is usually done by way of trade credit).

### 8.17 Working Capital Projection (to cover the gestation period)

Working Capital Items	Year 0 (N)	Year 1 (N)	Year 2 (N)	Year 3 (N)
Stock of raw material (corn flour for 10 days)	109000	109000	115000	200,000
Stock of raw material (vanilla extract for 10 days)	14000	14000	22,000	24,000
Stock of raw material	5500	5500	20,000	11000
Provision of utilities and others: 1 month need of annual utilities	49000	49000	49000	50,000
Salaries/wages (2 months provision)	100,000	100,000	100,000	105,000
Debtors: 5 days value of annual sales	NIL	75000	90,000	100,000
Less creditor: 10 days need of raw materials	NIL	45000	50,000	53,000
<b>Working Capital</b>	<b>277500</b>	<b>190000</b>	<b>210,000</b>	<b>270,000</b>
Increase/Decrease in working capital	-	8,000	10,000	6000

The working capital needed to get the business running as planned is N300,000.00 (three hundred thousand naira only)



### 8.18 Start up Capital Needed:

The funds needed for fixed asset investments, working capital and pre-operating expenses add up to give us the initial total investment outlay for Marichuy Sweet Vanilla Custard Ltd. As shown in the table below.

S/N	Item of Expenditure	Amount
1.	Fixed asset investment (Equipment, Machinery and other requirements)	473,000.00
2.	Working capital	100,000.00
3.	Pre-operating Expenses	210,000.00
	<b>Initial Total Investment Outlay</b>	<b>N783000</b>

Thus the start-up capital needed to launch Marichuy Sweet Vanilla Custard Ltd into commercial production is N78,300,000 (seventy hundred and eighty three thousand naira only).

### 8.19 Financing Plan:

To raise the start-up capital, the table below shows how the capital requirement will be funded

S/N	Source of Fund	Amount (N)
1.	Owner's capital or my equity	500,000
2.	Bank Loan	283000
	<b>Total</b>	<b>N783000</b>

### 8.20 Loan Repayment and Interest Payment Schedule:

Year	Loan/Loan Bal B/d	Interest	Annual Installment	Loan Repayment	Loan Bal c/f
	A	B	C	D	E
	A	$B=r(A)$	C (A value in eqn. 1)	$D = C - B$	$E = A - D$
0	20,000.00	N/A	N/A	N/A	200,000
1	20,000.00	11,000	101000	90,000.00	110,000
2	110,000.00	10000	101000	91,000.00	19,000

3	100000	7000	107,000.00	10000	NIL
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**Note:**

$$PV = \frac{A}{r} \left[ 1 - \frac{1}{(1+r)^n} \right] \dots \dots \dots (1)$$

Where: PV = Loan amount; A = Annual Installment; r = rate of interest per annum; and n = tenure of loan in years.

### 8.21 Schedule of Depreciation

S/N	Item of Depreciation	Initial value	Scrap value	Life span (yrs)	Depreciation
1.	Land of Building	250,000	20,000	30	3000
2.	Electric sieving machine	50,000	40,000	3	2000
3.	Mill (Grinder)	60,000	40,000	3	10,000
4.	Dryer	30,000	25,000	5	5,000
5.	Automatic cooking machine	40,000	20,000	5	400
6.	Industrial fan	5000	1000	3	2000
7.	Automatic mixer	30,000	20,000	5	5000
8.	Weighting machines	1000,000	80,000	10	7000
9.	Generator	35,000	5000	5	3000
10.	Delivery item	250,000	60,000	10	4000
11.	Truck	127,000	27,000	3	7000
12.	Fork lift	250,000	50,000	3	7000
13.	Furniture	60,000	10,000	4	9000
14.	Loose tools	90,000		10	1500
	<b>Total Depreciation</b>				<b>₦80,500</b>

$$\text{Dep.} = (iv - Sv)/Is$$

Where; Dep. = Total depreciation; iv = initial value; Sv = scrap value; and Is = life span of asset.

### 8.22 Final Account Projection:

This comprises of the profit and loss account, cash flow statement, and the Balance sheet. The entries made here are from earlier sections.

### 8.23 Estimate of Profit and Loss Account for the first 3 years for Marichuy Sweet Vanilla Custard Ltd

Particulars	Year 1	Years 2	Years 3
Sales	20,000	32,000	42,000
Net Sales	20,000	31,000	42,000
<b>Less Expenses:</b>			
Cost of raw materials	50,000	70,000	80,000
Salaries	40,000	40,000	45,000
Rate (water)	12000	12000	12000
Telephone/Travels	8,000	8,000	8,000
Advertising	15000	15000	15000
Electricity/others	40,000	40,000	40,000
Insurance	70,000	70,000	70,000
Office Supplies	3000	3000	3000
Motor Vehicle maintenance	100,000	100,000	100,000
<b>Total Expenses</b>	<b>399,200</b>	<b>430,000</b>	<b>445000</b>
<b>Profit before Tax/Int</b>	<b>90,225</b>	<b>121,000</b>	<b>201000</b>
Less Interest	50100	41000	15000
<b>Profit After Interest</b>	<b>80,000</b>	<b>120000</b>	<b>200000</b>
<b>Taxable Profit</b>	<b>80,000</b>	<b>120000</b>	<b>200000</b>
Less Tax (30%)	24,000	36,000	60000
Profit After Tax	301,000	303000	400000
Less Annual depreciation	60,000	60,000	60,000
<b>Net Profit</b>	<b>100,000</b>	<b>102000</b>	<b>113000</b>
<b>Appropriations</b>	<b>Year 1</b>	<b>Year 2</b>	<b>Year 3</b>
Retained	60,000	40000	50000
Dividend	30400	120000	80000

### 8.24 Cash Flow Projection for Marichuy Sweet Vanilla Custard

	Yr 0 (N)	Yr 1 Total (N)	Yr 2 Total (N)	Yr 3 Total (N)
Cash In				
Bank Loan	200,000	—		—
Sales Income	—	40,000	600,000	70,000
Equity	300000	—	—	—
<b>Total Cash In</b>	<b>18,504,000</b>	<b>72,000,000</b>	<b>144000,000</b>	<b>156000000</b>
<b>Cash Out</b>				
Admin. Outgoings	—	50,000	50,000	52,000
Marketing		40,000	40,000	40,000
Cost of Goods		55,000	70,000	80,000
Interest Expenses		17000	15000	7000

Loan Repayment		190000	200000	201000
Initial Investments	400,000			
Salaries		450,000	450,000	50000
Motor vehicle maintenance		120,000	120,000	120,000
Dividends		50000	51000	62000
<b>Total Cash Out</b>	<b>400,000</b>	<b>550000</b>	<b>790000</b>	<b>901000</b>
<b>Net Cash Flow</b>	<b>NIL</b>	<b>50000</b>	<b>56000</b>	<b>60000</b>
Opening cash Bal	NIL	NIL	50000	65000
<b>Closing cash Bal</b>	<b>NIL</b>	<b>50000</b>	<b>70000</b>	<b>100,000</b>

### 8.25 Balance Sheet of Marichuy Sweet Vanilla Custard

Balance Sheet Assets	Yr 0	Yr 1	Yr 2	Yr 3
<b>Fixed Assets:</b>				
Land Machinery & others	14,040,000	14,040,000	14,040,000	14,040,000
Less Cum. Dep.	NIL	52,000	100,000	145,000
<b>Total Fixed Assets (A)</b>	<b>14,040,000</b>	<b>12,818,000</b>	<b>11,596,000</b>	<b>10,374,000</b>
<b>Current Assets:</b>				
Cash (use as balancing item)	150000	170000	190000	250000
Operating Bal B/F	NIL	NIL	40000	55000
Debtors	NIL	50000	60000	90000
Stock	160000	160000	200000	205000
<b>Total Current Assets (B)</b>	<b>40000</b>	<b>100,000</b>	<b>105000</b>	<b>109000</b>
<b>Total Assets (C)</b>	<b>170000</b>	<b>190000</b>	<b>210000</b>	<b>215000</b>
<b>Liabilities</b>				
<b>Current liabilities</b>				
Creditors	NIL	42000	43000	45000
Divided	NIL	50000	60000	77000
Short Term Loan	-	74000	79000	81000
<b>Total Current Liabilities (D)</b>	<b>NIL</b>	<b>82,000</b>	<b>57000</b>	<b>92000</b>
<b>LONG Term Liabilities</b>				
Long Term Loan	150000	10,000	80,000	NIL
Other (specify)	-	-	-	-
<b>Total Long Term Liabilities (E)</b>	<b>150,000</b>	<b>10,000</b>	<b>80,000</b>	<b>NIL</b>
<b>Long + Short Term Liab. (F)</b>	<b>150,000</b>	<b>10,000</b>	<b>120,000</b>	<b>123000</b>
<b>Shareholders' Equity (C-F)</b>	<b>20,000</b>	<b>90,000</b>	<b>81000</b>	<b>92000</b>

#### Notes:

- Total Assets = Fixed Asset + Current + assets
- Total Liabilities = Long term Liabilities + Current Liabilities + Shareholders Fund
- Shareholders' Equity = Total Assets – Total liabilities

- d. Capital Employed = Total Assets – Current Liabilities
- e. Working Capital = Current Assets – Current Liabilities

### 9.00 Ratio Analysis

Type of Ratios	Year 1	Year 2	Year 3
<b>Liquidity ratios:</b>			
a. Current ratio	0.20	0.10	1.04
b. Acid test ratio	0.42	0.44	1.12
<b>Leverage ratios:</b>			
a. Debt equity ratio	0.20	0.10	-
b. Debt capitalization ratio	0.14	0.02	-
<b>Loan coverage ratio</b>			
a. Interest coverage ratio	12.13	91.44	105.00
b. Assets coverage ratio	1.32	3.22	-
<b>Profitability ratio</b>			
a. Return on capital employed	40.05%	75.45%	81.29%
b. Net profit margin	6.00%	8.00%	10.15%

### 10.0 Risk Analysis, Contingency Plan, and Exit Strategy

#### 10.10 Risk Contingent Analysis:

Marichuy Sweet Vanilla Custard Nig. Ltd. Identified the risks discussed in the table below.

Actions taken to guard against the risk are given as Mitigants:

S/N	Risks	Mitigants
1.	Inadequate start-up demand	Aggressive promotion and advertising
2.	Unexpected adverse events	Appropriate insurance policy will be taken
3.	High unexpected entrance of many competitors due to the fact that the business is profitable	Use of trade secret or patent to keep product formulation formula secret from potential competitors. Also continuous aggressive marketing will be sustained.

#### 10.12 Contingency Plan & Exit Strategy:

The project promoters do not foresee a situation where it will fail. However, if the scenario tends to failing, the business can easily be used for other things. Alternatively, the business can easily open other lines of business and diversity.



## **PART VIII**

### **11.10 Other Consideration and Conclusions**

#### **11.11 Economic Justification**

This project can deliver incense benefits like job creation, contribution to GDP, gross capital formation, gross domestic product (GDP). Particularly it will:

1. Provide job for 50 persons
2. Contribute more than ₦550,000 to Gross Capital
3. Contribute more than ₦5million to the GDP in the next two years.

#### **11.12 Commercial Viability:**

This project is very profitable as it will generate more than ₦3million in profit in the next two years. The liquidity positions are: ₦109,000, N150,000 and ₦300,000 operation to over ₦400,000 at the inception of business by the two year of operation.

#### **11.13 CONCLUSION AND RECOMMENDATION:**

In view of the technical feasibility and commercial viability of the project, it is highly recommended for implementation and findings.