Department of Electrical Engineering
Final – Assignment Spring 2020
Date: 24/06/2020

Course Details

Course Title: Entrepreneurship **Module:**
Instructor: Dr. Shahid Latif **Total Marks:** 50

Student Details

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Note: Attempt all of the following questions.

Q1.		**Business Plan is heart of any new project and without a detailed plan, no business can be successful.** **Describe in detail how Business Plan is written, highlighting contents of its different components with giving example for each section?**	**Marks 10** **CLO 2**
Q2.	**(a)**	**Consider yourself an "Entrepreneurship" and you want to start a new business. Prepare a "Business Plan" for your new venture detailing and describing all the steps required to start this business. (Business Plan for any Product or Service).**	**Marks 10** **CLO 2**
Q3.	**(a)**	**What are the three main forms of business organization, and what factors should a company's owners consider when selecting a business form?**	**Marks 5** **CLO 2**
	(b)	**What are advantages and disadvantages of a business venture when operated as a partnership?**	**Marks 5** **CLO 2**
Q4.	**(a)**	**Growth Strategies are based upon Knowledge of Product or Market, discuss in your words? Describe four growth strategies with giving example of each strategy.**	**Marks 10** **CLO 2**
Q5.	**(a)**	**Draw a block diagram showing the Marketing System for a new business by highlighting external and internal environmental factors.**	**Marks 10** **CLO 2**

Question 1:

Business Plan is heart of any new project and without a detailed plan, no business can be successful. Describe in detail how Business Plan is written, highlighting contents of its different components with giving example for each section?

Answer:

Business Plan:

A business plan is a written document that describes in detail how a business—usually a new one—is going to achieve its goals. A business plan lays out a written plan from a marketing, financial and operational viewpoint.

Business plans are important to allow a company to lay out its goals and attract investment. They are also a way for companies to keep themselves on track going forward.

Although they're especially useful for new companies, every company should have a business plan. Ideally, a company would revisit the plan periodically to see if goals have been met or have changed and evolved. Sometimes, a new business plan is prepared for an established business that is moving in a new direction.

Understanding Business Plans:

A business plan is a fundamental tool any startup business needs to have in place prior to beginning its operations. Usually, banks and venture capital firms make a viable business plan a prerequisite to the investment of funds in a business.

Even though it may work, operating without a business plan is not a good idea. In fact, very few companies are able to last without one. There are definitely more benefits to creating and sticking to a business plan including being able to think through ideas without putting too much money into them—and, ultimately, losing in the end.

A good business plan should outline all the costs and the downfalls of each decision a company makes. Business plans, even among competitors in the same industry, are rarely identical. But they all tend to have the same elements, including an executive summary of the business and a detailed description of the business, its services and/or products. It also states how the business intends to achieve its goals.

The plan should include at least an overview of the industry of which the business will be a part, and how it will distinguish itself from its potential competitors.

Elements of a Business Plan:

As mentioned above, no two business plans are the same. But they all have the same elements. Below are some of the common and most important parts of a business plan.

Executive summary: This section outlines the company and includes the mission statement along with any information about the company's leadership, employees, operations, and location.

Products and services: Here, the company can outline the products and services it will offer, and may also include pricing, product lifespan, and benefits to the consumer. Other factors that may go into this section include production and manufacturing processes, any patents the company may have, as well as proprietary technology. Any information about research and development (R&D) can also be included here.

Market analysis: A firm needs a good handle of the industry as well as its target market. It will outline the competition and how it factors in the industry, along with its strengths and weaknesses.

Marketing strategy: This area describes how the company will attract and keep its customer base and how it intends to reach the consumer. This means a clear distribution channel must be outlined.

Financial planning: In order to attract the party reading the business plan, the company should include any financial planning and/or projections. Financial statements, balance sheets, and other financial information may be included for already-established businesses. New businesses may include targets for the first few years of the business and any potential investors.

Budget: Any good company needs to have a budget in place. This includes costs related to staffing, development, manufacturing, marketing, and any other expenses related to the business.

Types of Business Plans:

Business plans help companies identify their objectives and remain on track. They can help companies start and manage themselves, and to help grow after they're up and running. They also act as a means to get people to work with and invest in the business.

Although there are no right or wrong business plans, they can fall into two different categories—traditional or lean startup. According to the Small Business Administration, the traditional business plan is the most common. They are standard, with much more detail in each section. These tend to be much longer and require a lot more work.

Lean startup business plans, on the other hand, use a standard structure even though they aren't as common in the business world. These business plans are short—as short as one page—and have very little detail. If a company uses this kind of plan, they should expect to provide more detail if an investor or lender requests it.

KEY TAKEAWAYS:

- A business plan is a written document describing how businesses—both new and established—plan to achieve their goals.
- Businesses may come up with a lengthier traditional business plan or a shorter lean startup business plan.
- Good business plans should include an executive summary, products and services, financial planning, marketing strategy and analysis, financial planning, and a budget.

Special Considerations

Financial Projections:

A complete business plan must include a set of financial projections for the business. These forward-looking projected financial statements are often called pro-forma financial statements or simply the "pro-formas." They include the overall budget, current and projected financing, a market analysis, and its marketing strategy approach.

In a business plan, a business owner projects revenues and expenses for a certain period of time and describes the operational activity and costs related to the business.

Other Considerations for a Business Plan:

The idea behind putting together a business plan is to enable owners to have a more defined picture of potential costs and drawbacks to certain business decisions and to help them modify their structures accordingly before implementing these ideas. It also allows owners to project what type of financing is required to get their businesses up and running.

The length of the business plan varies greatly from business-to-business. All of the information should fit into a 15- to 20-page document. If there are crucial elements of the business plan that take up a lot of space—such as applications for patents—they should be referenced in the main plan and included as appendices.

If there are any especially interesting aspects of the business, they should be highlighted and used to attract financing. For example, Tesla Motors.'s electric car business essentially began only as a business plan.

A business plan is not meant to be a static document. As the business grows and evolves, so too should the business plan. An annual review of the plan allows an entrepreneur to update it when taking markets into consideration. It also provides an opportunity to look back and see what has been achieved and what has not. Think of it as a living document that grows and evolves with your business.

Question# 2 :

Consider yourself an "Entrepreneurship" and you want to start a new business.
Prepare a "Business Plan" for your new venture detailing and describing all the steps required to start this business. (Business Plan for any Product or Service).

Answer:

Business Plan

PSO (*Pakistan state oil*)

Executive Summary:

Pakistan State Oil (PSO) limited is a well-known petroleum company in Pakistan having petrol stations all around the country. The company is considered as a market leader in the oil industry and providing finest oil to public and key sectors of Pakistan since the time of its establishment in 1974. It is believed that the PSO will get a considerable response of potential customers if it will enter in any other business.

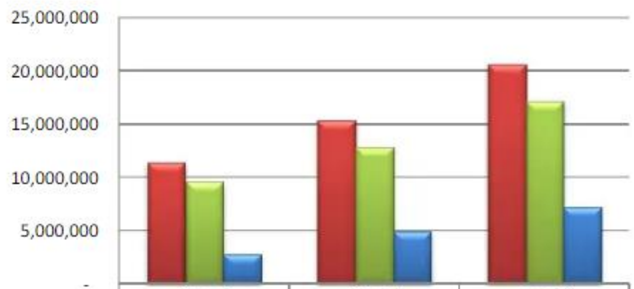
Business

PSO will initially introduce cash wash services at the Poth war road petrol station to check the response of customers and then after three years the company will expand its services to other locations. Three types of services will be offered such as outside washing, inside cleaning and detailing. At this time, PSO has a small number of competitors who are not threat for the company as they are providing just basic car wash services. PSO will offer 20% less prices compared to competitors with high quality services using latest technological equipment and machinery. At the beginning, the company will hire minimum but competitive staff to reduce the initial costs of business operations. Using the entrepreneur skills the company will be engaged with several professional bodies (e.g. accountancy firms, lawyers, and other consultants) before and after starting the car wash services.

Customers

PSO will segment the customers on the basis of car ownership. The potential customers
can be divided into three chief groups such as individual owners, local businesses, and cardealers. Individual car owners will include owners of new cars, lifetime owners, and ownersof old luxury vehicles, and sports car owners. Car dealers will include the businesses sellingnew and used cars within three to five miles from the Pothwar road petrol station inIslamabad. Finally, several local businesses having vehicles for business use will requireexterior washing and interior cleaning services probably during weekends. The sales andtargeting strategies of the company will be based on one-to-one basis so that each customerwill feel that he is a valued customer of PSO, and the company cares about him inmaintaining his vehicles
PSO aims to position itself as an excellent car wash serving company in Islamabad. Thecompany has forecasted 24% net profit/sales margin in the first year, and 32 and 35% in thefollowing years by generating high gross profit margin. The following graph showsforecasted sales, gross margin, and net profit of the company.

Figure 1: Highlights



	Year 1	Year 2	year 3
Sales	11,425,000	15,406,250	20,664,063
Gross margin	9,610,000	12,859,375	17,148,438
Net Profit	2,794,800	4,898,156	7,148,741

1. Business Description

1.1 Company Background

Pakistan State Oil (PSO) is a public limited company which was established in 1974 whenPakistani government acquired two giant oil companies such as Dawood Petroleum Limitedand Pakistan National Oil. Currently, PSO is a market leader in oil and energy sectors
and provides finest fuel to armed forces, power stations, railways, and other sectors. Thecompany achieved a gross profit margin of Rs. 14.80 billion in 2011 and maintained itsleadership position as a market leader in the black oil market with nearly 66% market share.Furthermore, PSO reported Rs. 975 billion net sales revenue at the end of 2011.

1.2 Aim

PSO aims to offer a premium car washing service for all types of car owners in Islamabadwhich is the capital of Pakistan.

1.3 Objectives

The underlying objectives of Pakistan State Oil (PSO) car wash service are stated below:1.

To be known as top quality car wash service in Islamabad city2.

To achieve and preserve high gross profit margin3.

To uphold a self-effacing, gradually increasing net profit margin4.

To expand to other locations within the city after three years of service

1.4 Start-up Requirements

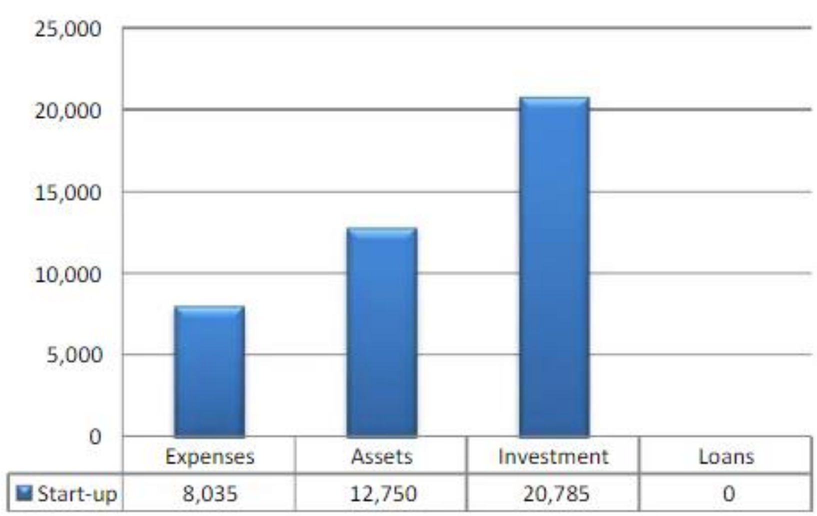
The company itself will bear the initial expenses utilising its retained earnings from the
oil business. In Pakistan, the petrol stations are usually situated on a large piece of land andtherefore some empty space can be used for car wash services. But PSO station at Pothwarroad does not cover a wide area as it is located in between commercial market and residentialarea. Therefore, the property near to the petrol station will be rented for at least three yearswith an option to extend for another three years afterwards.Although, PSO is a public limited company, so it will set a meeting with major shareholdersand lawyers to discuss rental agreement and other major legal issues. In addition, the

company will advise managers to make arrangements for designing logo, brochures,letterhead, and other necessary stationary items. PSO has been involved in the oil businessand not aware with the car wash business which is extremely different service; therefore, thecompany will consult with an acquaintance to devise a proper and effective system to ensureefficient service delivery especially during peak time.The rent of the premises and insurance will be approximately Rs. 120,000 (£800) and Rs.20,000 (£130) respectively. Both rent and insurance are the fixed monthly expenses andtherefore will be paid by direct debit. The equipment and machinery related expenses usuallyinclude: two heavy-duty vacuum cleaners, three high-power water pumps, and twocomputers.

All the equipment and machinery are expected to depreciate 10% each year. Thecompany will also need to construct a small waiting room for customers with all basicfacilities. This will be constructed for nearly Rs. 230,000 (£1500). Table 1 shows the basicstart-up requirements whereas figure 2 shows estimated start-up expenses, assets,investments, and loans.

Start-up Expenditures	Pak Rs.	£
Legal	50,000	325
Rent	120,000	780
Insurance	20,000	130
Consultation	230,000	1,500
Research and development	30,000	195
Stationary, brochures, signs, logo	155,000	1,010
Equipment and machinery	400,000	2,600
Building materials	120,000	780
Building labour	110,000	715
Total Expenditures (A)	**1,235,000**	**8,035**
Start-up Assets		
Liquid cash needed	850,000	5,545
Other short-term/current assets	98,000	640
Long-term assets	980,000	6,400
Start-up inventory	25,000	165
Total Assets (B)	**1,953,000**	**12,750**
Total Requirements (A+B)	**3,188,000**	**£20,785**

Figure 2: Start-up costs



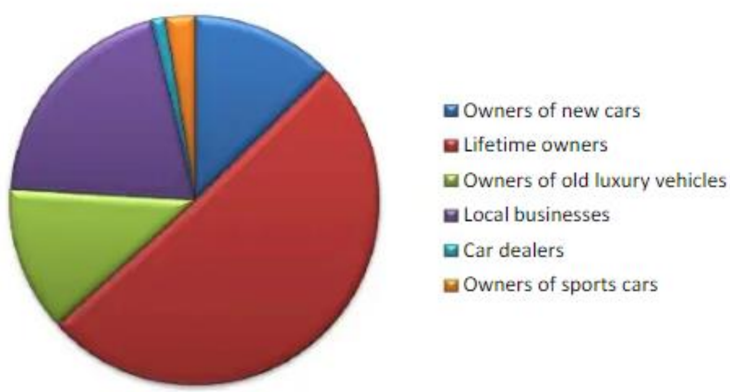
2. Business Opportunities

PSO will initially introduce cash wash services at the Pothwar road petrol station to check theresponse of customers and then after three years the company will expand its services to otherlocations. The Pothwar petrol station is located in between commercial market and residentialarea so it is believed that both car owners and business customers will be attracted.
The potential customers can be divided into three chief groups such as individual owners, local businesses, and c ar dealers. Table 2 and figure 3 illustrate the market analysis of potentialcustomers

Table 2: Market analysis

Type of owners	Annual Growth	Estimated number of customers		
		Y1	Y2	Y3
Owners of new cars	10%	5,000	5,500	6,050
Lifetime owners	20%	20,000	24,000	28,800
Owners of old luxury vehicles	10%	5,000	5,500	6,050
Local businesses	10%	8,000	8,800	9,680
Car dealers	5%	500	525	551
Owners of sports cars	5%	1,000	1,050	1,103
Total		39,500	45,275	52,234

Figure 3: Estimated market share



2.1 Competitors:

Many local poor children on the roads often offer car wash and cleaning services in Pakistan.However, this option is suitable for price conscious people who do not like to clean theirvehicles themselves. PSO will therefore target such people by offering them weekly ormonthly package for car wash and cleaning services. On the other hand, the hand car washservices are offered by many garages and car companies like Toyota, Honda, and Ford etc.But they are very costly in providing such services. Also, the services of car companies arerestricted to new car owners only for a particular time period. PSO will target
these customers by offering 20% less prices and also providing them additional quality based hand andmachine wash, and waxed services as they do not mind spending money for quality servicesto keep their vehicles in excellent condition.

2.2 Competitive Advantage:

As mentioned earlier that PSO has a market leadership position in the oil sector and providing premium oil to many sectors including the general public. Therefore, the companyalready has a competitive edge over other petroleum companies. This excellent reputation ofthe company will help PSO to gain competitive advantage in car wash and cleaning servicesas well. In addition, a great deal of focus on developing a proper and effective system toensure efficient service delivery especially during peak time will be a plus point for thecompany. Currently, no big companies are in the business of car wash, so it is the best
opportunity for PSO to establish new car wash and cleaning services with excellent quality inorder to retain regular customers.

3. Marketing Strategy

3.1 Market Analysis

Although, PSO is a nationwide organisation but it will start car wash services in the city ofIslamabad because of several market benefits. For example, Islamabad is a capital of Pakistanand different from other cities in terms of modernisation, traffic, culture, social values, andeconomic condition of the inhabitants and expatriates. In most of the cities in Pakistan,Rickshaw is used instead of Taxi but in Islamabad Taxi is preferred because of fluency oftraffic and also due to international arrivals in foreign embassies located here. So it is believed that taxi drivers would also get benefit from the car wash facility at PSO station. Inaddition, the car wash and car detailing facilities will also attract many rich people living inaround the station as they often like to own and/or lease new car models.

3.2 Market Segmentation

PSO will segment the customers on the basis of car ownership. The following subsectionsdescribe different types of car owners

3.2.1 Owners of new cars

In Pakistan, the new car owners often feel pride in their cars and it is believed thatthey will bring them for hand car washing and detailing services. PSO will aim to informthese potential customers that the company have started such services for keeping their carlooking good and clean.

3.2.2 Lifetime owners

Many people in Pakistan are loyal to their cars and own them for at least five years.They will occasionally bring them for car wash when they are dirty. In addition, somelifetime owners like cleaning and presentable look of their vehicles and for this purpose theywill bring them for car wash and inside car cleaning services

3.2.3 Owners of old luxury vehicles

These owners like to enjoy relaxed driving; so they either have old luxury cars for along period of time or are not capable of affording new luxury vehicles. Both types of carowners wish to maintain their vehicles and will bring them for regular cleaning and washes.

3.2.4 Local businesses

In Islamabad, many cars are company owned for providing pick and drop services tostaffs and for other business uses. These companies are very much concerned to preservetheir company image, so they will be regular weekend customers of PSO for exterior carwashing and interior cleaning services.

3.2.5 Car dealers

Several new and second-hand car dealers have their showrooms within three to fivemiles from the Pothwar road petrol station in Islamabad. It is believed that they will also useoutside car wash service before putting vehicles on sale.

3.2.6 Owners of sports cars

Sports car owners are mostly youngsters who give high importance to the look andcleanliness of their cars. They are also arrogance about the look, cleanliness, and tidiness oftheir cars. Therefore, they will also prefer car wash and cleaning services at least once aweek.

3.3 Targeting Segmented Customers

PSO will set the targeting strategy to attract potential customers who will become regularusers of its new service. In fact, it will not hard to gain the attention of business owners, cardealers, and retired people especially during quiet times i.e. weekends, summer holidays, andfree time after work. However, it will be hard to attract these people for car wash servicesduring winter season as most of the people in Pakistan like to stay inside the buildings due tocold weather. In this regard, PSO will offer special discounts on washing, cleaning, anddetailing services. The targeting strategy of PSO to attract people is as follows:

New car owners will be targeted through advertisements on various media channelsafter office timings because they are usually business people who have a very busyschedule but they often have free time for themselves after work

Owners of old luxury cars are usually retired people who often are not bound tofollow particular schedules and also do not have any particular responsibilities; sothey will be regular weekday customers

New and used car dealers will be targeted by offering them special services before9AM so they will be able to put their vehicles on sale after that

Local businesses will be targeted by offering them special services during theweekends as they are very busy during the working days

3.4 Implementation of Strategy

The popular brand name of PSO nationwide is the key differentiator of its car wash services.The company has millions of loyal customers due to its finest quality fuel provision. In this regard, the company’s strategy for sales and marketing will be based on one -to-one basis,with a special focus on attracting regular and loyal customers of the business. PSO expects that most of the customers will come on ‘word of mouth’ advertisement basis.

3.5 Sales Strategy and Forecast

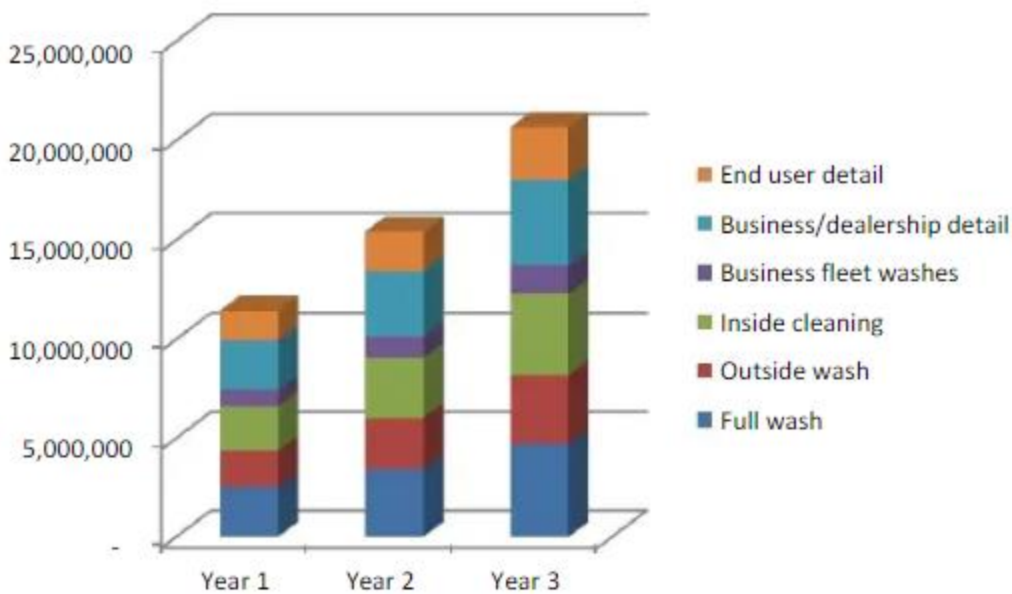
The sales strategy will be based on one-to-one basis and thus each customer will feel that heis a valued customer of PSO, and the company cares about him in maintaining his vehicles.

Table 3: Sales projection

Service	Year 1			Year 2			Year 3		
	Unit	Price	Sales	Unit	Price	Sales	Unit	Price	Sales
Full wash	5,000	500	2,500,000	6,250	550	3,437,500	7,813	600	4,687,500
Outside wash	7,500	250	1,875,000	9,375	275	2,578,125	11,719	300	3,515,625
Inside cleaning	7,500	300	2,250,000	9,375	325	3,046,875	11,719	350	4,101,563
Business fleet wash	2,000	400	800,000	2,500	425	1,062,500	3,125	450	1,406,250
Dealership detail	2,500	1,000	2,500,000	3,125	1,050	3,281,250	3,906	1,100	4,296,875
End user detail	1,000	1,500	1,500,000	1,250	1,600	2,000,000	1,563	1,700	2,656,250
Total (in Rupees)			11,425,000			15,406,250			20,664,063
Total (in GBP)			£76,167			£102,708			£137,760

Estimated unit increase: 25%
Table 3 provides a forecasted sale for three years based on the strategy of marketsegmentation. It is estimated the sales tend to be higher in summer season and will decline inwinter. Figure 4 below represents forecasted sales information graphically.

Figure 4: Sales forecast for three years



4. Business Operations

4.1 Services offered

PSO will render three types of car wash services to customers:1.

Outside car washing;2.

Inside car cleaning; and3.

Car detailing

4.2 Management

PSO is a public limited company and therefore has many relations with other PLCs that canhelp the company on an official and unofficial basis. As the company is the market leader inthe oil industry from last 40 years, so the management is well experienced and has enrichedentrepreneur skills to run any business. PSO is engaged with several Chartered Accountancy

firms that will help it in finding the ways to create long-term value for the firm. In addition,the company had the experience of working with several legal firms to overcome problematicissues in the past. This will consequently allow PSO to handle several critical regulatoryissues.

4.3 Personnel Plan

The car washing is a seasonal business and will be extremely busy in summer months. In thisregard, PSO will rely on less permanent and many temporary staffs. At the beginning, PSOwill employ only one specialist for full-time car wash and several trainers. ‘Muhammad’ will be respon sible for hiring temporary staff whereas ‘Harris’ will be responsible for handling outside matters such as rent agreement and press releases etc. In addition, the business manager ‘Iram Khan’ will be responsible for developing marketing plans, strategies, paperwork, and handling other internal issues. The payroll plan for the permanent staff isillustrated in table 4.

Table 4: Payroll plan

Staff	Year 1	Year 2	Year 3
Admin staff	2,000,000	2,200,000	2,420,000
Sales staff	1,000,000	1,100,000	1,210,000
Car washers	1,500,000	1,650,000	1,815,000
Total (in Rupees)	4,500,000	4,950,000	5,445,000
Total (in GBP)	£30,000	£33,000	£36,300

10% wages/salary increase each year

4.4 Milestones

Figure 5 shows the milestones and business operations of new car wash service

Figure 5: Gantt chart of planning and implementation activities

ID	Task Name	Duration	Start	Finish
1	Business plan	60 days	Tue 01/01/13	Mon 25/03/13
2	Rent agreement	1 day	Tue 26/03/13	Tue 26/03/13
3	Premises adjustments	30 days	Wed 27/03/13	Tue 07/05/13
4	Hiring staff for car wash	30 days	Wed 08/05/13	Tue 18/06/13
5	Hiring administration staffs	30 days	Wed 08/05/13	Tue 18/06/13
6	Open for business	1 day	Wed 19/06/13	Wed 19/06/13
7	Leaflets distribution	5 days	Thu 20/06/13	Wed 26/06/13
8	Press release	1 day	Thu 27/06/13	Thu 27/06/13

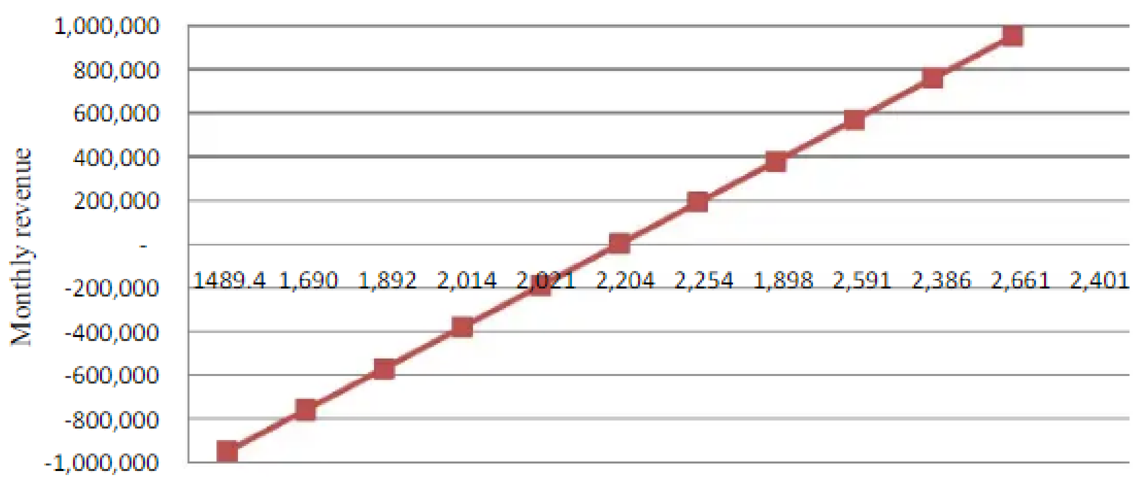
5. Financial Plan

The PSO Company itself will bear the initial expenses utilising its retained earnings from theoil business. It is believed that the company does not need to borrow any loan to bear initialexpenditures. Over the next two years, the company will gradually increase its net profitmargin and after three years it will be able to open another branch on another location withinthe city. The financial plan of PSO is outlined in the following subsections.

5.1 Break-even Analysis

Figure 6 illustrates monthly break-even analysis calculations where estimated units are takenon the x-axis and estimated monthly revenue is taken on y-axis

Figure 6: Break even analysis



5.2 Projected Profit and Loss

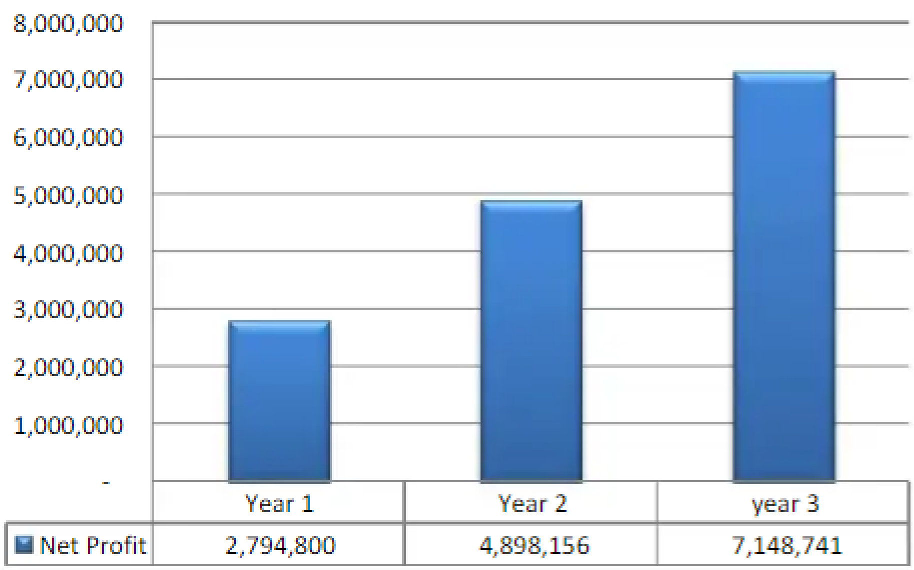
Table 5 shows the projected profit and loss account by illustrating income and expenses forthree years. Similarly, figure 6 demonstrates net profits of the PSO Company from year 1 toyear 3.

Table 5: Projected profit and Loss account

		Year 1	Year 2	Year 3
Sales	(A)	**11,425,000**	**15,406,250**	**20,664,063**
Direct cost of sales		1,815,000	2,546,875	3,515,625
Other		-	-	-
Total cost of sales	(B)	**1,815,000**	**2,546,875**	**3,515,625**
Gross margin	(C) = (A) – (B)	9,610,000	12,859,375	17,148,438
Gross margin %	(C) / (A)	84.11%	83.47%	82.99%
Expenses				
Payroll		4,500,000	4,950,000	5,445,000
Sales and marketing		30,000	30,000	30,000
Depreciation	(D)	4,000	4,000	4,000
Leased equipment		-	-	-
Utilities		332,500	350,000	375,000
Stationary		155,000	100,000	100,000
Insurance		20,000	20,000	20,000
Rent		120,000	132,000	145,200
Payroll taxes	15%	675,000	742,500	816,750
Fixture and fittings		230,000	-	-

Legal fee		50,000	-	-
Total operating expenses	(E)	**6,116,500**	**6,328,500**	**6,935,950**
Profit before interest and taxes	(F) = (E) – (C)	3,493,500	6,530,875	10,212,488
EBITDA	(F) + (D)	3,497,500	6,534,875	10,216,488
Interest expense		-	-	-
Taxes incurred	G = F x 20%, 25%, 30%	698,700	1,632,719	3,063,746
Net profit (in Rupees)	(H) = (F) – (G)	**2,794,800**	**4,898,156**	**7,148,741**
Net profit (in GBP)		£18,632	£32,654	£47,658
Net profit / sales %	(H) / (A)	**24%**	**32%**	**35%**

Figure 7: Net profit for three years



Appendices

UNITS	Year 1 (Unit Forecast)												Year Total
	Month1	Month2	Month3	Month4	Month5	Month6	Month7	Month8	Month9	Month10	Month11	Month12	
Full wash	300	330	382	391	394	421	440	382	501	469	550	440	**5,000**
Outside wash	450	495	573	587	591	632	660	573	752	704	825	660	**7,500**
Inside cleaning	421	500	533	601	599	672	667	537	777	699	722	772	**7,500**
Business fleet washes	112	133	142	160	160	179	178	143	207	186	193	206	**2,000**
Business/dealership detail	150	165	191	196	197	211	220	191	251	235	275	220	**2,500**
End user detail	56	67	71	80	80	90	89	72	104	93	96	103	**1,000**
Monthly total units	**1,489**	**1,690**	**1,892**	**2,014**	**2,021**	**2,204**	**2,254**	**1,898**	**2,591**	**2,386**	**2,661**	**2,401**	**25,500**

UNIT COST	YEAR 1											
	Month1	Month2	Month3	Month4	Month5	Month6	Month7	Month8	Month9	Month10	Month11	Month12
Full wash	70	70	70	70	70	70	70	70	70	70	70	70
Outside wash	40	40	40	40	40	40	40	40	40	40	40	40
Inside cleaning	30	30	30	30	30	30	30	30	30	30	30	30
Business fleet washes	70	70	70	70	70	70	70	70	70	70	70	70
Business/dealership detail	200	200	200	200	200	200	200	200	200	200	200	200
End user detail	300	300	300	300	300	300	300	300	300	300	300	300

COST OF SALES	YEAR 1												Yearly Cost of Sale
	Month1	Month2	Month3	Month4	Month5	Month6	Month7	Month8	Month9	Month10	Month11	Month12	
Full wash	21,000	23,100	26,740	27,370	27,580	29,470	30,800	26,740	35,070	32,830	38,500	30,800	**350,000**
Outside wash	18,000	19,800	22,920	23,460	23,640	25,260	26,400	22,920	30,060	28,140	33,000	26,400	**300,000**
Inside cleaning	12,630	15,000	15,990	18,030	17,970	20,160	20,010	16,110	23,310	20,970	21,660	23,160	**225,000**
Business fleet washes	7,859	9,333	9,949	11,219	11,181	12,544	12,451	10,024	14,504	13,048	13,477	14,411	**140,000**
Business/dealership detail	30,000	33,000	38,200	39,100	39,400	42,100	44,000	38,200	50,100	46,900	55,000	44,000	**500,000**
End user detail	16,840	20,000	21,320	24,040	23,960	26,880	26,680	21,480	31,080	27,960	28,880	30,880	**300,000**
Monthly Cost of Sales	**106,329**	**120,233**	**135,119**	**143,219**	**143,731**	**156,414**	**160,341**	**135,474**	**184,124**	**169,848**	**190,517**	**169,651**	**1,815,000**

UNIT PRICE	Year 1 (Unit Prices)											
	Month1	Month2	Month3	Month4	Month5	Month6	Month7	Month8	Month9	Month10	Month11	Month12
Full wash	500	500	500	500	500	500	500	500	500	500	500	500
Outside wash	250	250	250	250	250	250	250	250	250	250	250	250
Inside cleaning	300	300	300	300	300	300	300	300	300	300	300	300
Business fleet washes	400	400	400	400	400	400	400	400	400	400	400	400
Business/dealership detail	1000	1000	1000	1000	1000	1000	1000	1000	1000	1000	1000	1000
End user detail	1500	1500	1500	1500	1500	1500	1500	1500	1500	1500	1500	1500

PROJECTED SALES	YEAR 1												Yearly Sale
	Month1	Month2	Month3	Month4	Month5	Month6	Month7	Month8	Month9	Month10	Month11	Month12	
Full wash	150,000	165,000	191,000	195,500	197,000	210,500	220,000	191,000	250,500	234,500	275,000	220,000	**2,500,000**
Outside wash	112,500	123,750	143,250	146,625	147,750	157,875	165,000	143,250	187,875	175,875	206,250	165,000	**1,875,000**
Inside cleaning	126,300	150,000	159,900	180,300	179,700	201,600	200,100	161,100	233,100	209,700	216,600	231,600	**2,250,000**
Business fleet washes	44,907	53,333	56,853	64,107	63,893	71,680	71,147	57,280	82,880	74,560	77,013	82,347	**800,000**
Business/dealership detail	150,000	165,000	191,000	195,500	197,000	210,500	220,000	191,000	250,500	234,500	275,000	220,000	**2,500,000**
End user detail	84,200	100,000	106,600	120,200	119,800	134,400	133,400	107,400	155,400	139,800	144,400	154,400	**1,500,000**
Monthly Sale	**667,907**	**757,083**	**848,603**	**902,232**	**905,143**	**986,555**	**1,009,647**	**851,030**	**1,160,255**	**1,068,935**	**1,194,263**	**1,073,347**	**11,425,000**

PROJECTED PROFIT AND LOSS ACCOUNT		YEAR 1												
		Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12	Year 1
														Rs.
Sales	A	667,907	757,083	848,603	902,232	905,143	986,555	1,009,647	851,030	1,160,255	1,068,935	1,194,263	1,073,347	11,425,000
Direct cost of sales		106,329	120,233	135,119	143,219	143,731	156,414	160,341	135,474	184,124	169,848	190,517	169,651	1,815,000
other		-	-	-	-	-	-	-	-	-	-	-	-	-
Total Cost of Sales	B	**106,329**	**120,233**	**135,119**	**143,219**	**143,731**	**156,414**	**160,341**	**135,474**	**184,124**	**169,848**	**190,517**	**169,651**	**1,815,000**
Gross margin	C = A-B	561,578	636,850	713,484	759,013	761,412	830,141	849,306	715,556	976,131	899,087	1,003,746	903,696	9,610,000
Gross margin %	C/A	84.08%	84.12%	84.08%	84.13%	84.12%	84.15%	84.12%	84.08%	84.13%	84.11%	84.05%	84.19%	84.11%
Expenses			-	-	-	-	-	-	-	-	-	-	-	
Payroll		375,000	375,000	375,000	375,000	375,000	375,000	375,000	375,000	375,000	375,000	375,000	375,000	4,500,000
Sales and marketing		2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	30,000
Depreciation	D	333	333	333	333	333	333	333	333	333	333	333	333	4,000
Leased equipment		-	-	-	-	-	-	-	-	-	-	-	-	-
Utilities		33,453	27,000	27,119	26,400	26,655	26,999	27,323	26,732	26,236	27,777	26,320	30,480	332,500
Stationary		20,000	15,000	13,211	12,001	12,001	12,329	10,431	11,562	12,400	15,551	10,136	10,378	155,000
Insurance		1,667	1,667	1,667	1,667	1,667	1,667	1,667	1,667	1,667	1,667	1,667	1,667	20,000
Rent		10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	120,000
Payroll taxes	15%	56,250	56,250	56,250	56,250	56,250	56,250	56,250	56,250	56,250	56,250	56,250	56,250	675,000
Fixture and fittings		230,000	-	-	-	-	-	-	-	-	-	-	-	230,000
Legal fee		50,000	-	-	-	-	-	-	-	-	-	-	-	50,000
Total Operating expenses	E	**779,203**	**487,750**	**486,080**	**484,151**	**484,406**	**485,078**	**483,504**	**484,044**	**484,386**	**489,078**	**482,206**	**486,614**	**6,116,500**
Profit before interest and taxes	F = B-C	- 217,625	149,100	227,404	274,862	277,006	345,083	365,802	231,512	491,745	410,009	521,540	417,082	3,493,500
EBITDA	F+D	- 217,292	149,433	227,737	275,195	277,339	345,396	366,135	231,845	492,078	410,342	521,873	417,415	3,497,500
Interest expense		-	-	-	-	-	-	-	-	-	-	-	-	-
Taxes incurred	G x 20%	- 43,525	29,820	45,481	54,972	55,401	69,013	73,160	46,302	98,349	82,002	104,308	83,416	698,700
Net profit	H = F-G	**- 174,100**	**110,280**	**181,021**	**219,890**	**221,605**	**276,090**	**292,642**	**185,210**	**393,396**	**328,007**	**417,232**	**333,666**	**2,794,800**
Net profit/sales %	H/A	-26.07%	15.36%	21.44%	24.37%	24.48%	27.98%	28.98%	21.76%	33.91%	30.69%	34.94%	31.09%	24%

Ques# 3 (Part A)

What are the three main forms of business organization, and what factors should a company's owners consider when selecting a business form?

Answer:

Forms of Business Entities

The type of business entity you choose will depend **on three primary factors**: **liability, taxation and record-keeping.** Here's a quick look at the differences between the most common forms of business entities:

- A **sole proprietorship** is the most common form of business organization. It's easy to form and offers complete managerial control to the own. However, the owner is also personally liable for all financial obligations of the business.

- A **partnership** involves two or more people who agree to share in the profits or losses of a business. A primary advantage is that the partnership does not bear the tax burden of profits or the benefit of losses-profits or losses are "passed through" to partners to report on their individual income tax returns. A primary disadvantage is liability-each partner is personally liable for the financial obligations of the business.

- A **corporation** is a legal entity that is created to conduct business. The corporation becomes an entity-separate from those who founded it-that handles the responsibilities of the organization. Like a person, the corporation can be taxed and can be held legally liable for its actions. The corporation can also make a profit. The key benefit of corporate status is the avoidance of personal liability. The primary disadvantage is the cost to form a corporation and the extensive record-keeping that's required. While double taxation is sometimes mentioned as a drawback to incorporation, the S corporation (or Subchapter corporation, a popular variation of the regular C corporation) avoids this situation by allowing income or losses to be passed through on individual tax returns, similar to a partnership.

- A hybrid form of partnership, the **limited liability company (LLC)** , is gaining in popularity because it allows owners to take advantage of the benefits of both the corporation and partnership forms of business. The advantages of this business format are that profits and losses can be passed through to owners without taxation of the business itself while owners are shielded from personal liability.

Selecting a Business Entity:

When making a decision about the type of business to form, there are several criteria you need to evaluate. Kalish and EnviroTech co-owner John Berthold focused on the following areas when they chose the business format for their company:

1. Legal liability. To what extent does the owner need to be insulated from legal liability? This was a consideration for EnviroTech, says Kalish. He and Berthold had a hefty investment in equipment, and the contracts they work on are substantial. They didn't want to take on personal liability for potential losses associated with the business. "You need to consider whether your business lends itself to potential liability and, if so, if you can personally afford the risk of that liability," Kalish says. "If you can't, a sole proprietorship or partnership may not be the best way to go."

Carol Baker is the owner of The Company Corporation, a firm based in Wilmington, Delaware, that offers incorporation services. She points to the protection of personal assets as "the number-one reason our clients incorporate. In case of a lawsuit or judgment against your business, no one can seize your personal assets. It's the only rock-solid protection for personal assets that you can get in business."

2. Tax implications. Based on the individual situation and goals of the business owner, what are the opportunities to minimize taxation?

Baker points out that there are many more tax options available to corporations than to proprietorships or partnerships. As mentioned before, double taxation, a common disadvantage often associated with incorporation, can be avoided with S corporation status. An S corporation, according to Baker, is available to companies with less than 70 shareholder returns; business losses can help reduce personal tax liability, particularly in the early years of a company's existence.

3. Cost of formation and ongoing administration. Tax advantages, however, may not offer enough benefits to offset other costs of conducting business as a corporation.

Kalish refers to the high cost of record-keeping and paperwork, as well as the costs associated with incorporation, as one reason that business owners may decide to choose another option--such as a sole proprietorship or partnership. Taking care of administrative requirements often eats up the owner's time and therefore creates costs for the business.

It's the record-keeping requirements and the costs associated with them that led Kalish to identify the sole proprietorship as a very popular form of business entity. It's the type of entity in place at his other business, Nationwide Telemarketing.

"I would always take sole proprietorship as a first option," he says. "If you're the sole proprietor and you own 100 percent of the business, and you're not in a business where a good umbrella insurance policy couldn't take care of potential liability problems, I would recommend a sole proprietorship. There's no real reason to encumber yourself with all the reporting requirements of a corporation unless you're benefiting from tax implications or protection from liability."

4. Flexibility. Your goal is to maximize the flexibility of the ownership structure by considering the unique needs of the business as well as the personal needs of the owner or owners. Individual needs are a critical consideration. No two business situations will be the same, particularly when multiple owners are involved. No two people will have the same goals, concerns or personal financial situations.

5. Future needs. When you're first starting out in business, it's not uncommon to be "caught up in the moment." You're consumed with getting the business off the ground and usually aren't thinking of what the business might look like five or ten-let alone three-years down the road. What will happen to the business after you die? What if, after a few years, you decide to sell your part of a business partnership?

The issue of ownership was a key one for EnviroTech. "When we started EnviroTech," Kalish remembers, "our reasoning for forming it as a corporation was because of ownership; we wanted to be able to bring in stockholders as we grew."

"A corporation's capital," Baker says, "can be expanded at any time in a private offering by issuing and selling additional shares of stock. This is especially helpful when banks are being tight with money."

Another important question to ask yourself is, "What do I want to happen to the business when I'm no longer around to run it?" While a sole proprietorship or partnership may dissolve upon the death of its owner or owners, a corporation can be readily distributed to family members.

Keep in mind that the business structure you start out with may not meet your needs in years to come. Many sole proprietorships evolve into some other form of business-like a partnership or corporation-as the company grows and the needs of the owners change.

Ques# 3 (Part B)

What are advantages and disadvantages of a business venture when operated as a partnership?

Answer:

Advantages of a business partnership:

The business partnership offers a lot of advantages to those who choose to use it.

Easy to get started:

The partners can agree to create the partnership verbally or in writing. There's no need to register with Companies House and registering the business partnership for taxation with HMRC is quite simple. The partners will also individually need to register for self assessment, which they can do online.

Although it will take longer and incur additional cost, it's usually sensible to put in place a partnership agreement. This documents how the partnership will work, the rights and responsibilities of partners and what would happen in various possible situations, including if the partners fundamentally disagree or someone wants to leave.

Sharing the burden:

Compared to operating on your own as a sole trader, by working in a business partnership you can benefit from companionship and mutual support. Starting and managing a business alone can feel stressful and daunting, particularly if you've not done it before. In a partnership, you're in it together.

Access to knowledge, skills, experience and contacts:

Each partner will bring their own knowledge, skills, experience and contacts to the business, potentially giving it a better chance of success than any of the partners trading individually.

Partners can share out tasks, with each specialising in areas they're best at and enjoy most. So if one partner has a financial background, they could focus on maintaining the company books, while another may have previously worked extensively in sales and therefore take ownership of that side of the business. As a sole trader, by contrast, you'd have to do all of this yourself (or manage someone you employ to do some of it).

Better decision-making:

Compared with operating on your own, in a partnership the business benefits from the unique perspective brought by each partner. In business, very often two heads really are better than one, with the combined conclusion of debating a situation far better than what each partner could have achieved individually.

Privacy:

Compared to a limited company, the affairs of a partnership business can be kept confidential by the partners. By contrast, in a limited company certain documents are available for public inspection at Companies House and a company's shareholders can choose to inspect various registers and other documents the company is required to keep.

Ownership and control are combined:

In a limited company, ownership and day to day management of the business is split between shareholders and directors (although they're often the same people). That can mean that directors are constrained by shareholder preferences in pursuing what they see as the best interests of the business.

By contrast, in a business partnership, the partners both own and control the business. As long as the partners can agree how to operate and drive forward the partnership, they're free to pursue that without interference from any shareholders. This can make a partnership business potentially more flexible than a limited company, with the ability to adapt more quickly to changing circumstances.

More partners, more capital:
The more partners there are, the more money there may be available from their combined resources to invest into the business, which can help to fuel growth. Together, their borrowing capacity is also likely to be greater.

Disadvantages of a business partnership:

While there are lots of benefits of a partnership business, this model also carries a number of important disadvantages.

The business has no independent legal status:
A business partnership has no independent legal existence distinct from the partners. By default, unless a partnership agreement with alternative provisions is put in place, it will be dissolved upon the resignation or death of one of the partners. This possibility can cause insecurity and instability, divert attention from developing the business and will often not be the preferred outcome of the remaining partners.
Even if a partnership agreement is in place, the remaining partners may not be in a position to purchase the outgoing partner's share of the business. In that case, the business will likely still need to be dissolved.

Unlimited liability:
Again because the business does not have a separate legal personality, the partners are personally liable for debts and losses incurred. So if the business runs into trouble your personal assets may be at risk of being seized by creditors, which would generally not be the case if the business was a limited company.
The partners are jointly and severally liable. As one partner can bind the partnership, you can effectively find yourself paying for the actions of the other partners. If your partners are unable to settle debts, you'll be responsible for doing so. In an extreme example where you only own 10% of the partnership, if your partners have no assets you might end up having to settle 100% of the debts of the partnership and need to sell your possessions in order to do so.

Perceived lack of prestige:
Like a sole trader, the partnership business model often appears to lack the sense of prestige more associated with a limited company. Especially given their lack of independent existence aside from the partners themselves, partnerships can appear to be temporary enterprises, although many partnerships are in fact very long-lasting. This appearance of impermanence, and the fact that the partnership's financials cannot be independently checked at Companies House, can appear to present more risk. Because of this, some clients (more so in certain industries) will prefer to deal with a limited company and even refuse to transact with a partnership business.

Limited access to capital:
While a combination of partners is likely to be able to contribute more capital than a sole trader, a partnership will often still find it more difficult to raise money than a limited company.
Banks may prefer the greater accounting transparency, separate legal personality and sense of permanence that a limited company provides. To the extent that a partnership business is seen as higher risk, a bank will either be unwilling to lend or will only do so on less generous terms.
Several other forms of long-term finance are not available to partnerships. Most importantly, they cannot issue shares or other securities in exchange for investment in the way a limited company can.

Slower, more difficult decision making:
Compared to running a business as a sole trader, decision-making can be slower as you'll need to consult and discuss matters with your partners. Where you disagree, time will be spent negotiating to build agreement or consensus. Sometimes this might mean opportunities are missed. More often, it will frustrate a partner who has been used to making all the decisions for their business.

Profits must be shared:

At a basic level, while a sole trader retains all the profits of their business, those of a partnership are shared amongst the partners. By default, under the Partnerships Act 1890, profits are shared equally, although that position can be amended by a partnership agreement.

Sharing profits equitably can raise difficult questions. How do you value different partners' respective skills? What happens when one partner is seen to be putting in less time and effort into the partnership, but still taking their share of the profits? It's easy for resentment to occur if there doesn't appear to be a fair balance between effort and reward.

Ques# 4 (Part a)

Growth Strategies are based upon Knowledge of Product or Market, discuss in your words? Describe four growth strategies with giving example of each strategy.

Answer:

Growth Strategies in Business:

Most small companies have plans to grow their business and increase sales and profits. However, there are certain methods companies must use for implementing a growth strategy. The method a company uses to expand its business is largely contingent upon its financial situation, the competition and even government regulation. Some common growth strategies in business include market penetration, market expansion, product expansion, diversification and acquisition

Market Penetration Strategy:

One growth strategy in business is market penetration. A small company uses a market penetration strategy when it decides to market existing products within the same market it has been using. The only way to grow using existing products and markets is to increase market share, according to small business experts. Market share is the percent of unit and dollar sales a company holds within a certain market vs. all other competitors.

One way to increase market share is by lowering prices.

For example, in markets where there is little differentiation among products, a lower price may help a company increase its share of the market.

Market Expansion or Development:

A market expansion growth strategy, often called market development, entails selling current products in a new market. There several reasons why a company may consider a market expansion strategy. First, the competition may be such that there is no room for growth within the current market. If a business does not find new markets for its products, it cannot increase sales or profits.

A small company may also use a market expansion strategy if it finds new uses for its product.

For example, a small soap distributor that sells to retail stores may discover that factory workers also use its product.

Product Expansion Strategy:

A small company may also expand its product line or add new features to increase its sales and profits. When small companies employ a product expansion strategy, also known as product development, they continue selling within the existing market. A product expansion growth strategy often works well when technology starts to change. A small company may also be forced to add new products as older ones become outmoded.

Growth Through Diversification:

Growth strategies in business also include diversification, where a small company will sell new products to new markets. This type of strategy can be very risky. A small company will need to plan carefully when using a diversification growth strategy. Marketing research is essential because a company will need to determine if consumers in the new market will potentially like the new products.

Ques# 5 (Part A)

Draw a block diagram showing the Marketing System for a new business by highlighting external and internal environmental factors

Answer:

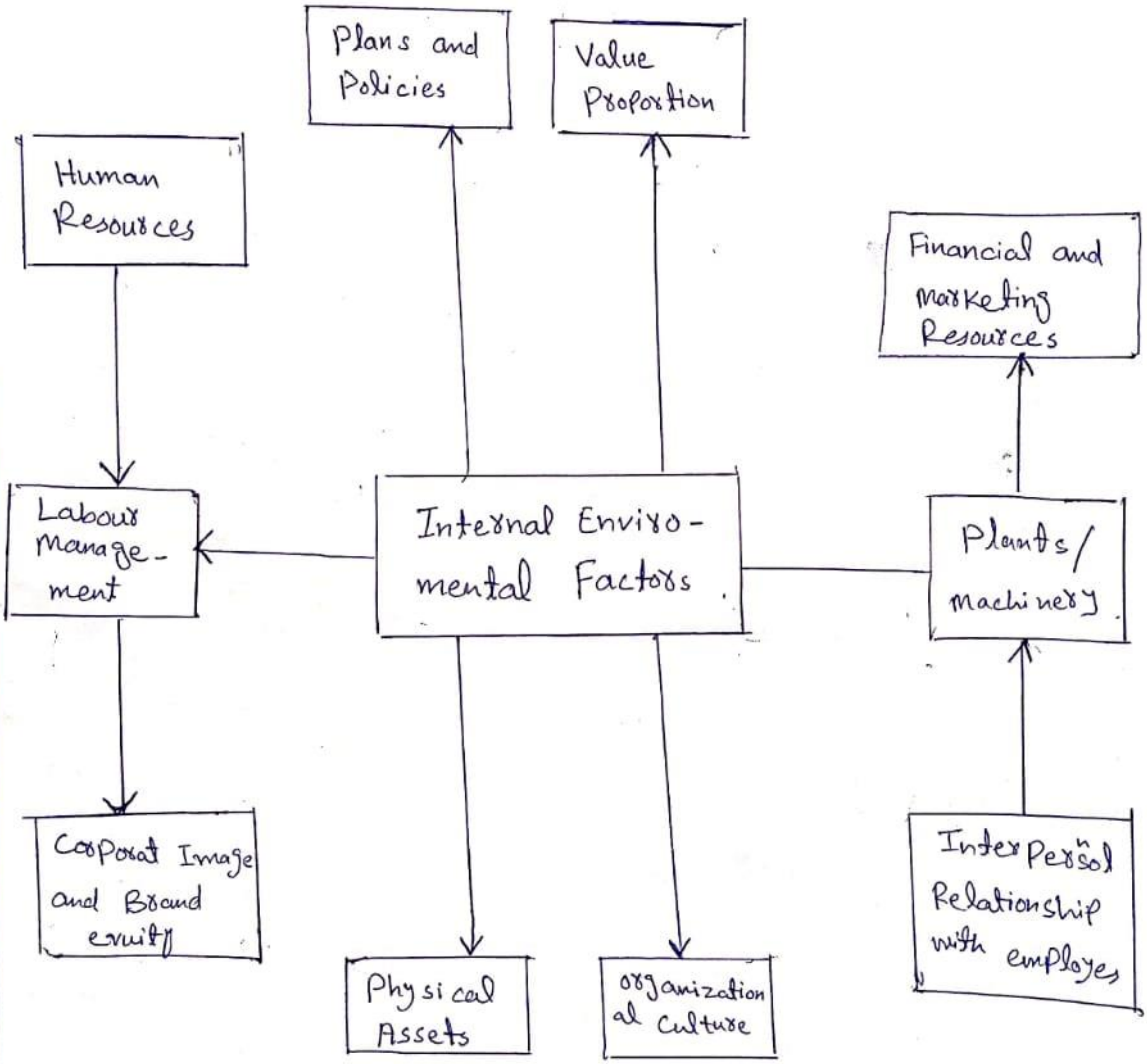
Internal Environment Factors:

Definition

The internal factors refer to anything within the company and under the control of the company no matter whether they are tangible or intangible. These factors after being figured out are grouped into the strengths and weaknesses of the company. If one element brings positive effects to the company, it is considered as strength. On the other hand, if a factor prevents the development of the company, it is a weakness. Within the company, there are numerous criteria need to be taken into consideration.

Block Diagram are given below:

Block Diagram of Internal Enviromental



External Environmental Factors:

Definition

On the contrary to internal factors, external elements are affecting factors outside and under no control of the company. Considering the outside environment allows businessmen to take suitable adjustments to their marketing plan to make it more adaptable to the external environment.
There are numerous criteria considered as external elements. Among them, some of the most outstanding and important factors need to listed the are current economic situation, laws, surrounding infrastructure, and customer demands.

Types

Micro factors:

1. Customers
2. Input or Suppliers
3. Competitors
4. Public
5. Marketing & Media
6. Talent

Macro factors:

1. Economic
2. Political/legal
3. Technology
4. Social an
5. Natural

Block Diagram of External Environmental