

BUSINESS PLAN FOR A STARTUP SOFTWARE BUSINESS

1. EXECUTIVE SUMMARY

Student Instructional Software (SIS) is a start-up business located in New York whose major aim is to provide the students with the educational materials and resources they require in their educational endeavors. SIS is by far the finest software ever created for study purposes and it is tailored for learning at all educational levels. It integrates all curriculums as well as instructional materials for teachers and professors. It can be customized to take care of the specific needs for various users.

The firm has a mission that is to make learning interesting, easy and enjoyable for both the learners and the teachers. Learning becomes easy because all the resources needed are available. More so, the company realizes that the world is moving from using hard copy text books to soft copy or eBooks. As such, the company aims at being the market leader in the software industry as well as in the learning industry.

1.1 Goals and Objectives

Enhancing students' lives in the learning institutions by providing them with all necessary material for their services. Easy access to these materials will enable the students to complete their assignments in time.

Serve a wide population of learners worldwide. The company will have branches located in all viable parts of the world to make sure that its products are easily accessible by as many countries as possible.

Penetrate the market by about 35 % by the fourth year of its operations. This will be enhanced by the suitability of its products, usage and features as well as pricing. The company targets to double its sales by the end of the first year and triple by the end of two years.

1.2 Keys to Success

The company provides unique products that beat most of other similar products in the market. They are unique in that the software has features as those allowing for customization according to the needs of the user. In short, the usage of SIS is flexible and thus attractive to the learners.

The company will devise and launch a strong marketing campaign to create awareness of its product. As such, SIS's personnel will visit schools worldwide to demonstrate the usage of its product as well as to create a compelling image for the company. The sales are likely to be boosted greatly.

The firm will design strict financial controls to monitor and regulate financial flows in and out of the company. The controls aim at checking any loss making activities.

2. COMPANY SUMMARY

2.1 The Industry

SIS Company will specialize in designing, producing and the sale of learning software for tutors and students. Student Instructional Software Inc. will operate in the software industry, an industry that is very competitive. The software industry comprises of very big corporations that dominate the industry. A good example in the Microsoft Inc., that serves the better portion of the software industry. Such corporations have maintained their market share over time, as a result, of factors such innovations as well as diversification. The industry is a dynamic one as it keeps changing with the innovations in technology. In short, the industry is driven by technology.

The history of the software industry can be traced back in the 1960s, that is, when the production of computers began on large scale. It from then that various institutions like government, schools as well as customers started to demand software for different purposes. The production of software programs was initially done in-house and could be distributed freely among various users at no charge. However, some were done on commercial basis by some companies like Computer Science Corporation that grew rapidly. In the 1960s, the hardware or the computer producers began to integrate software such as Operating systems and system software.

The software industry expanded greatly in the 1970s with the emergence of personal computers. It grew as a result of a growing market for things such as games, utilities and applications. Microsoft their first OS called DOS. Today, the software has found a wide variety of usage and as such, the size of the industry continues to grow. Modern technology allows for customized and specialized software (Shi, 2004).

The software industry proves to be a lucrative industry as manifested by the success of other firms in the industry. The industry grows and expands continually because of the increase in the number of people who embrace technology as so, subscribe to the technology products as computer software (Shi, 2004). The size of the market thus increases as more people from the developing countries become literate and embrace technology. Though the competition is stiff, there are high chances of survival. However, the company will have to face some of the issues affecting the industry. One such issue is piracy. It is very rampant in the software industry, and the company has to struggle to distinguish its genuine products from the fake ones. Intellectual property protection will be a practice that the company will have to familiarize itself with. The industry bears some characteristics like massive research and development. As such, the company has to spend a huge amount of its revenues in R&D for it to remain significant in the industry as Avron and Shirley (2005) puts it.

2.2 Legal Form

SIS Inc. will take the form of a multinational firm whose headquarters will be in New York City. Therefore, it will be in a position to compete effectively with similar corporations. Its form will be evident from the characteristics that the company will bear. For example, multinationals are giant in size and such will SIS Inc. The size manifests from the multibillion assets as well as sales. Secondly, the company will have international operation. It is expected to start operations in more than fifty countries in five continents within a time span of two years. It will have its resources collectively transferred in the

form of "packages" as all multinational corporations do. Lastly, is the characteristic spontaneous evolution and unconscious growth (KHANNA, 2012). Little by little, the company will be expected to have grown even if it will be through "creeping incrementalism."

2.3 Location and Facility

The company will be situated in New York City in the United States of America. Specific location is Manhattan and the address is 99 Park Avenue. The space requirement is determined by the equipment needed. The proposed space requirement is 120 square feet. The New York City is in the state of New York, one of the most populated states in the United States of America. It is a city that has global power and has a motley of thriving businesses, both local and international. As such, it is among the command centers for the global economy. The city has a variety of facilities ideal for business operations thus suitable for the SIS Inc.

The company will need several facilities for effective operations. One major and crucial facility is the safety and health facility. The employees need to be protected from any harm or danger in their service for the company. As such, the company will require health personnel and other health equipment needed for the safety of the employees. Safety facilities will also be mandatory and so, the company will need safety equipment such as fire extinguishers and many such products. These facilities have the advantage of avoiding loss of personnel through accidents. Personnel are among the most valued assets for any technology based company. More so, the company will become socially responsible by taking care of its employees.

Some of the equipment that the company will require includes computers and several types of software, for example, the point of sale software for recording sales. It will also require installation of surveillance cameras to help in the supervision of workers. The research and Development department will need modern computers and software to help them in their research. More so, the company needs to have its own transportation means for the distribution of their products. As such, it will require trucks as well as other types of vehicles.

2.4 Management Structure

SIS Inc. will have a divisional management structure (ukessays.com, 2011). As such, all its branches will be semiautonomous but answerable to the president situated in New York. The branches will have control over their day-to-day operations but overall operation strategies will be determined by the head office in New York. However, the branches will be given specific tasks majorly involving distribution of software and marketing. Software development will be specifically done at the headquarters. The branches will produce software solely on the guidelines from the headquarters. This is seen as an attempt closely to monitor and control the branches.

The president of SIS Inc. will act as the Chief Executive Officer in charge of the company and, thus, all branches. The branches will be headed by CEOs. The branches will be divided into departments with departmental managers. There will be human resource managers, marketing managers, sales managers, operation's managers, and procurement managers and so on. At the headquarters, the structure will be the president, research and development manager, procurement manager, human resource manager, sales manager and so on.

2.5 Products

SIS is a software package designed for learners and teachers. It is a software package that opens all online educational materials for access by the teachers and the students. Teachers' instructional software contains all teaching instructions for all fields and subjects. It will also contain assessment instructions as well as assignments that the teachers will use to test the students. The Students Instructional Software contains all reading materials as well as self-assessment test and solutions to a variety of problems. It will also contain tutorial instructions such as timelines and learning targets of every chapter, topic, unit and more.

The product is unique in the sense that it is made specifically for learning purposes and unlike others; it is customizable. By this, the schools will only subscribe for the sectors it handles and customize the instructions depending on what they want. The students will customize their instructions such that they appear like what the student wants. Furthermore, the software has reminders that will remind the tutors and students the completion and starting periods for every topic or unit. The company will also offer installation services free of charge to the customers, both the students and the schools. The company wishes to upgrade the product and integrate it with other software as windows or other operating systems offered with personal computers. The software will also be available online for downloading and installation. An installation guide will be offered free for those who purchase the software online. The software is thus superior to any other software offered for the same purposes. The company intends to offer the best prices in the industry so as to boost sales as well as become a market leader in that field.

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3. MARKET ANALYSIS

3.1 Target Market

The target market is the section of the market in the industry that the company intends to serve. The target markets can be established using various demographics of the customers. Such demographics include age, sex, social class, occupation and such characteristics. The process of serving a specific target market helps the companies to specialize in the production or sale of a particular product and also to modify the products such that they best suit the consumers. The products in most cases are tailor made in line with the specifications of the consumers (Tatum, 2003). Identifying clearly the target market for any business is very beneficial in the long run operations of the business.

The target market for SIS Inc. is the learning institutions. The target market is further divided into two broad categories; teachers and students. Therefore, the products and services offered by the company will be tailored to meet the need of its clientele, that is, teachers and students. The needs of the learning institutions are educational based, and so, the software intends to meet these needs by modelling it, in a way, that best suits the students, as well as the tutors. The greatest need for the students, as well as the teachers, is access to information and instructional materials, and the software is precisely made to provide them. The target market could be further broken into further divisions depending on the levels of education. There are those tailored for basic education and those for higher education.

3.2 Industry Analysis

The operations of any company are influenced by various factors like the political, economic, legal, social as well as technological factors (gks911, 2011). The technological factors will be of great consideration for the company as technology determines what innovations to be undertaken by the company. Software industry is very dynamic because technology changes very rapidly. As such, if the company does not take into consideration the present as well as the future technology, it may end up producing software that is overtaken by time. The company has, however, taken care of technological factors by establishing a research and development department that will keep in touch with new advancements in technology.

Political factors that will face the company will depend on the country that it would be operating. As for the headquarters in New York, the political climate is cool, and the company anticipates smooth operations. There is peace and stability in most American and European countries and the branches located there will not have any political worries. More so, majority of Asian and African countries are relatively stable that guarantees the company of relatively smooth operations. The legal factors will as well be determined by the host countries (gks911, 2011). The legal factors include levies, tariffs and taxes. Some countries are relatively opposed to the Multinational corporations and so, tend to tax them more in an attempt to discourage them from setting up operations in that country may be, in an attempt to protect local industries. However, the company can have softer terms from those countries in the same trading blocs as the United States of America, that is, trade partners.

Economic factors include demand and supply. The company intends to serve as many schools as possible in all parts of the world. However, there is likelihood that the demand might exceed supply, owing to the exclusive services offered by the software. The software might become very popular with its customers thereby leading to a surge in demand. All in all, the company intends to establish as many branches as possible to cater for this situation. Economic growth and development will also affect the various branches (K, 2013). Those in performing economies may record booming businesses while those in non-performing economies may record diminishing business. The general price levels may slightly affect SIS, but this is countered easily. Its prices are priced independently. Other factors will include trade cycles, income and employment inflation and others that affect the company in more or less the same way. The company may not be affected much by the social factors because such products are not bound by social beliefs and other social differences.

The strengths of the company rest in its unique tailor made products as well as its ability to price the products and services. It has a very crucial department; research and development. Its weaknesses may be its size relative to the dominant firms like Microsoft Inc. The SIS Inc. has a number of opportunities in the software industry that includes developing their software so that it caters for the needs of the disabled. It is threatened by the massive marketing campaigns done by competitors like Microsoft.

3.3 Competitive Analysis

In the line of instructional software, SIS Inc. will compete with a number of software producing companies. One major company is FoodFun that produces life instructional

skills. The software caters for educational as well as entertainment needs for disabled individuals. However, they have a general software, and it serves a different market as SIS does. Even though, the need to enlarge its market share can force to enter in the line of SIS. Autism coach produces software that aims at developing core cognitive skills such as mental processing speed. It caters for the ages 7 to 10. Other software companies like Microsoft produce software that aid in education like Microsoft office, but they are not as much specialized as SIS. They also do not offer as much utility as SIS that wholly cater for the educational needs.

4. MARKET STRATEGY

4.1 Four Ps

The four Ps in marketing refers to the product, place, price and promotion. These four Ps outlines how the company carries out its marketing, which is communication to the consumers, in relation to these four factors (Lake, 2011). The product is the item being offered for consideration or sale. In our case, the product stands for the SIS software. One thing with this software is that it is tailor made to meet specific needs of the learning institutions. Its features will work best to attract its customers, who are the students and teachers. These features include integrated curriculum, education calendars as well as reminders and notifications. More so, the ability of customization gives it a lead over the other similar software. The product life cycle of the software is expected to be over ten years, with a prolonged growth and maturity stages. The product mix for the SIS Inc comprises three product lines, that is, the software package, online services and software for disabled people.

Place refers to where the customers will access the products or the services of the company. Place includes things such distribution channels. The place must be convenient for the customers if the company wishes to drive a large mass of consumers into its stores. The distribution of products and services requires strategies like selective distribution, intensive distribution, franchising or even exclusive distribution. For SIS Inc, selective distribution for its software proves to be better for it to monitor the movement of its software. Their products are available in the international market and can be accessed anywhere on the globe. For their selective distribution, the company allows specific distributors to distribute their products in some countries and uses their agents in others where they may feel the distributors available may not be effective.

The pricing of the SIS software though independent will ensure that the consumers get a favorable price for the software so as to encourage the customers to purchase more. The company will price the software on the basis of cost based pricing. Cost based pricing is whereby the company takes into account all costs involved in the production of the products and a feasible profit margin is added to get the selling price (Ljilja Antić, 2000). Cost based pricing is known to be the pricing simplest method of pricing, and the company does not set prices in consideration to the other competitors like in market based pricing. Market based pricing is the setting prices in relation to what other companies are selling a similar product. The main reason for choosing this pricing method is that it is not only simple but also helps the company to ensure desirable profits as well as offering a suitable price to the consumers. There is no other software modified like SIS is and so; it will not be appropriate to use the market based pricing. In the first place, the production of the

software is not similar to other software and so, using the market based pricing will have two undesirable effects. One of the effects is that if its production costs are high, it will not make profits if it sells at a price of other software. The second effect is the opposite whereby if the production costs are lower, it will be selling at higher prices, and it will not be in a position to attract consumers. As such, the company rests with the cost based pricing.

Promotion is the communication intended to inform, remind or persuade a customer to make purchases. The promotional mix involves the use of advertising, sales promotion, personal selling as well as the public relations. The company intends to employ all these promotional mix in order to capture a wide scope of possible consumers. It will advertise in all media and seek the services of sales persons. The marketing departments will see to it that all these things become possible.

4.2 Price List

The SIS Inc. will sell its products as well as services into two main forms; tangible products and online subscriptions. Taking it that the company will be producing the software for the disabled as well, the price list will appear as follows:

Table 1: the price list for SIS software

Customer Type	Price for Package	Online Subscription	Price for Updates (Online Subscriptions)
Ordinary Customers	\$13 (free updates)	\$7	\$.55 monthly

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Disabled Customers	\$17 (free updates)	\$9.5	\$.95 monthly
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4.3 Selling Strategy

SIS Inc. selling strategy includes the choice of sales channels or distribution channels. The distribution channels will be short as there will be no unnecessary middlemen. The company will look for agents who will supply directly to the consumers. As such, the products will move from the producer to the agents to the final consumers. The sales strategy is summarized in the following table.

Table 2: Summary of the sales strategy

Strategy	Goal and Objectives	Time Projections
Choice of Distribution Channels	<ul style="list-style-type: none"> ➤ Eliminate Middlemen ➤ Direct contact with customers 	September 2014
Hiring Sales Personnel	<ul style="list-style-type: none"> ➤ Assist in sales 	October 2014
Recruiting Agents	<ul style="list-style-type: none"> ➤ Distribution purposes 	December 2014

4.4 Sales Forecast

The sales forecast is made on the assumption that the market responds favorably to the launching of the software. More so, the software meets the needs of the consumers as it is designed to do. In the first operational year, the firm hopes to double its sales from the projected initial sales. The sales will likely triple by the third year. Below is a summary of the sales forecast.

Table 3: Summary of the sales forecast.

Annual Sales			
Annual Sales	Package Sales	Online	Monthly Updates

		Subscriptions	
Initial Projected Sales	\$390,000,000	\$140,000,000	\$5,500,000
Sales by end of 1 st yr.	\$780,000,000	\$280,000,000	\$11,000,000
Sales by end of 3 rd yr.	\$1,170,000,000	\$420,000,000	\$16,500,000
Totals	\$2,340,000,000	\$840,000,000	\$33,000,000

5. IMPLEMENTATION STRATEGY

5.1 Launching

The strategies for launching a business will start with the action planning that gives details of what is to be done. The action plan is a chronological order of steps or tactics. The action plan for SIS Inc. will include factors such as foreign market entry, which it plans to use the going it alone strategy, and the assignments to each employee of the company. The second implementation strategy for the firm to consider is the organizational structure (Birnbaum, 2009). The company will design the organizational structure as proposed earlier. The organizational structure describes what the company will look like, levels of management as well as chain of command.

The company will also determine the human resource factors necessary to make it happen. It will establish the number of employees it requires as well as the qualifications and other characteristics of the labor desired force. Often, this implementation strategy determines the rate at which the company is to progress as it is the labor force that drives the company forward. SIS Company has identified the necessary labor force, although it has

a slight challenge of obtaining highly skilled software developers. It has, however, training facility for its personnel. The annual business plan gives a company the direction, and it guides it towards the achievement of the objectives scheduled for that year. It outlines the course of action that the company will take for that specific year. SIS Inc. has a well-established annual business plan for the first year in business. The plan outlines what the company wants to achieve in the first year, including the projected first year sales (Birnbaum, 2009).

Monitoring and control then follow. Monitoring and control are the processes of checking the on goings of the business to establish if they are in line with the action plan or the annual business plans. It is a crucial implementation plan as it tries to correct any deviations, as well as find alternatives to failing plans. For the SIS Inc., monitoring and control are part of their implementation strategy, and it is the duty of the managers at various levels to ensure it is done. Lastly, and most importantly is the linkage. Linkage is the integration or tying together the above five strategies in a bid to ensure that the resources of the organization are moving in the same direction and that there is no chaos. It is simply coordination of all the implementation strategies (Birnbaum, 2009). The linkage is done both vertically and horizontally.

5.2 Targets

The table below summarizes the target goals, dates, as well as the objectives of the implementation.

Table 4: Summary of target goals, objectives and dates

Implementation Strategy	Goals and Objectives	Target Dates
Action Planning	<ul style="list-style-type: none"> ➤ Giving Direction to the Business ➤ Aid in Control 	July 2014
Organizations Structure	<ul style="list-style-type: none"> ➤ Breakdown of Specific Tasks and Assignments ➤ Establish Chain of Command ➤ Guide to Reporting within the Business 	July 2014
Human Resource Requirements	<ul style="list-style-type: none"> ➤ Determine Workforce ➤ Aid in Annual Business Planning ➤ Assist in the Cost Analysis 	August 2014
Annual Business Plan	<ul style="list-style-type: none"> ➤ Give Direction to the Business ➤ Aid in Control ➤ Check Business Progress ➤ Control Movement of Resources 	December 2014 (This will be the beginning of the company's financial year. Annual business plans will be prepared before 1st Dec every year.)
Monitoring and Control Mechanisms	<ul style="list-style-type: none"> ➤ Rectifying deviations ➤ Avoid Losses 	October 2014
Linkage	<ul style="list-style-type: none"> ➤ Attain Coordination 	This is a perpetual process

5.3 Control Plan

It is defined as a document that is used to keep track of all processes, as well as process characteristics. The control plan checks all activities to determine which are in line with that established courses of action and those that have deviated. The causes of deviation are also determined, and proposed rectifications given (Controlplan.org, 2012). More, success factors are determined, and any improvements suggested. SIS Inc has devised a control plan for the establishment of the business that will check if the strategy implementation is done within a specified time. Below is the control plan:

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Table 5: Sample control plan for the implementation strategies

Implementation Strategy	Proposed Timeline	Achievement Date	Deviation	Causes of Deviation	Success/Failure Factors	Proposed Improvements
Action Planning	July 2014					
Organizational Structure	July 2014					
Human Resource Requirements	Aug 2014					
Annual Business Plan	Dec 2014					
Monitoring and Control Mechanisms	Oct 2014					
Linkage	-					

The key thing to take note of in this case is that this plan only holds in the launching of the business. After it is launched, another control plan will be used different from the above. The reason is that after establishment, new processes or activities will come by that will be in line with the operation of the business rather than the establishment.

6. FINANCIAL STATEMENTS AND PROJECTIONS

6.1 Costs and Revenues

Table 6: Summary of startup capital and costs

Month	1	2	3	4	5	6	7	8	9	10	11	12
Revenues (sales) (\$ 000 000)	0	0	0	22	34	48	62	66	68	73	78.5	84
Advertising for Opening	95	-	-	-	-	-	-	-	-	-	-	-
Basic Website		-	-	-	-	-	-	-	-	-	-	-

	55											
Brand Development	102	-	-	-	-	-	-	-	-	-	-	-
Building Down Payment	11 000 000	-	-	-	-	-	-	-	-	-	-	-
-Building Improvements/Remodeling	105	-	-	-	-	-	-	-	-	-	-	-
Business Cards/Stationery	50	-	-	-	-	-	-	-	-	-	-	-
Business Entity	201	-	-	-	-	-	-	-	-	-	-	-
Business Licenses/Permits	6 000	-	-	-	-	-	-	-	-	-	-	-
Computer Hardware/Software	21 000 000	-	-	-	-	-	-	-	-	-	-	-
Decorating	60 055	-	-	-	-	-	-	-	-	-	-	-
Franchise Start Up Fees	560 000	-	-	-	-	-	-	-	-	-	-	-
Internet Setup Deposit	6 000	-	-	-	-	-	-	-	-	-	-	-
Lease Security Deposit	750 000	-	-	-	-	-	-	-	-	-	-	-
Legal/Professional Fees	200 000	-	-	-	-	-	-	-	-	-	-	-
Machines & Equipment	1 000 005	-	-	-	-	-	-	-	-	-	-	-
Office Furniture/Fixtures	2 000 000	-	-	-	-	-	-	-	-	-	-	-

Operating Cash (Working Capital)	5 000 000	-	-	-	-	-	-	-	-	-	-	-
Point of Sale Hardware/Software	90 520	-	-	-	-	-	-	-	-	-	-	-
Prepaid Insurance	140 000	-	-	-	-	-	-	-	--	-	-	-
Public Utilities Deposits	54 000	-	-	-	-	-	-	-	-	-	-	-
Reserve for Contingencies	1 000 000	-	-	-	--	-	-	-	-	-	-	-
Security System Installation	2 000 250	-	-	-	-	-	-	-	-	-	-	-
Setup, installation and consulting fees	980 000	-	-	-	--	-	-	-	-	-	-	-
Starting Inventory	32 000 000	-	-	-	-	-	-	-	-	-	-	-
Telephone	89 000	-	-	-	-	-	-	-	-	-	-	-
Tools & Supplies	3 000 000	-	-	-	-	-	-	-	-	-	-	-
Travel	954 000	-	-	-	-	-	-	-	-	-	-	-
Truck & Vehicle	805 000	-	-	-	-	-	-	-	-	-	-	-
Total Fixed Costs	79 569 183	-	-	-	-	-	-	-	-	-	-	-

Average Monthly Costs												
Advertising (print, broadcast and Internet)	200 000	200 000	200 000	200 000	200 000	200 000	200 000	200 000	200 000	200 000	200 000	200 000
Business Insurance	500 000	500 000	500 000	500 000	500 000	500 000	500 000	500 000	500 000	500 000	500 000	500 000
Business Vehicle Insurance	2 500 000	2 500 000	2 500 000	2 500 000	2 500 000	2 500 000	2 500 000	2 500 000	2 500 000	2 500 000	2 500 000	2 500 000
Employee Salaries and Commissions	11 000 000	11 000 000	11 000 000	11 000 000	11 000 000	11 000 000	11 000 000	11 000 000	11 000 000	11 000 000	11 000 000	11 000 000
Equipment Lease Payments	245 000	245 000	245 000	245 000	245 000	245 000	245 000	245 000	245 000	245 000	245 000	245 000
Inventory, raw materials, parts	6 500 000	6 500 000	6 500 000	6 500 000	6 500 000	6 500 000	6 500 000	6 500 000	6 500 000	6 500 000	6 500 000	6 500 000
Franchise Fee	980 000	980 000	980 000	980 000	980 000	980 000	980 000	980 000	980 000	980 000	980 000	980 000
Health Insurance	96 0000	96 0000	96 0000	96 0000	96 0000	96 0000	96 0000	96 0000	96 0000	96 0000	96 0000	96 0000
Internet Connection	54 000	54	54	54	54	54	54	54	54	54	54	54 000

		000	000	000	000	000	000	000	000	000	000	
Loan and Credit Card Interest & Principal	789 550	789 550	789 550	789 550	789 550	789 550	789 550	789 550	789 550	789 550	789 550	789 550
Legal/Accounting Fees	56 0000	56 0000	56 0000	56 0000	56 0000	56 0000	56 0000	56 0000	56 0000	56 0000	56 0000	56 0000
Merchant Account Fees	61 000	61 000	61 000	61 000	61 000	61 000	61 000	61 000	61 000	61 000	61 000	61 000
Miscellaneous Expenses	5 000	5 000	5 000	5 000	5 000	5 000	5 000	5 000	5 000	5 000	5 000	5 000
Mortgage Payments	560 000	560 000	560 000	560 000	560 000	560 000	560 000	560 000	560 000	560 000	560 000	560 000
Lease Payment	69 000	69 000	69 000	69 000	69 000	69 000	69 000	69 000	69 000	69 000	69 000	69 000
Owner Salary	4 500 550	4 500 550	4 500 550	4 500 550	4 500 550	4 500 550	4 500 550	4 500 550	4 500 550	4 500 550	4 500 550	4 500 550
Payroll taxes or Self-employment tax	650 000	650 000	650 000	650 000	650 000	650 000	650 000	650 000	650 000	650 000	650 000	650 000
Postage/Shipping Costs	320	320	320	320	320	320	320	320	320	320	320	320

	000	000	000	000	000	000	000	000	000	000	000	000
Security System Monthly Payment	251 000	251 000	251 000	251 000	251 000	251 000	251 000	251 000	251 000	251 000	251 000	251 000
Supplies	5 000 000	5 000 000	5 000 000	5 000 000	5 000 000	5 000 000	5 000 000	5 000 000	5 000 000	5 000 000	5 000 000	5 000 000
Telephone	21 000	21 000	21 000	21 000	21 000	21 000	21 000	21 000	21 000	21 000	21 000	21 000
Travel	390 000	390 000	390 000	390 000	390 000	390 000	390 000	390 000	390 000	390 000	390 000	390 000
Public Utilities	23 000	23 000	23 000	23 000	23 000	23 000	23 000	23 000	23 000	23 000	23 000	23 000
Website Hosting/Maintenance	14 050	14 050	14 050	14 050	14 050	14 050	14 050	14 050	14 050	14 050	14 050	14 050
TOTALS	113 200 783	33 631 600	33 631 600	33 631 600	33 631 600	33 631 600	33 631 600	33 631 600	33 631 600	33 631 600	33 631 600	33 631 600

6.2 Profit and Loss Statement

Below is a simplified profit and loss statement for the company in the first year. The figures are taken from the tables above. Table 8: Profit and loss statement

Month	1	2	3	4	5	6	7	8	9	10	11	12
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Sales	0	0	0	22 000 000	34 000 000	48 000 000	62 000 000	66 000 000	68 000 000	73 000 000	78 500 000	84 000 000
Fixed costs	79 569 183	-	-	-	-	-	-	-	-	-	-	-
Average Monthly Costs												
Advertising (print, broadcast and Internet)	200 000	200 000	200 000	200 000	200 000	200 000	200 000	200 000	200 000	200 000	200 000	200 000
Business Insurance	500 000	500 000	500 000	500 000	500 000	500 000	500 000	500 000	500 000	500 000	500 000	500 000
Business Vehicle Insurance	2 500 000	2 500 000	2 500 000	2 500 000	2 500 000	2 500 000	2 500 000	2 500 000	2 500 000	2 500 000	2 500 000	2 500 000
Employee Salaries and Commissions	11 000 000	11 000 000	11 000 000	11 000 000	11 000 000	11 000 000	11 000 000	11 000 000	11 000 000	11 000 000	11 000 000	11 000 000
Equipment Lease Payments	245 000	245 000	245 000	245 000	245 000	245 000	245 000	245 000	245 000	245 000	245 000	245 000
Inventory, raw materials, parts	6 500 000	6 500 000	6 500 000	6 500 000	6 500 000	6 500 000	6 500 000	6 500 000	6 500 000	6 500 000	6 500 000	6 500 000
Franchise Fee	980 000	980 000	980 000	980 000	980 000	980 000	980 000	980 000	980 000	980 000	980 000	980 000

Health Insurance	96 0000	96 0000	96 0000	96 0000	96 0000	96 0000	96 0000	96 0000	96 0000	96 0000	96 0000	96 0000
Internet Connection	54 000	54 000	54 000	54 000	54 000	54 000	54 000	54 000	54 000	54 000	54 000	54 000
Loan and Credit Card Interest & Principal	789 550	789 550	789 550	789 550	789 550	789 550	789 550	789 550	789 550	789 550	789 550	789 550
Legal/Accounting Fees	56 0000	56 0000	56 0000	56 0000	56 0000	56 0000	56 0000	56 0000	56 0000	56 0000	56 0000	56 0000
Merchant Account Fees	61 000	61 000	61 000	61 000	61 000	61 000	61 000	61 000	61 000	61 000	61 000	61 000
Miscellaneous Expenses	5 000	5 000	5 000	5 000	5 000	5 000	5 000	5 000	5 000	5 000	5 000	5 000
Mortgage Payments	560 000	560 000	560 000	560 000	560 000	560 000	560 000	560 000	560 000	560 000	560 000	560 000
Lease Payment	69 000	69 000	69 000	69 000	69 000	69 000	69 000	69 000	69 000	69 000	69 000	69 000
Owner Salary	4 500 550	4 500 550	4 500 550	4 500 550	4 500 550	4 500 550	4 500 550	4 500 550	4 500 550	4 500 550	4 500 550	4 500 550

Payroll taxes or Self-employment tax	650 000	650 000	650 000	650 000	650 000	650 000	650 000	650 000	650 000	650 000	650 000	650 000
Postage/Shipping Costs	320 000	320 000	320 000	320 000	320 000	320 000	320 000	320 000	320 000	320 000	320 000	320 000
Security System Monthly Payment	251 000	251 000	251 000	251 000	251 000	251 000	251 000	251 000	251 000	251 000	251 000	251 000
Supplies	5 000 000	5 000	5 000	5 000	5 000	5 000	5 000	5 000	5 000	5 000	5 000	5 000 000
Telephone	21 000	21 000	21 000	21 000	21 000	21 000	21 000	21 000	21 000	21 000	21 000	21 000
Travel	390 000	390 000	390 000	390 000	390 000	390 000	390 000	390 000	390 000	390 000	390 000	390 000
Public Utilities	23 000	23 000	23 000	23 000	23 000	23 000	23 000	23 000	23 000	23 000	23 000	23 000
Website Hosting/Maintenance	14 050	14 050	14 050	14 050	14 050	14 050	14 050	14 050	14 050	14 050	14 050	14 050
Profit	(113 200 783)	(33 631 600)	(33 631 600)	(11 631 600)	368 400	14 368 400	28 368 400	32 368 400	34 368 400	39 368 400	44 868 400	50 368 400

6.3 balance sheet

SIS Inc balance sheet

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For the year ended ___ 20__

Assets

	\$	\$	\$
Fixed Assets			
Building		11 000 000	
Computer hardware/software		21 000 000	
Machine and equipment		1 000 005	
Office furniture/fixtures		2 000 000	
Telephone		89 000	
Tools and supplies		3 000 000	
Truck and vehicle		805 000	
Point of sale hardware/software		90 520	
Total fixed assets		38 984 525	
Current Assets			
Starting inventory	32 000 000		
Reserve for contingencies	1 000 000		
Prepaid insurance	140 000		
Bank	90 398 992		
Working capital	5 000 000		
Total current assets		128 538 992	
Total assets			167 523 517
Financed by:			
Capital + liabilities		115 000 000	
Net profit		52 523 517	

Net capital		167 523 517
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7. FINANCIAL REPORT SUMMARY

The financial projections for SIS Inc are made basing on some assumptions. One most apparent assumption is that the monthly expenses remain constant throughout the year. More so, the fixed costs are incurred once, that is, on the first month only.

7.1 Determining Break Even Analysis

Breakeven analysis determines the point at which the business starts making profit. The business will start making profits, as it is, when it covers all expenses. The factors to take into consideration are the startup costs. The startup costs helps to determine the sales revenues that can cover the expenses. From the forecasted profit and loss statement, the breakeven point will be the fifth month.

7.2 Financial Position

The financial position of SIS Inc. at the end of first year is clear from the balance sheet presented above (also called statement of financial position). The company has total assets amounting to \$167 523 517. Total liabilities for the company amount to \$5 000 000 while the owners equity (equal to initial capital + net profits) amounts to \$62 523 515 (or 110 000 000 + 52 523 517). As such the firm proves to be in a very good position to continue with its business activities the following year. The progress is promising, and the company can achieve most of its goals and objectives if it continues with the same pace.

7.3 Year 1 Capital Requirements

To arrive at the capital requirements for the company, we take the total fixed costs and add them to the variable costs for that year. They amount to \$119 927 103. The

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funding will come from two major sources; owners contribution and borrowing from Banks.

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