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To calculate break-even, the entrepreneur should determine the variables: FC, SP, and VC. The process of separating the selling price and variable costs is not always straight forward and alternatively a contribution margin is given. The CM can still be used in the break-even calculation, replacing the SP and VC.

To calculate the number of units sold (or produced) at break-even,

$$SP(X) = VC(X) + FC$$

Alternatively the formula to solve for X, the number of units at break-even will give you:

$$X = FC / (SP - VC) \text{ or } X = FC / CM$$

The formula to calculate the break-even revenue in \$ is as follows:

$$\text{Break-even revenue (\$)} = \text{Break-even units} \times \text{Selling Price}$$

FINAL FINDINGS & RECOMMENDATIONS

Recommendations from the feasibility study regarding the viability of putting the business idea into practice should be honest, short and direct. When making the findings or recommendations arising from the Business Feasibility Study discussing the viability of the proposed business venture in terms of:

- Market Viability
- Technical Viability
- Business Model Viability
- Management Model Viability
- Economic and Financial Model Viability
- Exit Strategy Viability

A significant component of the findings should related to the likelihood of success, projected return on investment and how any identified risk should be mitigated.

The purpose of the feasibility study is to consolidate an argument based on factual evidence and analysis to help justify your decision in relation to the core question of whether the business venture in

BUSINESS FEASIBILITY STUDY AND DIMENSIONS OF BUSINESS VIABILITY

The Business Feasibility Study findings will be assessed by potential investors and stakeholders regarding their credibility and depth of argument. The Business Feasibility Study places the findings of the Dimensions of Business Viability Model assessment into a formal business report. It also aligns the findings with functional processes of an enterprise which an audience can easily understand (Thompson 2003a). The Dimensions of Business Viability Model is discussed in more detail in Appendix H titled "Dimensions of Business Viability". For the purposes of understanding the structure of a Business feasibility Study the following represents the framework of the Dimensions of Business Viability (Thompson 2003c; Thompson 2003a):

- Market Viability
- Technical Viability
- Business Model Viability
- Management Model Viability
- Economic and Financial Model Viability
- Exit Strategy Viability

Business and market analysis will contribute considerably to the Business Feasibility Study. Consideration should be given to using traditional business analysis techniques such as SWOT, Porters Five Forces and PEST. Although they may not provide information which is a perfect fit to the proposed business model, they will provide a strong starting point for future analysis.

BUSINESS FEASIBILITY STUDY OUTLINE

Because putting together a Business Plan is a significant investment of time and money, the entrepreneur should make sure that there are no major roadblocks on their road to business success. The Business Feasibility Study will assist in identifying such obstacles and determine the true viability of the Business Concept.

ACTIVITIES Capital 3109090 -----Term Loan 3109090 -----Taken Repayment of (621818) (621818) (621818) (621818) Term Loan Interest on Loan (342000) (273600) (205200) (136800) Interest on (182852) (188177) (214919) (243796) Capital Net Cash Flow 5071510 (1083595) (1041937) (1002414) From Financial Activities Total 307583 103097 143470 733962 Add:- Opening 0 307583 410680 554151 Balance Closing 307583 410680 554151 1288113 Balance Particular FEASIBILITY REPORT 5th year 1091076 370033 467604 292667 35460 (1590) (467604) 1787646 -----(621818) (68400) (301633) (991851) 795795 1288113 2083908 Page | 29 IMPERIAL BAKERS RATIO ANALYSIS PARTICULARS PROFITABILITY RATIO Net profit ratio (%) (Net profit/sales)100 Operating ratio (%) (PBIT/sales)*100 Cash profit ratio (%) [(PAT+depreciation)/sales]*100 EFFICIENCY RATIO Fixed assets turnover ratio Sales/fixed assets Total asset turnover ratio (Sales)/(total assets-misc.exp.) SOLVANCY RATIO Proprietor's ratio (%) Proprietor's fund/total assetmisc.exp*100 COVERAGE RATIO Interest coverage ratio PBIT/interest on debt LIQUIDITY RATIO Current ratio Current asset/current liabilities FEASIBILITY REPORT 1st year 2nd year 3rd year 4th year 5th year 1.14 4.92 4.81 8.46 9.17 6.04 10.05 8.92 13.29 13.67 9.12 10.11 9.52 11.67 11.62 1.49 1.91 2.21 2.74 3.08 1.27 1.49 1.65 1.74 1.66 52.14 60.00 67.87 77.70 86.33 1.37 3.32 4.35 11.07 23.79 1.54 1.96 1.99 2.73 3.36 Page | 30 IMPERIAL BAKERS TREND OF RATIOS 1. NET PROFIT RATIO Percentage Net Profit Ratio Year Interpretation: The firm has continuously made profit for five years. It shows the firms capability to increase revenue from its business. 2. OPERATING RATIO Percentage Operating Ratio Year Interpretation: Operating profit of the firm is continuously increasing over the five years. It does not increase with more margins because of increases in revenues expenses in that years, but it also does not decrease which shows continuous increment in revenue. FEASIBILITY REPORT Page | 31 IMPERIAL BAKERS 3. CASH PROFIT RATIO Percentage Cash Profit Ratio Year Interpretation: Cash profit of the firm is continuously increasing in five years and it will help the firm to repay its loans and liabilities. Cash profit increment also indicate that the firm has more source to earn cash revenue. 4. FIXED ASSETS TURNOVER RATIO Percentage Fixed Assets Turnover Ratio Year Interpretation: As the revenue is increasing year by year and the depreciation is written off the value of fixed assets reduces and thus there is an increase in the fixed asset turnover ratio. FEASIBILITY REPORT Page | 32 IMPERIAL BAKERS 5. TOTAL ASSETS TURNOVER RATIO Percentage Total Assets Turnover Ratio Year Interpretation: The total asset turnover ratio of the firm continuously increases in 5 years. It shows that firm has optimum uses of its assets to generate its revenue. 6. PROPRIETOR'S RATIO Percentage Proprietor's Ratio Year Interpretation: Proprietor ratio indicate that the share of owners in the firm against the other liabilities. The Proprietor ratio of the firm is continuously increasing in five years and in the 5th year its is nearly 86.33% and its equal to half of the balance sheet total and its gives encourage the firm to take more risk. FEASIBILITY REPORT Page | 33 IMPERIAL BAKERS 7. INTEREST COVERAGE RATIO Percentage Interest Coverage Ratio Year Interpretation: The interest coverage ratio indicates capacity of firm to pay interest on debt out of its profit. The above chart shows that there is continuous increase in this ratio through out 5 years because of increase in revenue. It is maximum 23.79% in the 5th year. 8. CURRENT RATIO Times Current Ratio Year Interpretation: Ideal current ratio is 2:1 but the above ratio's are around 3.36:1 which is above ideal ratio that is justifiable in our industry. FEASIBILITY REPORT Page | 34 IMPERIAL BAKERS CAPITAL BUDGETING YEA R PAT DEPRE CIATION PRE. EXP. CFA T DISCO UNTING P V OF CASH FLOW DISCO UNTIN G FACTO R 11% 1st Year 887 62 2nd Year P V OF CASH FLOW CUM CFAT FACTO R 1% 618725 3546 0 742 947 0.901 669395 0.990 735518 7429 47 445 694 469468 3546 0 950 622 0.812 771905 0.980 931610 1693 569 3rd Year 481 282 471543 3546 0 0.731 722436 0.971 959625 2681 854 4th Year 963 958 109 107 6 365202 3546 0 292667 3546 0 988 285 136 462 0 141 920 3 546 567 7 5th Year Total 0.659 899285 0.961 1311400 4046 474 0.593 841587 0.951 1349662 5465 677 3904609 5287814 NET PRESENT VALUE Particular Total Discounted Cash Inflow Less Total Cash Outflow Amount 3904609 NPV FEASIBILITY REPORT 6218180 (2313571) Page | 35 IMPERIAL BAKERS PAY BACK PERIOD In our project Pay Back Period is beyond 5 years. As at the end of the 5 years net cumulative Cash flow is Rs. 5465677 and our initial investment is of Rs. 6218180. PROFITABILITY INDEX Particular Total Cash Inflow Divide Total Cash Outflow P.I Amount 3904609 6218180 0.6279 INTERNAL RATE OF RETURN In case of IRR we require two NPV i.e. one negative and one positive at two different discounting factor. Hence in our project we have taken in to consideration two discounting factor i.e. 1 and 11% discount level and at both the levels NPV is negative so it is not feasible within the scope of five years. FEASIBILITY REPORT Page | 36 IMPERIAL BAKERS BREAK EVEN ANALYSIS 1st Year Particular Total Income Less - Variable Cost Direct Material Direct Labour Electricity Charges Repairs Maintenance Power and Fuel Commission on sales Total Variable Cost Contribution 2nd Year 3rd Year 4th Year 5th Year 7786870 9056330 10006600 11391790 11906820 45,10,240 5292240 286000 286000 311000 318240 5849290 513500 378983 6661140 513500 328469 6960790 645500 331552 166330 180000 171710 205141 176977 225984 189580 226983 193690 285741 175800 205150 226680 258100 269750 56,29,370 6478481 2157500 2577849 7371414 2635186 8177772 3214018 8687023 3219797 Less : Fixed Cost Salary & Wages Depreciation Insurance Telephone & Internet Stationery & Postage Advertisement interest on Partner's Capital Interest on Loan Preliminary Exp. Total Fixed Cost Profit PV Ratio =Contribution/Sales BES=Fixed cost/PV ratio (In Rupees) FEASIBILITY REPORT 767000 618725 35160 899000 469468 30638 938000 471543 35354 973470 365202 28482 889350 292667 23437 26000 17750 15310 21680 15650 5000 18500 6550 20500 6854 25000 7045 25000 7520 27000 182852 188177 342000 273600 35460 35460 2030697 1941143 126803 636706 214919 205200 35460 1947640 687546 243796 136800 35460 1836935 1377083 301633 68400 35460 1661117 1558680 28.46% 26.33% 28.21% 27.04% 7328390 6820600 7397038 6511645 6143184 27.71% Page | 37 IMPERIAL BAKERS CONCLUSION We would finally like to conclude the project with a great feeling of having gained enormous knowledge about bakery industry. First of all we are thankful to our teacher who gave us such a wonderful opportunity to learn about the practical aspects of knowledge. By conducting an extensive research on all the aspects of establishing a bakery, we conclude that the project is feasible as per capital budgeting techniques. While making the project we learnt how to communicate or deal with people and how to maintain contacts with them. We saw all the marketing factors and were able to understand more about it because of seeing them practically. It has been said that practical knowledge is more important than theoretical knowledge. REFERENCES www.bakerybazaar.com www.wikipedia.org www.justdial.com www.fao.org www.blog.franchiseindia.com FEASIBILITY REPORT Page | 38

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