

<p>5</p>	<p>(A)</p>	<p><b>Idea Generation</b></p> <ul style="list-style-type: none"> <li>• Initial ideas for the new product are thought up systematically. They can be internal or external.</li> <li>• Ideas may be generated by brain-storming sessions, market research, staff suggestions, customer suggestions/feedback on existing products or services, competitors, R&amp;D etc.</li> </ul> <p><i>The company created the idea for a 'flying car'.</i></p> <p><b>Product Screening</b></p> <ul style="list-style-type: none"> <li>• All <b>ideas are vetted</b> and the impractical and unworkable ideas are dropped, leaving the most viable ones for further examination and development.</li> <li>• Careful screening helps businesses avoid huge expenses in developing ideas that are subsequently not marketable and ensures that good opportunities are not lost.</li> </ul> <p><i>The car would have to have foldable wings to travel on both road and in air.</i></p> <p><b>Concept Development</b></p> <ul style="list-style-type: none"> <li>• This involves <b>turning the idea into an actual product</b> or service that will appeal to/meet the needs of customers.</li> <li>• A unique selling point (USP) is identified which will differentiate it from other products on the market.</li> </ul> <p><i>The unique selling point is that the car is capable of flying and being driven/A flexible model.</i></p> <p><b>Feasibility Study:</b></p> <ul style="list-style-type: none"> <li>• This is carried out to assess if a product has potential. It looks at whether it can be produced technically (<b>production feasibility</b>) and if it will be profitable (<b>financial feasibility</b>). Will it meet government regulation re. safety standards, and will it be marketable etc.? Safety considerations would be a big concern for AeroMobil.</li> <li>• It seeks answers to questions such as, what demand will there be for the product; what will it cost to produce and can the business afford it?</li> </ul> <p><i>The flying car would be a very expensive/luxury product.</i></p>	<p>5@5(2+2+1)</p>
		<p><b>Prototype Development</b></p> <ul style="list-style-type: none"> <li>• This stage involves <b>developing a sample or model of a product</b>. It is produced to see if it can be made, what materials are required to make it and if it appeals to customers.</li> <li>• It can be used to test the product to see if it conforms to certain standards and to determine what adjustments/ improvements can be made before deciding to go into full production.</li> </ul> <p><i>In 2015 a Slovakian company AeroMobil revealed its prototype of the AeroMobil 3.0-a flying car.</i></p>	

5	(B)	<p><b>Cost/Price</b></p> <p>The design of the product must be cost effective. It should take account of all manufacturing and distribution costs. These costs have to be recovered together with a profit margin from the price charged to consumers.</p> <p><b>Function/legal requirements/safety standards</b></p> <p>This factor links into the main clauses of the Sale of Goods and Supply of Services Act 1980 which puts a legislative onus on producers to manufacture goods that are of merchantable quality and fit for the purpose intended. The product must do what it is expected to do. The product must be practical and comply with safety standards.</p> <p><b>Form/appearance/packaging</b></p> <p>The product must be aesthetically appealing in terms of shape, size, colour, style, image etc. e.g. (iPad). Car marketing campaigns emphasise efficiency, reliability and aesthetic appeal in their advertisements.</p>	3@5 (2+3)
		<p>Other:</p> <p><b>Target Market.</b></p> <p><b>Competition (try to better the competitor's product).</b></p> <p><b>Ethical/environmental considerations.</b></p> <p><b>Etc.</b></p>	
5	(C)	<p>(i) <b>Production</b></p> <p>Reference to:</p> <ul style="list-style-type: none"> <li>• Type of production</li> <li>• Machinery required</li> <li>• Targets</li> <li>• Production plan, lead times</li> </ul> <p>Development of points required</p> <p><b>Marketing</b></p> <p>Reference to</p> <ul style="list-style-type: none"> <li>• Marketing mix</li> <li>• Results of market research</li> </ul> <p>Development of points required</p> <p><b>Finance</b></p> <p>Reference to</p> <ul style="list-style-type: none"> <li>• Forecasted Revenue and Costs</li> <li>• Cash Flow Forecast</li> <li>• Production Budgets</li> <li>• Projected Profits</li> </ul> <p>Development of points required</p> <p><b>Business Details (Company registration etc.)</b></p> <p>Reference to</p> <ul style="list-style-type: none"> <li>• Details of directors</li> <li>• Details of shareholders</li> <li>• Legal organisation (company/sole trader/partnership)</li> </ul> <p>Development of points required</p>	3@4 (2+2)

5

(C)

(ii)

**Employees**

Employees are interested in a business plan to confirm if the business is going to survive so they can have **employment security**.

They may also be interested to see if the business is going to expand and possibly offer opportunities for promotion in the future.

**Investors (the profitability)**

Investors will be interested in a business plan to see if the business is **capable of making a profit and offering a good return on their investment**. Projected sales and market research results may persuade investors to provide capital to a business.

**Financial institutions (the cash position)**

Financial institutions require business plans from a business when they are seeking loan capital. It helps finance providers to make a decision regarding **finance approval** as they can see the experience of the owners/management and analyse their ideas. It is the primary tool to convey the potential viability of the business to finance providers.

**Management/employer**

Management will use a business plan as a source of control. They will use it to **measure actual performance against goals and see if the business has progressed satisfactorily**. The management have goals to be reached and the business plan provides benchmarks which they can use to monitor actual business performance against the set targets in the business plan.

**Suppliers**

Suppliers will be interested in a business plan of one of its customers to ensure that the business is viable and **can sustain any line of credit** that is offered to them.

**Government Agencies**

Government agencies will be interested if finance or other assistance is sought by businesses.

2@4 (2+2)

5	(A)	<p><b><u>Advantages:</u></b></p> <ul style="list-style-type: none"> <li>• It is a form of expansion which requires, <b>low capital investment by the franchisor</b> as the capital used to expand the business comes from franchisees. Very suitable/popular in the current economic climate as a form of expansion.</li> <li>• Franchising permits a <b>more rapid expansion</b>. By using the franchisees' capital, the franchisor is able to establish a large number of outlets in a short period of time. Rapid expansion can be achieved <b>without incurring the overheads and costs associated with opening company-owned restaurants</b>.</li> <li>• An owner will be more attentive than a manager. This is the central point which makes franchising so attractive. <b>The franchisor can be assured that the person operating its restaurant will be "attending to business" as much as they would</b>. By franchising the business, the franchisor places the expansion of his/her business in the hands of <b>people who are motivated to make it work</b> and are therefore more likely to succeed.</li> <li>• Economies of scale exist. There is strength in numbers. The successful franchisor can <b>command deals with various suppliers</b>. Can control supplies to various franchisees. The cost savings can increase the franchisor's profits.</li> <li>• Because there is a smaller capital investment required the <b>franchisor's profits are generated on a much lower capital investment</b> even though the revenue from franchised restaurants may be less than that received from company-owned restaurants.</li> <li>• A franchise system <b>requires less management than a company owned chain of restaurants</b>. Hiring, motivating and retaining competent staffing are all functions handled by the franchisee, not the franchisor.</li> <li>• There is low risk to the franchiser as should the franchisee not adhere to the conditions of the contract it could be cancelled.</li> </ul> <p><b><u>Disadvantages</u></b></p> <ul style="list-style-type: none"> <li>• Control is lost over the day-to-day management of the franchise businesses.</li> <li>• The reputation of the whole business could be affected by the actions of one franchisee /poor quality standards/staff problems ☒</li> <li>• A training programme for franchisees will be required. This will be expensive and time consuming.</li> <li>• Franchisees will have to be monitored on a regular basis.</li> </ul>	<p>2@7(4+3) 1@6(3+3)</p> <p>At least one of each required.</p>
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5	(B)	<p style="text-align: center;">Phoenix Risk Management Ltd Main Street, Athlone, County Westmeath 14th June 2018</p> <p>Ricardo's Burgers Ltd O'Connell Ave Dublin</p> <p>Dear Sir/Madam,</p> <p><b><u>Re: Risk Management and types of insurance cover</u></b> Further to your enquiry, I have identified the following insurance policies you should consider and recommend a number of risk management approaches:</p> <p><u>Employers Liability **</u> This protects the business against claims made by employees who are injured in the course of their work.</p> <p>You should ensure all employees are trained in the use of cooking equipment.</p> <p><u>Public Liability**</u> This protects the business against claims made by members of the public who are injured while on the premises, such as slip-and-fall injuries.</p> <p>You should ensure that all floors have appropriate warning signs placed on them when they have been washed to avoid any injury.</p> <p><u>Product Liability**</u> This insures the business against claims made by customers relating to the products you sell such as food poisoning claims.</p> <p>You should ensure all foods are cooked properly on the premises before serving. All sell by dates on stock should be checked and adhered to. A stand-by generator could be considered in the event of loss of electricity to protect frozen food products. Ensure that staff are properly qualified.</p>	<p>Layout 9marks</p> <p>Address(1) Address(1) Date(2) Dear(2) Re(1) Close(1) Signature (1)</p> <p>Content 16marks 3@4(2+2)</p> <p>Must have <b>one</b> of the first three policies, named **</p> <p>Risk minimisation 2@2m</p>
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### Buildings and Contents

This provides you with protection against any loss caused by damage to the structure of the building caused by fire, flood or storm. You should ensure a smoke alarm is fitted and there are adequate fire extinguishers in the premises.

This provides you with protection against any loss or damage to stock, raw materials, components etc. caused by burglary, fire or flood.

A stock control system should be put in place and stock taking carried out regularly.

I hope this is of help to you.

Yours faithfully,

Aaron Ryan  
Risk Consultant

Other policies:

Fidelity Guarantee Insurance – insurance against fraud, theft or dishonesty of employees - ensure checks and balances are in place.

Cash in transit insurance – ensure secure procedures are in place.

Commercial vehicles- ensure you have adequate insurance cover and the vehicles are roadworthy.

5	(C)	<ul style="list-style-type: none"> <li>• <b>One type of product only (mass produced standardised product)/</b>Being a leader in price only. Can the business survive on price leadership alone?</li> <li>• <b>Demand/Does the size of market exist?</b> Has adequate market research been carried out to determine the size of the market? / Is the demand for that product sufficient?</li> <li>• Can <b>quality</b> be maintained across a large numbers of goods?</li> <li>• <b>Capital investment required/necessary finance.</b> Can sufficient capital be raised as it is expensive to set up production lines? /machine maintenance costs can be high.</li> <li>• <b>Staff working conditions/</b>Will key people leave due to more repetitive work?/less variety (boredom)/Semi-skilled to unskilled. Could there be redundancy issues?</li> <li>• <b>Will it be more difficult to change/adapt the product</b> to meet changing needs of customer?/less flexibility when producing just one product.</li> <li>• <b>The amount of space available</b> (will more space be required for new machinery and stock?)</li> <li>• <b>Impact on the brand name.</b> Will the change affect the reputation of the business? /status of the brand?</li> <li>• <b>Competition.</b> Large markets can have dominant firms in place/Can this business compete?</li> <li>• Highly standardised product so not all customers will be satisfied.</li> </ul>	3@5(2+3)
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3 (2015)

	<p><b>Discuss the key issues Lia will have to address before setting up her business enterprise.</b></p> <p><u>Raising finance/capital:</u> Lia will decide how much debt capital and equity capital she is going to use as sources of finance for the growth and expansion of her business. Debt capital carries the risks associated with being highly geared. Fixed interest repayments on debt capital must be made regardless of profitability.</p>	
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Production method A firm must choose an appropriate method of production that suits the type of good being manufactured and the potential demand for the product. Job or batch production have different demands in terms of automation, staffing and storage. Lia will have to opt for job or batch production in order to manufacture the different range of products she is selling.

Ownership options: An ownership structure has to be decided upon. Different structures have different demands in terms of risk, control, ownership, liability, tax implications etc. It would be advisable for Lia to choose a private limited company structure because of the benefits of limited liability, incorporation and raising finance etc.

Marketing her business: Finding customers/ Market research/Deciding on brand /USP/Advertising etc.

Availability of services: (Infrastructure/Utilities/Labour etc.)

4 (2014)

**A i** Name the type of production process used by Sarah.

**Job Production**

**ii** Outline **two** challenges for Sarah of this type of production process.

The product involved i.e. the designer wedding dress, requires highly skilled labour. Sarah will have to continue her professional development to keep up with new production techniques, IT developments, and changes in fashion and style.

Highly skilled labour will mean a higher wages bill. This type of work is very labour intensive and the high salaries will increase the running costs of the business.

Raw materials, equipment, tools, machinery are expensive for this specialised production. In addition it is generally a small scale operation and does not benefit from economies of scale. It is a very slow process.

Quality standards have to be very high. There is no room for error. The slightest fault with the product will have to be corrected in an efficient manner to prevent the loss of the sale and business reputation.

Once-off production to a specific order. If the customer ordering the product is unable to pay (goes bankrupt) it may be difficult to find an alternative buyer.



		<p><b>iii</b> Discuss <b>two</b> implications for Sarah of changing to another type of production process.</p> <p>Both batch and flow (mass) production are heavily automated production processes. Substantial investment in machinery, equipment, IT, premises etc. will be required.</p> <p>Finance will be required to fund the necessary investment. Sarah will have to look carefully at her finance options. Are her reserves adequate? If not, long term loans, for capital investment and finance for increased working capital needs will have to be sourced.</p> <p>Sarah will have to review the ownership structure and maybe change to a private limited company in order to be able to raise finance through selling shares and benefit from limited liability. This involves a loss of control of business.</p> <p>Sarah will no longer be making goods to order. She will be creating goods for stock. A stock control system will have to be developed, leading to increased costs. A marketing plan will have to be implemented.</p>	
6	B	<p>Outline <b>three</b> factors that Sarah’s bank may consider when assessing her bank loan application.</p> <p><u>Creditworthiness:</u> The bank will look at her credit history and her record in terms of repayment of previous loans. Any bad debt history will affect her loan application.</p> <p><u>Ability/capacity to repay the loan/Business Plan:</u> Sarah will be expected to provide a business plan outlining her trading history and predicted profit trends for the short and medium term. Profitability/liquidity/gearing.</p> <p><u>Amount /purpose of the loan/Time period for the loan:</u> The larger the loan amount required the riskier it is for the bank in terms of default. As a consequence, the loan application may be affected. Furthermore it will be expected that the loan application is for a productive purpose e.g. business expansion.</p> <p><u>Availability of Security:</u> A valuable asset such as premises will be required as collateral for the loan. In the event of a default the bank will be able to sell the asset to recover its loan.</p> <p><u>Level of own investment/Grants etc.</u></p>	15
6	C	<p><b>i</b> Explain the term ‘short term finance’. Short-term finance is finance available for a period of up to one year. It should be repaid within twelve months and should be used for short term needs.</p> <p><b>ii</b> Outline <b>two</b> sources of short term finance Sarah may consider to meet her working capital needs.</p> <p><u>Bank Overdraft</u> This is a facility offered by a bank that allows current account holders to withdraw more money from their account than they actually have in it. Interest is charged on the outstanding balance on a daily basis. It can be recalled by the bank at any time. Sarah could use an overdraft facility to purchase stock or pay the wages of part- time staff.</p> <p><u>Accrued Expenses:</u> This source of finance frees up money by delaying the payment of regular bills such as utilities, rent or insurance. This would free up cash for Sarah to pay for supplies which in turn could be sold allowing these bills to be paid later.</p> <p><u>Trade Credit:</u> Sarah may buy stock for resale on a “buy now and pay later” basis. The amount of credit available may be dependent on her reputation and creditworthiness. There is no direct charge but cash discounts can be sacrificed if Sarah chooses to buy raw materials and stock on credit.</p> <p><u>Factoring Debts/ Short Term Loan from a credit union.....</u></p>	20

7	C	<p>Discuss <b>three</b> challenges facing business start-ups.</p> <p>Raising finance and making loan repayments. A lot of business start-ups fail and as a result reluctant lenders charge high interest rates to lessen their risk. This carries the risks associated with being highly geared.</p> <p>In addition in the current economic climate there is a credit squeeze and many businesses fail to secure any credit at all.</p> <p>The lack of adequate cash is often cited as the main reason why new start-ups fail in their first year of operation.</p> <p>An ownership structure has to be decided upon. Different structures have different demands in terms of risk, control, ownership, liability, tax implications etc.</p> <p>A firm must choose an appropriate method of production that suits the type of good being manufactured and the potential demand for the product. Job and batch production have different demands in terms of automation, staffing and storage.</p> <p>Marketing .....</p> <p>Staff Recruitment .....</p> <p>Competition.....</p>	15
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**(C) (i) Explain the term “business plan”.**

A business plan is a written statement/proposal about the business and its objectives (where it wants to go) and strategies in areas such as marketing, ownership, production, finance and the identifying of opportunities. It is important in the context of business start-ups.

**(ii) Evaluate the importance of a business plan to an innovative new technology business.**

- It sets out both short and long term strategies/plans over agreed time periods, e.g. one year, five years, ten years, etc. It plans how to get where the enterprise wants to go and as such gives the entrepreneur a focus.

E.g. “Achieve healthy Gross Margin in the first year of operation. Maintain just-in-time (JIT) inventory levels. Increase sales modestly but steadily in the second and third year.”

- It is a vital document when approaching any financial institution, grant agencies or other investors seeking funds (capital) for the enterprise. No financial institutions will give funds to an enterprise without being convinced that the investment has a good chance of being recovered. The business plan markets the enterprise; it sells the business ideas to others and encourages them to seriously consider the project.

E.g. “Managing the business by implementing, and consistently measuring and adjusting goals/targets and actual results i.e. financial goals vs. results”.

- The nature of the business plan is such that targets are set in figures wherever possible. By having these figures available they can be used as the benchmarks or standards against which the operations and performance of the enterprise can be measured. If the standards are not reached then the action to fix the problem can be implemented.

E.g. “Managing the business by implementing, and consistently measuring and adjusting goals/targets and actual results i.e. Employee Learning and Growth Goals vs. Results, Customer Satisfaction Goals vs. Results”.

**Evaluation:** A business plan will enable the business to determine if it can be commercially viable. It may support the business when seeking sources of finance from potential investors.

(20 marks)

**(60 marks)**

**(A) Discuss two possible challenges associated with starting a new business.**

- **Raising Finance/Capital:** The business will have to choose suitable short-term (a bank overdraft to pay wages), medium-term (leasing equipment and machinery) and long-term finance (mortgage to purchase buildings) sources of finance. The business will have to raise finance to establish itself and survive. It will have to manage its cash flow and in particular its loan repayments.

- Ownership Option: The business will have to choose a suitable ownership option e.g. Sole Trader, Partnership or Private Limited company. A company may be attractive because it offers the benefit of limited liability. A partnership allows new skills to be acquired whereas a sole trader may be attractive because the owners retain control.
- Production Method (Manufacturing Firm): The business must choose a suitable method of production e.g. job, mass or batch production. The method chosen must suit the business, guarantee quality and ensure competitive prices.
- Recruitment/Lack of expertise. The business must recruit suitable staff with the right skills and qualifications that will enable the business to achieve its objectives. Trying to find workers who can work in teams, have good communications skills and work ethic is a challenge associated with a business start-up.

(10 marks)

The benefits/risks of franchising as a form of expansion (evaluate) **for the franchisor:**

**Benefits:**

- It is a form of expansion which requires, **low capital investment** by the franchisor as the capital used to expand the business comes from franchisees. Very suitable/popular in the current economic climate as a form of expansion.
- Franchising permits a **more rapid expansion**. By using the franchisees' capital, the franchisor is able to establish a large number of outlets in a short period of time. Rapid expansion can be achieved without incurring the overheads and costs associated with opening company-owned restaurants.
- An owner will be **more attentive** than a manager. This is the central point which makes franchising so attractive. Marie's Pizza, the franchisor can be assured that the person operating its restaurant will be "attending to business" as much as Marie would. By franchising the restaurant, the franchisor places the expansion of his/her business in the hands of people who are **motivated** to make it work. Having invested, in many cases, their life savings in a franchise, franchisees will strive to make the restaurant successful. Their livelihood depends on it.
- There is **strength in numbers**. The successful franchisor can command deals with various suppliers.
- The **return on investment is much higher** for a restaurant that expands through franchising. Because there is less capital employed, the franchisor's profits are generated on a much lower capital investment. Although the revenue from franchised restaurants may be less than that received from company-owned restaurants, a higher percentage of the revenue is profit.
- A franchise system requires **less management** than a company owned chain of restaurants. Hiring, training, motivating and retaining competent staffing are all functions handled by the franchisee, not the franchisor.
- There is **low risk** to the franchisor as should the franchisee not adhere to the conditions of the contract it could be cancelled.

**Risks :**

- **Control** is lost over the day-to-day management of the franchise businesses.
- The **reputation** of the whole business could be affected by the actions of one franchisee /poor quality standards/staff problems
- Maintaining a **brand's integrity** through the process may be difficult.

***Example of franchise in Ireland:***

**Supermacs** is Ireland's largest indigenous fast food restaurant group with a policy of continued expansion and growth. It now has 90 stores throughout Ireland and Northern Ireland. Pat Mc Donagh, the founder, has created a success story in the Irish restaurant industry. It has a total staff of over 2,500. It has plans to open 6 new stores in 2010.

**(B) Outline two benefits to Marie's Pizzas of preparing a Business Plan**

- **Finance/Grants:** a business plan will be required when or from government agencies. Without it, the future, and therefore the success of the business, will not be fully appreciated. No financial institution/government agency will give funds to a business without being convinced that the investment has a good chance of being recovered. Necessary to obtain/qualify for Grants.

The business plan markets **Marie's Pizzas** business and encourages potential investors.

- **Performance Measurement:** it can be used in the future to measure the performance of the business against the objectives/targets set out in the plan. By having realistic figures available they can be used as a benchmark or standard against which the operations and performance of the business can be measured.

If the standards are not reached then **Marie's Pizzas** may take actions to fix the problem.

- **Viability:** It sets out thoughtful, well presented/laid out logical steps designed to implement both short term and long term strategies over agreed time periods, e.g. one year, five years ten years etc. It plans how to get where the business wants to go over those time periods.

By planning ahead **Marie's Pizzas** can foresee difficulties and take steps to address the problems.

**(C) (i) Discuss the factors that should be considered before choosing between different sources of finance.**

- **Cost:** a business should try to obtain the cheapest source of finance available. The rate of interest is of great importance. All loans advertised by financial institutions should quote the **APR**. Close examination of the **APR** attached to each type of loan finance is needed when making the choice.
- **Purpose/Correct match:** sources of finance must be matched with uses e.g. a long term business expansion plan should not be financed by a bank overdraft. Assets which are going to last a long time are paid for with long term finance. Day-to-day expenses are financed or paid for with short term finance.
- **Amount:** large amounts of money are not available through some sources. Some sources of finance may not offer flexibility for smaller amounts.
- **Control:** issuing new voting shares in a company could lead to a change of power.. The use of loan capital will not affect voting control but financial institutions such as banks may take control of fixed assets or impose conditions as part of the loan agreement.
- **Collateral:** lenders often seek security before giving finance. This restricts the freedom of the borrower regarding what it wishes to do with these particular assets. Sometimes the borrower may not have enough assets to give as security, which can then limit the sources of finance available.
- **Risk:** a business which has less chance of making to a profit is deemed more risky than one that does. Potential sources of finance (especially external sources) takes this into account and may not lend money to higher risk businesses, unless there is some guarantee that their money will be returned.

- **Status of the business:** Private Limited (Ltd) or Public Limited (PLC) companies will find it easier to obtain finance than a sole trader as LTDs and PLCs are required to prepare much more detailed financial information, which can assist the finance raising process by the banks.
- **Availability/Credit crunch:** The effects of the credit crunch have impacted on business banking relationships. Liquidity is extremely tight at present, with banks currently exhibiting extreme caution. While banks may advertise that it is business as normal, many businesses in search of finance or renewal of existing facilities would say that this is not the case. More onerous conditions may be attached to borrowings and increased difficulty in renegotiating existing facilities may exist.

(ii) **Analyse two appropriate sources of finance for acquiring an additional delivery van at “Marie’s Pizzas”.**

### **Medium Term Loan**

- A medium term loan is obtained for a period of one to five years.
- Interest must be paid but it is tax deductible.
- The loan is repaid in agreed instalments.
- The bank may require security or personal guarantees to ensure the loan is repaid.

### **Leasing**

- This involves renting rather than purchasing the asset.
- The business will never get to own the asset.
- Payments may be offset against tax.
- No security is required.
- While it costs more than cash purchase it helps a businesses cash flow.
- The business may have an option to replace the asset if it becomes obsolete.

### **Hire Purchase**

- This is purchasing an asset in instalments and ownership passes with the final payment.
- It is expensive and carries a high rate of interest.
- No security is required but the lender may repossess the asset if you default on repayments.
- It is not as tax efficient as leasing.

**(A) Business Plan - Importance of a Business Plan**

§ It sets out a thoughtful, well presented/laid out, logical set of steps designed to implement both short and long term strategies over agreed time periods, e.g. one year, five years, ten years, etc. It plans how to get where the enterprise wants to go.

§ It is a vital document when approaching any financial institution, grant agencies or other investors seeking funds (capital) for the enterprise. Without it, the future, and therefore the success of the project, will not be fully appreciated. No financial institutions will give funds to an enterprise without being convinced that the investment has a good chance of being recovered. The business plan markets the enterprise, it sells the business ideas to others and encourages them to seriously consider the project.

§ The nature of the business plan is such that targets are set in figures wherever possible. By having these figures available they can be used as the benchmarks or standards against which the operations and performance of the enterprise can be measured. If the standards are not reached then the action to fix the problem can be implemented.

**(A) (ii) Role in Business Start Ups – Headings****Introduction**

The introduction contains the name, address, telephone, fax numbers and E-mail addresses of the enterprise together with a brief description of the type of business organisation - company, partnership, etc., the activities of the enterprise and the people involved, ie the owners, advisers, bankers, etc.

**1. Description of the Enterprise**

The description provides details of background, history, products and services, financial performance to date, customers, the goals (long range) of the enterprise and the particular strategies set out to achieve them.

**2. Key Personnel**

Included under key personnel are details of the management team, e.g. ages, experience, qualifications, etc. and the management structure in place. It is however, more important to show their enthusiasm and commitment to the enterprise. Future personnel requirements might also be dealt with under this head.

**3. Market Analysis**

Market analysis will have to examine: Information on the market size and present and future trends. The location and structure of the market. The segments of the target market and product details like design features and use. Details on customer preferences and behaviour. The age, sex and socio-economic group of potential customers is important. Channels of distribution.

**4. Marketing Strategies**

What is the competitive edge? What is the Unique Selling Point (USP) of the product or service and the strategy to cope and deal with the reaction from the competition. Sales projections and a pricing policy must be set out together with promotion and advertising methods, distribution methods, product packaging, credit terms, product liability and warranties.

**5. Products or Services**

A detailed description of the product, its uses and applications, any product technology, the research and development completed and any licensing arrangements.

**6. Manufacturing, Operations and Premises**

A description of the product manufacturing process, the premises, plant and equipment proposed, the provisions made for quality, the capital expenditure expected and the cost competitiveness of the operation.

**7. Financial Analysis**

Projections for the future, A realistic projected profit and loss account and balance sheet for three to five years ahead, Cash flow forecasts with inflows and outflows of cash for the same length of time are all provided, details of sources of funds and financial control.

**8. Investment Proposal**

The investment proposal will set out the amount and the reasons why the capital is required, the type of funds sought whether loan or equity, etc. and details of any security on offer. The percentage of the shareholding available to the investor.



**Question 6. Business Plan: its importance and its preparation – 60 marks**

**(A) Importance of a Business Plan**

- It sets out a thoughtful, well presented/laid out, logical set of steps designed to implement both short and long term strategies over agreed time periods, e.g. one year, five years, ten years, etc. It plans how to get where the enterprise wants to go over those time periods.

- It is a vital document when approaching any financial institution, grant agencies or other investors seeking funds (capital) for the enterprise. Without it, the future, and therefore the success of the project, will not be fully appreciated. No financial institutions will give funds to an enterprise without being convinced that the investment has a good chance of being recovered. The business plan markets the enterprise, it sells the business ideas to others and encourages them to seriously consider the project.
- The nature of the business plan is such that targets are set in figures wherever possible. By having these figures available they can be used as the benchmarks or standards against which the operations and performance of the enterprise can be measured. If the standards are not reached then action to fix the problem can be implemented.

## **(B) Business Plan Outline for Michael Kelly**

### **(a) Introduction**

The introduction contains the name, address, telephone and fax numbers and email addresses of the enterprise, together with a brief description of the type of business organisation - company, partnership, etc., the activities of the enterprise and the people involved, i.e. the owners, advisers, bankers, etc.

Michael Kelly Main Street, Dublin. 01-1234567 [MK@eircom.ie](mailto:MK@eircom.ie)  
 Electronic parts for domestic appliances.  
 Private Limited company with two shareholders  
 Michael Kelly is a twenty nine year old graduate in engineering.

### **(b) Summary**

The summary contains the main elements of the plan in short form. The purpose of the summary is to keep the reader's interest in the plan. It 'sells' the business. Emphasis should be put on the main points such as the ability of the team or the profitability of the idea.

Electronic parts for domestic appliances.  
 Buoyant market world wide for such appliances eg. washing machines, dish washers.

### **(c) The Main Body of the Plan**

#### **1. Description of the Enterprise.**

The description provides details of background, history, products and services, financial performance to date, customers, the goals (long range) of the enterprise and the particular strategies set out to achieve them.

*New business for the production of electronic parts for domestic appliances.  
 Buoyant market world wide for such appliances eg. washing machines, dish washers.*

## 2. Key Personnel.

Included under key personnel are details of the management team, e.g. ages, experience, qualifications, etc. and the management structure in place. It is however, more important to show their enthusiasm and commitment to the enterprise. Future personnel requirements might also be dealt with under this head.

*Michael Kelly is a twenty nine year old graduate in engineering.*

*Unique experience in Research and development in a large transnational company.*

## 3. Market Analysis.

Market analysis will have to examine:

Information on the market size and present and future trends. The location and structure of the market. The segments of the target market and product details like design features and use.

Details on customer preferences and behaviour. The age, sex and socio- economic group of potential customers is important.

Channels of distribution, sales methods, discount and credit terms, etc.

## 4. Marketing Strategies.

What is the competitive edge? What is the Unique Selling Point (USP) of the product or service and the strategy to cope and deal with the reaction from the competition. Sales projections and a pricing policy must be set out, together with promotion and advertising methods, distribution methods, product packaging, credit terms, product liability and warranties.

## 5. Products or Services

A detailed description of the product, its uses and applications, any unique product technology, the research and development completed and any licensing arrangements.

## 6. Manufacturing, Operations and Premises

A description of the product manufacturing process, the premises, plant and equipment proposed, the provisions made for quality, the capital expenditure expected and the cost competitiveness of the operation.

## 7. Financial Analysis:

Projections for the future. A realistic projected profit and loss account and balance sheet for three to five years ahead, Cash flow forecasts with inflows and outflows of cash for the same length of time are all provided incorporating details of sources of funds and financial control.

## 8. Investment Proposal.

The investment proposal will set out the amount sought and the reasons why the capital is required, the type of funds sought, whether loan or equity, etc. and details of any security on offer. The percentage of the shareholding available to the investor is also an important component.

## 9. Conclusion.

The conclusion will reiterate the main features of the enterprise with a SWOT analysis (Strengths, Weaknesses, Opportunities and Threats) and the proposed timescale for implementation and decision making.

