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Course Project Description
BUSN278 Budgeting and Forecasting
Updated for March 2018

BUSN278 Course Project Overview

This is an **individual project** where you'll be acting as a consultant to an entrepreneur who wants to start a new business. As the consultant, you'll create a 5 year budget that supports the entrepreneur's vision and strategy and needs for equipment labor and other startup costs.

You can choose from one of three types of new business startups -- a landscaping company, a restaurant, or an electronics store that sells portable computing devices. Each business has its own Business Profile detailed in the below sections. The purpose of the Business Profile is to guide you in understanding the scope of the business, the entrepreneur's startup costs, and financial assumptions.

The project requires you to create a written budget proposal, a supporting Excel Workbook showing your calculations, as well as a PowerPoint presentation summarizing the key elements of the budget proposal, which you assume will be presented to a management team.

This is an individual project. Each week you will complete a section of the project in draft form. In Week 7, you will submit the Final version of the project's Budget Proposal, Budget Workbook. In Week 8 you will present and defend your budget.

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Deliverables Schedule / Points

Week	Deliverable	Points
Draft Sections		
1	Section 1.0 Executive Summary	10
2	Section 2.0: Sales forecast	10
3	Section 3.0 : Capital Expenditure Budget	10
4	Section 4.0 Investment Analysis	10
5	Sections 5.1 and 5.2: Pro Forma Income Statement and Balance Sheet	10
6	Section 5.3 Pro Forma Cash Flow statements	10
Final Deliverables		
7	Final Budget Proposal	150
8	Final Presentation w/ PowerPoint	60
<i>Total project points</i>		270

Business Profile: Papa Geo's Restaurant

Vision

The vision of the entrepreneur is to create a single-location, sit-down Italian restaurant called Papa Geo's. The goal is to generate an income of \$40,000 per year, starting sometime in the second year of operation, as well as profit that is at least 2% of sales.

Strategy

a) Market Focus/Analysis

The restaurant targets middle to lower-middle class families with children as well as adults and seniors, located in Orlando, Florida. The area within 15 minutes of the store has 10,000 families, mostly from lower to middle class neighborhoods. Average family size is 4 people per household. There is no direct competition; however, there are fast food restaurants like McDonald's, Taco Bell and Wendy's in the geographical target market. The lower-to middle class population is growing at about 6% per year over the next five years in this area.

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b) Product

The product is Italian food served buffet style, in an all-you-can-eat format, with a salad bar, pizza, several different types of pasta with three or four types of sauces, soup, desserts and self-serve soda bar. The restaurant is also to have a 500 square foot games area which has game machines that children would be interested in using.

c) Basis of Competition

Customers come to come to this restaurant because of the good Italian food at a low price - where you can get a meal for \$7 including drinks. Customers also eat at Papa Geo's due to the cleanliness of the facility, the speed of getting their seat and food, as well as the vending machines which keep the children busy while adults enjoy their meal.

Startup Requirements*

Given Costs

The cost of registering a Limited Liability Company in Florida, filing fees listed at the bottom of the application form located at <http://form.sunbiz.org/pdf/cr2e047.pdf>

Renovation of the facility expected to cost \$15000

Business Insurance, estimated at \$1000 per year

Health and other benefits are 20% of the salaries of the manager and assistant manager

Costs you should estimate through research, experience or other methods

- Soda Fountain Bar
- 2 Pizza Ovens
- Salad and Pizza/Dessert Bar
- Approximately 100 square foot commercial refrigerator
- 2 cash registers
- 6 Video Game vending machines
- Average of 6 staff members at any given time
- Management Office with desk, lower-priced laptop computer
- Staff lunchroom equipment such as microwave, sink, cupboards and refrigerator

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- 20 four-seater tables with chairs
- Busing cart for transporting dirty dishes from the dining area to the dishwashing area
- 140 sets of dishes, cutlery and drinking cups
- Commercial Dishwasher
- Miscellaneous cooking and food handling equipment like trays, lifters, spoons, pots etcetera
- The cost of an average of 7 employees on the payroll.
- All operating costs, such as advertising, rent for a 3500 square foot facility with male and female washrooms, already installed, utilities, maintenance, and annual depreciation.

*if you have questions about startup requirements, or think other startup costs are necessary for the business are missing, then make an assumption and state it in the relevant section of the report.

Given Financial Assumptions*

- The owner will be granted a loan for the initial startup, repayable over 10 years at current interest rates for small business loans
- The owner will use personal funds to operate the business until it generates enough cash flow to fund itself.
- Essentially, all sales are made by credit card. All credit card sales are paid to the restaurant daily by the credit card company
- 2.5% of sales is paid to a credit card company in fees
- Food suppliers give 30 days of trade credit
- Inventories are expected to be approximately 10% of the following month's sales
- The average meal costs \$4.00 in materials and labor.
- The average family spends \$4.00 on vending machine tokens
- Equipment is depreciated on a straight-line basis over 5 years
- Managers have health benefits, other workers do not.
The company will operate from 10:00 am to 9 pm, 7 days a week.
- The entrepreneur will manage the store and draw a salary.

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- Every shift has one person on the cash register, one keeping the food bars stocked with food, and one on busing and table cleaning, a manager and assistant manager.

*If you believe any other assumptions are necessary, then please state them in your budget proposal

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Business Profile: The Cutting Edge Landscaping

Vision

The vision of the entrepreneur is to create a 5-team landscaping business that caters to upscale neighborhoods in Miami, Florida. The company is to be called "The Cutting Edge". The goal of the entrepreneur is to generate income of at least \$42,000 per year as his personal salary, as well as profits of 4% after tax sometime no later than the second year of operation. The entrepreneur intends to buy a route of 100 homes from a lawn service company whose owner is retiring.

Strategy

a) Market Focus/Analysis

The landscaping business targets upscale neighborhoods with home associations which demand lawns to be manicured and well-cared for. Customers tend to be upper middle, to upper-class individuals with household income levels of \$110,000 or more. The geographic focus is Miami and its surrounding area. The area is expected to show slow economic growth of about 1% per year over the next five years.

b) Product

The product is lawn maintenance and landscaping services as well as minor irrigation equipment repair. The primary source of income is expected to be in the form of lawn-cutting, debris-blowing, and edge trimming services. However, the company will also do reseeding, landscaping and foliage/tree planting, tree trimming and light irrigation system repair when necessary to keep their customer's lawns watered and healthy.

c) Basis of Competition

Customers hire the Cutting Edge due to its reliability in showing up when they are supposed to, quality lawn service, as well as their ability to keep lawn sprinkler systems in good repair, sparing the homeowner of the inconvenience of calling a sprinkler repair for minor repairs such as broken or clogged sprinkler heads, or other minor sprinkler system repairs.

Startup Requirements*

Given Costs

The cost of registering a Limited Liability Company in Florida, filing fees listed at the bottom of the application form located at <http://form.sunbiz.org/pdf/cr2e047.pdf>

Business Insurance, estimated at \$1000 per year

No health benefits except for the owner of the business

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Workman's compensation fees

The cost of the initial route of 100 homes, at a cost of \$120,000

Costs you should estimate through research, experience or other methods

- Team equipment for lawn cutting, which includes equipment for a two-person team:
- A pickup truck
- A trailer
- A large riding lawnmower
- A smaller riding lawnmower
- A push lawn-mower
- Two gas-powered lawn-trimmers
- Two gas-powered lawn edgers
- Safety equipment for eyes and ear protection
- Tools for minor equipment repair on the job
- A drink cooler
- 2 gas powered blowers
- 2 tree/hedge trimmers
- 2 long ladder
- Buck Saws for cutting branches
- The cost of 10 workers, two per team
- All operating costs such as advertising, phone, as well a small 400 square foot office complete with utilities, internet a laptop computer and accounting software like QuickBooks, as well as office supplies, as well as annual depreciation on equipment.

*if you have questions about startup requirements, or think other startup costs are necessary for the business are missing, then make an assumption and state it in the relevant section of the report. This list is not necessarily complete.

Given Financial Assumptions*

- The owner will be granted a loan for the initial startup, repayable over 10 years at current interest rates for small business loans
- The owner will use personal funds to operate the business until it generates enough cash flow to fund itself.

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- Essentially, 60% sales are made by credit card and 40% are made by check. All credit card sales are paid to the restaurant daily by the credit card company.
- 2.5% of sales is paid to a credit card company in fees
- The average lawn service costs \$150 per month. Irrigation repairs are minimal at an average of \$50 per customer per year, landscaping and other services are about \$200 per customer per year.
- Equipment is depreciated on a straight-line basis over 5 years
- The owner has health benefits, other workers do not.
- Each lawn takes about 1.5 hours to cut and manicure, as well as any other repairs or extra services like tree or shrub trimming.
- The entrepreneur will manage the company and draw a salary, but will not service lawns or perform other services.

*If you believe any other assumptions are necessary, then please state them in your budget proposal

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Business Profile: *Wireless World* - Wireless Device Retail Store

Vision

The vision of the entrepreneur is to create a single-location retail operation that sells portable wireless devices called Wireless World. The company sells phones, wireless eBook readers, high-end notebook and netbook computers, iPads, and other wireless computing devices.

Strategy

a) Market Focus/Analysis

This store targets tech-savvy individuals who are mostly students from wealthy families or working adults between the ages of 22 and 49 years of age. These individuals either purchase the products because they love wireless gadgets, think the gadgets will improve their productivity, or think the wireless gadgets are fashionable and consistent with their lifestyle. The store is located in a high-end shopping center called Millennia Mall alongside Neiman Marcus, Macy's and other high-end stores.

b) Product

Products are cutting edge wireless devices from brand name companies, as well as specialty companies that have unique products that are not readily available at other stores.

c) Basis of Competition

Customers shop at the store partly for the high-end shopping experience, knowledgeable staff, and superior customer service and return policies, and because of the broad selection of well-known, brand-name products, as well as lesser known companies with highly unique and innovative wireless devices. They also shop at the store because it is stocked with cutting edge products that are new to the market.

Startup Requirements*

Given Costs

The cost of registering a Limited Liability Company in Florida, filing fees listed at the bottom of the application form located at <http://form.sunbiz.org/pdf/cr2e047.pdf>

Renovation of the facility expected to cost \$25000

Business Insurance, estimated at \$1000 per year

Health and other benefits are 20% of the salaries of the manager and assistant manager

Initial Investment in Inventory is \$20,000

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Costs you should estimate through research, experience or other methods

- The cost of an average of 7 employees on the payroll. All operating costs, such as advertising, rent for a 3500 square foot facility with male and female washrooms, already installed, utilities, maintenance, and annual depreciation.

*if you have questions about startup requirements, or think other startup costs are necessary for the business are missing, then make an assumption and state it in the relevant section of the report.

Given Financial Assumptions*

- The owner will be granted a loan for the initial startup, repayable over 10 years at current interest rates for small business loans
- The owner will use personal funds to operate the business until it generates enough cash flow to fund itself.
- Essentially, all sales are made by credit card. All credit card sales are paid to the store daily by the credit card company
- 2.5% of sales is paid to a credit card company in fees
- Merchandise suppliers give 30 days of trade credit
- Inventories are expected to be approximately 10% of the following month's sales
- Managers have health benefits, other workers do not.
- The company will operate from 10:00 am to 9 pm, 6 days a week.
- The entrepreneur will manage the store and draw a salary.

*If you believe any other assumptions are necessary, then please state them in your budget proposal



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