**Global Business Plan Project**

**15. Determining Organizational Financial Results**

**Learning Goals**

1. To project inflows and outflows resulting from expected revenue sources and expenses
2. To identify potential measurements of financial success

**Purpose**

Profit margin, return on investment, and market share are some of the common financial measurements used to assess business success. In this module, your goal is to estimate potential financial results.

**Resources**

Web links:

* Global Edge CyberSite: <http://globaledge.msu.edu/>
* Business Around the World Atlas: <https://highered.mcgraw-hill.com/sites/0078137217/student_view0/business_around_the_world.html>

**Conduct Research**

Based on the country (or countries) you are analyzing for your global business enterprise, research information related to the following areas:

1. REVENUE SOURCES

Identify and estimate amounts for product (or service) sales for various market segments. (For example, some companies sell both to consumers and businesses. A heating company may sell furnaces to homeowners as well as to companies.)

1. OPERATING COSTS

List and estimate operating expenses necessary for producing (or obtaining), storing, marketing, and distributing the product (or service) for this business enterprise.

1. START-UP COSTS

Review your start-up cost estimate from Module 7. Suggest any revisions based on additional information or expanded knowledge of planned business operation.

1. PROFITABILITY

Describe an expected profit level for this global business venture based on economic conditions, competition, the size of the operation, and the market environment of the country. (Most new business activities take two, three, or more years before becoming profitable. Many ventures never earn a profit and either cease operations or a revised plan is implemented.)

**Supplementary Activity**

Conduct a financial analysis of a global company using the organization’s most recent annual report and data from the Web. Compare revenue amounts and profit for domestic and international operations. Discuss company plans and potential financial gains from international business activities.

**E-Commerce Application**

Assess the potential of online selling with regard to expanded revenue sources and reduced operating costs.

**Prepare Summary**

In a separate Word document, prepare a summary report consisting of the following components:

1. A description of revenue sources and estimated amounts for the proposed global enterprise.
2. A synopsis of estimated operating expenses and start-up costs.
3. An analysis of expected profitability over the next few years. Provide evidence to support your analysis.

**View Sample Report**

The following project segments are EXAMPLES and SAMPLE MATERIALS. Please note:

1. These samples were selected from several student team projects at one school and are not intended to represent a particular level of quality, and DO NOT represent a complete project.
2. The accuracy of content, data, and clarity of writing are NOT guaranteed; and
3. These samples may NOT BE DUPLICATED.

Port revenue will be derived from property rental to commercial and industrial enterprises, and from maritime operations that include container and break-bulk cargo, ship repair, sport and commercial fishing, cruise operations, harbor services, and other maritime services such as ferries and excursions. We are planning to have 650 port tenants, and approximately 176 subtenants, and more than 50 maritime services companies such as freight forwarders and steamship agents. To use the harbors, the Happy Harbor Company has estimated the price for port tenants at $2,000/day. While this is a costly sum, the profits that the harbor will produce for the countries in the long run is well worth the costs, since exporting/importing of products will produce millions of dollars for the economy of our governmental clients. State and local governments will receive an estimated $120.8 million of tax revenue from Port activity. The revenue includes sales tax, employment tax, income taxes paid by employees, business taxes, property taxes, and transportation taxes. Of the $120.8 million, $19.1 million in tax revenue will go directly to Chiclayo.

A total of $1.7 billion in revenue is estimated for our port activity. The revenue includes the value of goods and services sold by Port tenants, the revenue earned by businesses directly dependent on Port cargo, cruise, ship repair, fishing operations, and revenue generated by the construction activity and other miscellaneous activities occurring on Port property.

Port tenants and businesses will hopefully produce $729 million of local purchases, dependent on Port cargo cruise ship repair, and fishing operations. In order for our company to break even within five years, our company will have to produce $1.6 million a day in profits. Expenses that the company will incur are electricity, maintenance of the harbor, salaries, and other operational costs that go along with operating a harbor and entertainment port.

*REVENUE SOURCE ESTIMATES*

* [www.shopgenerosity.com--](http://www.shopgenerosity.com--) in excess of $35,000 a year
* Donations—in excess of $25,000 a year
* Governments and sponsors—in excess of $50,000 a year

*CASH INFLOWS*

 The cash inflows for year one include the revenue from sales. Our company’s goal is to sell our product to at least one-tenth of the population the first year. While the average Latin American family has 5 members, each bottle of vitamins has five hundred capsules, at $5 per bottle, and approximately 4 bottles per family each year, we estimate a first year cash inflow of approximately $2 million, with a substantial expected increase annually.

However, this branches off into both business-to-business and business-to-consumer business for our company. While B2B would be selling to such places as grocery and convenience stores, their annual sales would closely rival our B2C sales, which we hope will do quite well due to our traveling salespeople, introducing our products in rural areas.

These sales figures are estimated. While our company will also receive a grant from the Argentinean government of $1 million annually for the research and development of vitamins and other health care products to be both manufactured in Argentina. Later as we grow, we will expand our business abroad to other countries.

*CASH OUTFLOWS*

Our cash outflows include production materials and other supplies that will change annually due to variation in sales. An estimated $50,000 will be used as our advertising budget for the introduction of our fine vitamins into the market place. The employee salaries become divided up into three major categories. They include:

1. Managerial Team

The combined total amount of wages for the 5 team members will be $250,000 annually.

1. Traveling Sales People

Since these team members will frequently be on the road, they will have accrued other expenses, as well as their wages. These expenses include transportation, lodging, and dining costs. We have figured that the total costs for our 20 traveling team members will amount to be around $640,000.

1. Our other cash outflows include paying the people who make our product. The combined wages for our 35 factory workers will be around $210,000.

Other outflows that have not been discussed include:

1. Maintenance Costs

This will include the repairing of our distribution vehicles and the equipment in our factory.

1. Legal Fees and Insurance

These include the costs for our lawyer who will analyze the legalities of our operations. The insurance costs will be used for covering Buen Salud if anything happens to one of our employees or our facilities or our vehicles. To cover these costs we estimate them to be $10,000.