



BUSN1110 Accounting for Business Group Assignment, Semester 1 2021

As per the course outline:

- The assignment will be completed in groups of three students.
- The assignment is due in Week 10 on Thursday 6th May 2021 by 6pm (unless otherwise communicated on Blackboard).
- Assessment weighting: 20%
- Details of the assignment requirements will be published on Blackboard.
- Further discussion concerning the assignment will happen in class.

INSTRUCTIONS

- The assignment is described below.
- This assignment is to be prepared in MS Excel, with all calculations, data tables etc. provided in one MS Excel file. Supporting explanations and discussion must also be contained within this MS Excel file. Other than the MS Excel file, the only other document submitted must be the declaration cover page (see below).
- You should use 12-point Times New Roman font, line spacing 1.5.
- Submission of files will be done via the Blackboard site for this course.
- All files must use the following naming convention:
BUSN1110_StudentID1_StudentID2_StudentID3
[e.g., BUSN1110_20210001_20210002_20210003].
This is the ONLY acceptable naming convention to use. As this assignment is to be completed in a group of 3 students, only 1 submission is required per group.
- You are required to keep a copy of your assignment.
- A declaration cover page in MS Word or PDF must be submitted with the MS Excel file, and must include a signed declaration from all group members, consisting of the following wording:

As the group members signing this declaration, we each confirm the following:

- *The work presented was contributed equally (in terms of effort) by each group member.*
- *The report was written, and the calculations performed, by the group members alone, without direct assistance from an outside third party.*
- *The Notre Dame policy on Academic Integrity was read and understood. The report and presentation deliverables were produced in compliance with the rules and guidelines of this policy.*

The Notre Dame policy on Academic Integrity can be accessed here:

https://www.notredame.edu.au/_data/assets/pdf_file/0012/2037/POLICY-Student-Academic-Integrity.pdf

Provide each group members name and have each group member sign the declaration.

Assignment: Forecast of cash flow for business

You would like to start a small business selling gourmet take-away coffee and an opportunity has presented to lease premises attached to a commercial office building in a busy part of Sydney. The premises opens onto the street and a considerable number of people walk past this venue daily on their way to or from work (foot traffic). The venue is very small – only 3m by 6m – but that makes the rental more affordable and it is sufficient to run a take-away coffee shop. There are no fixtures and fittings installed as it was used as a storage room. The owner has agreed that you are able to refit the premises to work as a coffee shop, at your own expense (there is electricity and water already fitted). You will need to restructure the front to provide a lockable front counter opening to the street – this will require some structural building work.

The capital you have available is \$50,000 but ideally you would like to be as economical as possible with set-up costs. Further funding will be available by way of a bank loan from Prospa – see <https://www.prospa.com>

From the Prospa website: “*Our vision is to change the way small business owners experience finance. We’ve helped more than 29,400 small businesses with funds to seize opportunities or to support cash flow. We continue to fund eligible small businesses with a range of options.*”

However, the small business funding from Prospa requires you to show 6 months of actual trading cash flow. They do not lend to initial start-ups. Therefore, you

plan to start the business with your own capital and then, after 6 months, approach Prospa for a loan to expand the operation.

Before the project begins, as part of your business plan, you are required to prepare a detailed cash budget for the first 6 months (*similar to the 'Forever Tuna' class example, but in more detail*), that includes a capital expenditure budget, direct materials budget, direct labour budget and an overheads budget, rolled into a master cash budget. The cash flows must be shown weekly, not monthly.

At the 6-month point you plan to expand the business using the Prospa small business loan. The loan amount needs to be justifiable given the cash flows from the 6 months of operation (*you need to show that your business can easily pay it back!*). Details of the expansion need to be explained and a further 6 months of cash flow need to be forecast, ending in a cash budget for the 12 months (i.e., the first year of trading).

For the first 6 months you plan to only sell the following products:

- Two croissant options - almond and chocolate (delivered daily at 7am from a nearby bakery)
- Flat white or cappuccinos (normal or large sizing in takeaway cups)
- Tea (English breakfast or Earl Grey)
- A special for a croissant and coffee or tea combo
- One other product of your choice (food or beverage)

This is a simple menu as you want to focus on being a gourmet coffee outlet, with a reputation for great coffee. After 6 months, if you wish, you may expand your product range – this depends on what you want to do in your expansion.

All pricing, timing and expenditure estimates and decisions must be justified in the cashflow worksheets.

A justification for the small business loan must also be provided. How much? What for? Is it a reasonable amount to cover the expansion? Can it be repaid according to Prospa's terms?

It is also recommended that you hire at least one other person (other than yourself) to work in the shop. How many staff members can run the shop? What will your opening times be? It is also recommended that at least one person (whoever makes the coffee) is qualified as a barista – maybe that should be you too? (it is very important that your coffee gains a reputation for quality and consistency)

Marks will be awarded for the following:

- The logic of the calculations, flowing through to the cash budgets.
- The reasonability of costing, sales volumes and pricing, as justified by explanatory notes.
- Clear distinctions between capital and operational expenditure, as well as loan financing and repayment cash flow.
- Justification and integration of loan financing.
- Neat and clear communication of data.

A good place to start is:

1. Come up with a catchy name for the business.
2. Develop a timeline to fit the premises and begin trading.
3. Make a schedule of set-up costs (capital expenditure).
4. ...?

Any further clarity needed can be discussed in class.