

# **Feasibility Study**

## **Lecture 11: Financial Study Part 2**

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## Lecture Learning Objectives:

At the end of the lecture, you will be able to:

- a. Discuss the Philippine Accounting terms
- b. Identify who will be the project financiers
- c. Explain the most adaptable financing scheme based on the financiers' terms and conditions
- d. Discuss the sources of financing
- e. Develop financial soundness of the proposal
- f. Discuss the assumptions of the financial projections
- g. Discuss how much capitalization (total project cost) will be needed to finance the study.
- h. Present the projected financial statements and financial analysis, financial ratios, break-even points, project rate of returns, sensitivity analysis and the payback period

The **Financial Study** describes the overall financial viability of the project by presenting the financial assumption, total project cost, projected financial statements and financial ratios.

## Projected Financial Statements

The financial projections are the end product of the market, technical, and organization and management study, and the figures used in the financial projections are, therefore, in relation to and dependent on the results of the said aspects. This section provides:

- Projected balance sheets for at least 5 years
- Projected cash flow statements for at least 5 years
- Projected income statements for at least 5 years

This section also sets up supporting schedules to the financial projections which include collection on sales, inventory levels, payment period for purchases and expenses, elements of production cost, selling, administrative and financial expenses.

## The Basic Financial Statements

(1)The **Balance Sheet** is a financial statement that presents all the assets of, and claims against or the liabilities and equity, of the firm at a particular period of time.

The **Balance Sheet** as summary of all the amounts and kinds of assets that the firm's possesses, as well as the claims made against those assets by investors and creditors, include the *following account concepts*:

1. The total of the firm's assets must equal the total value of the claims against the firm.

The Balance Sheet is composed of:

A. **Assets**, which are further composed of:

- (1) The **current assets** are one that can be converted into cash in the normal operation of the firm within one year.

These maybe in the form of:

a. **Cash** – which may be “On Hand” and/or “In Bank”. Cash may include local and foreign currency immediately available for use in the company's current operations.

b. **Marketable Securities** – these are sometimes referred to as “**Temporary Investments**”. These are readily marketable investments of the company intended to be converted or used as Working Capital when the need arises.

c. **Promissory Notes** – These are sometimes referred to as “Customers' Accounts”, “Trade Debtors”, and Trade Account Receivables”

d. **Notes Receivables** – are open accounts supported by formal written promises to pay.

e. **Inventories** – in manufacturing concerns, are stocks of raw materials, stocks-in process, and finished products, which have been altered or converted into “other forms” before being made available for sale. These items may come in the form of:

i. **Finished goods**, which are complete products ready for sale.

ii. **Goods (Work) -in-process**, which are partially completed products requiring further processing before being made available for sale.

iii. **Raw Materials**, which are yet to be processed in the company's operational activities; and

iv. **Factory or Manufacturing Supplies**, which are like raw materials, but whose uses are not physically part of the manufacturing process.

f. **Prepaid Expenses** – these are advance payments made by a company in the purchase of supplies or other tangible and intangible assets.

- (2) **Investments** – are tangible and intangible assets which are purchased for which future benefits are expected.

- (3) The **fixed assets** are permanent assets that will not normally be converted into cash. On the balance sheet, fixed assets are shown at historical cost, which is the amount actually paid for the asset.
  - (4) **Intangible Assets** – are long-lived assets with no form of physical characteristics whose values could be traced in the form of rights, privileges or “competitive advantages” they give to the company.
  - (5) **Other Assets** – of which, the most common are:
    - a. **Organizational Costs**, which are expenses incurred in the forming, organizing or establishment of a business.
    - b. **Deferred Charges** are costs that are not inventories, prepaid expenses, plant and equipment, and other intangibles that represent benefits for some future periods and are amortized over their (future) periods benefited.
2. The **market value** of the asset is the price the asset could command in the market, and the **replacement cost** is the price that would be required to replace the asset if it had to be acquired today.
  3. The value of the assets shown in the financial reports and the books of the company, the **book value**, may differ from the market value of the assets. Assets that have become obsolete typically have market values below their book values, while the opposite condition holds for assets, such as land, that have appreciated in value.

**B. Liabilities**, which are further composed of:

- (1) **Current liabilities** are those that the firm reasonably expects to pay within the next year.

A short list of some of these is as follows:

- a. **Accounts payable** are obligations that the firm has for goods it has received from others.
- b. **Notes payable** is a short-term debt that the firm must pay off within the next year.
- c. **Dividend Payables** – which are the unpaid dividends declared by the company.
- d. **Accruals** are debts the firm owes because payment has not yet been made, such as salaries owed to employees.

- e. **Taxes payable** are taxes that are owned, but that have not yet been paid.

**Income Tax Payables** – are liabilities for income tax payments computed from the current period.

- f. **Customers' Accounts with Credit Balances** – are obligations incurred as a result of advance payments by customers for the company's products either in the form of undelivered items, overpayments, returns, allowances, and errors.

- (2) **Long-term liabilities** are continuing obligations that will not be completely repaid during the next year, such as long-term debt and long-term leases.

The most common of these are:

- a. **Bonds Payables** – are formal promises made under seal, to pay a specified amount of money at a specified future date. Their payments should stipulate periodic installment dates and interest until the principal is fully paid.
- b. **Premiums on Bonds Payables** – refers to unpaid balances of bonds purchased in excess of their face values.

- (3) **Other Long-term Liabilities** – which may be in the form of:

- a. **Pensions**, which are retirement benefits given to retired employees of the company.

- (4) **Deferred Revenues** – are income received by the company, but which have not yet been earned.

**C. The Statement of Changes in Financial Condition** is also known as the Statement of Owners' Equity or Statement of Stockholders' Equity.

Stockholders' Equity and Owners' Capital – which may be in the form of:

The statement for the firm's changes in financial condition, or the sources and uses of funds statement, which identifies the origin and utilization of funds, acquired, considers the following principles:

- 1. For any firm, there are essentially these sources and uses funds.
  - a. Sources of funds
    - \* increase in a liability account
    - \* increase in a net worth account
    - \* decrease in an asset account

- b. Uses of funds
  - \* decrease in a liability account
  - \* decrease in a net worth account
  - \* increase in an asset
  
- 2. **Working capital** is the firm's current asset. **Networking capital** is current assets minus current liabilities.
  
- 3. Some firms construct a *change in net working capital statement* or a *cash flow statement* instead of a sources and uses of funds statement.
  - (1)**Stockholders' Equity** which refers to residual interests on the owners on the assets of the company (in this case, a corporation) measured by the excess of assets over liabilities.
  - (2)**Paid-in Capital** – which represents the investments actually paid by the company's stockholders.
  - (3)**Capital Stocks** – which are the portions of paid-in capital representing the total stated value of the shares of stocks issued by the company.
  - (4)**Treasury Stocks** - which refers to the company's own stocks issued and then reacquired (but not cancelled) by the company.
  - (5)The **retained earnings** account shows the amount of earnings the firm has accumulated since its inception.

These may be:

  - a. **Unappropriated**, which is that portion of retained earnings that is free, and which could be declared as dividends.
  - b. **Appropriated**, which represents that other portion of retained earnings that has been restricted from any dividend declaration.
  
- 4. **The common stock** account reflects capital that was contributed by the equity holders of the firm.
  - (2) **The Cash Flow Statement** is an overview of the company's financial health. This gives data on the cash provided or used in operating activities. It starts with a figure from net income, taken from the income statement. It describes the sources and uses of cash, which can be very revealing data for the firm's wise financial management.

### **Major Corporate Cash Flow**

The firm can obtain cash from issuing new stocks to owners, as stockholders or bonds to creditors, as bondholders.

**Sources of Cash:**

- a. Sales
- b. Capital invested by stockholders
- c. Debt funds raised from creditors

**(3) Income Statement** measures the profit or loss that an organization has made over a set of periods of time, quarterly or a year.

The **income statement** is a written financial account of a company's operating gains or losses for a certain period of time. Income statements starts with:

- A. **Sales** – which refer to the commodities actually sold by the company.
- B. **Cost of Goods Manufactured and Sold** – these are the actual costs of the company's beginning and ending inventories of raw materials, work-in-process and finished goods, direct labor costs, and manufacturing overheads that directly affected the manufacturing processes and have been made available for sale.
- C. **Operating Expenses** – which are further subdivided as follows:
  1. **Selling expenses** – refers to costs directly related to selling, advertising and delivery of a company's goods and/or services to customers.
  2. **Administrative Expenses** – these are also called "**General Expenses**", that refer to costs incurred in administering the company's business.
  3. **Other Income**
  4. **Other Expenses**

5. **Profits** occur when the revenues exceed expenses. The bottom line of the statement is either a net income or net loss. Where income = revenue – expenses

The **income statement**, which presents the record of the firm's sales and expenses over a particular period, identifying the income derived from its operations, and all of the charges incurred to generate the income, include the *following accounts concepts*:

1. The income statement begins with a report of the peso volume of sales.
2. From sales, the **cost of goods sold**, (all costs of producing the product for sale), is subtracted to give the gross profit.
3. The firm must recognize its depreciation expense to reflect the consumption of its capital and equipment. After all these costs and interest expenses are subtracted from the sales, the result is the firm's **earnings before tax**.
4. Subtracting taxes from EBT gives the firm's **earnings after tax** or **net income**.
5. One of the most important things to realize about an income statement is the fact that it reflects the firm's activities using a technique known as the **accrual method of accounting**.

Under the **accrual method**, inflows and outflows are recognized at the time the commitment leading to those inflows and outflows are made, not necessarily at the time the cash inflows and outflows are themselves incurred.

6. It should be noted that there is a difference between the earnings reported in the income statement and the cash flow that the firm receives.

## Types and Sources of Funds

The different types of capital and their possible sources of funding are:

1. **Equity Capital** – capital that is put into the business by the investors' personal resources. These may be in the form of:
  - a. **Retained Earnings** – for existing businesses, these are the undeclared profits rolled over from your company's past year's operations.
  - b. **Advanced Payments from Customers** – which you may use to fill in the needed capital for your business operations.
  - c. **The sale of stocks** – whether they are common or preferred, may also be used to bring in or increase your company's operations' capital.
  - d. **Accounts Receivables** – especially in the form of promissory notes, may be used as collateral or rediscounted (like in the case of post-dated checks) and converted into additional equity capital.
  - e. **Investor/s' Personal Resources** – these include capital sources from the project proponent/s' personal funds.
2. **Creditor/s' Capital** – capital or equity sourced from outside sources.  
Some of the most common sources of this type of capital are:
  - a. **Banks** – the most common sources. Today's borrowers have a large array of banks to choose their requirements from.
  - b. **Merchant Creditors** – once you have established a good credit reputation, suppliers may allow you to purchase your needs "on account", normally on a 30, 60, 90 -day credit. Other forms of this type of capital are lease privileges of your goods, installment payments from your sources, or consignment from your sources.
  - c. **Insurance Companies** – usually offer loans, but only on some conditions and mostly not exceeding the cash value of your policies.
  - d. **Mortgage Bankers** – these companies help you finance your projects by bringing you to the sources of capital with mortgage requirements, usually, in the form of real estate, motorized vehicles or jewelries.
  - e. **Finance Companies** – also provide numerous financing and leasing services. They deal mostly with secured loans to people refused by banks but give relatively higher interest rates.
  - f. **Pawnshops** – especially when personal properties are offered as collaterals, these firms offer capital to small businessmen. These firms are restricted from doing banking services other than their authorized activities.
  - g. **Individual Money Lenders** – these are the unlicensed moneylenders who lend you capital as friends of your business, at an agreed interest. Sometimes, these lenders also require some collateral from their borrowers.

- h. **Private Voluntary Organizations (PVOs)** – these are intermediary agents, mostly between government agencies (with programmed budgets for loans but are not supposed to make money). These entities receive an allocation of the budget from the main sources and re-lend the capital to individual borrowers or small groups.
- i. **Savings and Loans Associations, Credit Cooperatives and Credit Unions** – these are usually exclusive organizations where memberships entitle members to obtain loans for capitalization requirements.

### **A List of Considerations, Requirements, and Procedures for Loan Applications**

This contains a list of important items to consider in making loans. These items will be prepared during your inquiry from your financing source. These are:

#### **A. Considerations:**

When obtaining a loan, it is very important that you should consider the following, which are also valuable to your financial feasibility's computations:

1. Source(s) of funds, supplier/s' terms and conditions in your procurement of machineries and all other equipment and accessories
2. Debt-to equity requirements of your project
3. Your funding source/s' collateral requirements and assessment or appraisal methods and rates
4. In case of foreign funding, the currency of repayment
5. Interest rates
6. Maturity (Repayment) and amortization dates
7. Application and processing fees
8. Withholding taxes and tax exemptions if any
9. Processing time (up to loan release)
10. Deposit requirements if any

#### **B. Requirements:**

1. Real estate properties
2. Motorized vehicles
3. Machineries and equipment and accessories
4. Jewellries
5. Merchandise (goods, crops, etc.)
6. Stocks and bonds (corporate securities)
7. Instruments of ownership of commodities like bills of lading, advance payment receipts, postdated checks, etc.
8. Personal belongings (for pawnshops)

#### **C. Procedures:**

Banking procedures vary. Depending on your study's most practical financing scheme, why not get a copy of your alternative financing sources' borrowing guidelines and their loan programs' terms and conditions? From these, you can make your analysis and personal decision which of them best suit your project's financial requirements and considerations.

## **MAJOR FINANCIAL ASSUMPTIONS USED**

1. Annually, production will increase by 2.21% due to population growth rate.
2. Raw materials costs will increase by 5% yearly due to inflation and changes in market indexes.
3. Salaries will increase by 2% yearly.
4. Finished Goods Inventory, Ending is 4% for the regular sales and 3% for consignment basis
5. All other operating expenses except depreciation and rent are assumed to increase annually by 5% due to inflation.
6. Rent, Electricity and Water Expenses are allocated as follows: office (20%) and production (80%).
7. Depreciation is computed using the straight-line method.
8. Income tax is estimated at 30% per year.
9. The company's market share increases 2.79% annually.

## **TOTAL PROJECT COST**

State here your total investment costs by presenting all your project's costs requirements from all your previous Lecture.

- a. Direct & Indirect Labor (Salaries/Wages + Employees' Benefits)
- b. Raw Materials (Direct and Indirect Materials)
- c. Manufacturing Overhead
  - Rental Expense
  - Taxes and Licenses
  - Depreciation of Machineries and Equipment
  - Utilities (water, electricity, gasoline, telephone, gas cylinder)
  - Factory/Manufacturing Supplies
  - Leasehold Improvement
  - Advertising
- d. Office Furniture and Fixtures
- e. Machinery and Equipment
- f. Delivery Van
- g. Office Supplies
- h. Kitchen Supplies
- i. Janitorial Supplies

## **Financial Analyses**

This section outlines the project's ability to absorb loans, its repayment prospects, solvency, and overall financial viability by presenting relevant ratios based on financial projections. It includes:

- Profitability ratios: calculating gross profit, operating profit and net profit margins for each year, and average over the projected operating period.
- Liquidity ratios: calculating debt to equity ratio, and debt service coverage for each year.

- Break-even and price analysis: calculating break-even price, volume, and capacity.
- Profitability evaluation and capital recovery: showing the return on investment and return on equity, cash payback period, discounted/internal rate of return and net present value.

## FINANCIAL RATIOS

These are indices used in expressing financial data in such a way that it can be compared, and trends identified and thus questions can be raised.

**Ratios** should be used to build up and summarize the evidence available and to create a picture from which, not conclusions, but better questions can be drawn.

**Primary Ratio** considers the profit or return level of the business entity, normally for the year, in relation to the capital employed or invested, or net assets during the same period.

- This is the primary measurement for all investment anywhere and in business, where the money has gone to.

**Secondary Ratios** are further investigation of primary ratio. These are ratios concerned with profitability – profit in relation to sales and the other is with activity – sales in relation to capital employed or net assets.

**Tertiary Ratios** evaluate profitability of the business and analysis of activity. The profitability ratio can be assessed from the point of view of gross profit or contribution to sales as a percentage. Activity or use of assets ratio is an examination of activity by comparing sales separately with fixed assets and working capital.

**Financial status ratios** are those that help analyze a business's financial standing in terms of its ability to pay liabilities and settle obligations.

**Liquidity ratio** is the relationship of current assets to current liabilities. Also, acid test or quick test ratio can be used to measure liquidity.

Stock turnover, collection and payment ratios include stock turnover, collection period and payment period in conjunction with the liquidity ratios to evaluate whether stocks are being controlled and credit policies are enforced.

**Solvency ratios** calculate the ability of the business to meet the interest due from the profits available.

**Investment ratios** are intended to give investors the financial position of the business and the invested capital.

**Return on equity** confines its view to the profits belonging to the shareholders – the profit after tax and interest – and its relationship to the shareholders' funds.

**Earnings per share** is the central measurement of profitability from an investor's point of view. This is the ratio of profit after tax and interest against numbers of issued shares.

**Price/earnings ratio** expresses the number of times the price of the share exceeds the earnings per share.

**Dividend yield** reveals rewards to investors – the dividends paid to them, with the market price of their shares.

**Dividend cover** uncovers the generosity of the business, in terms of determining the proportion of the profits distributed to investors. The higher the dividend cover, the greater the retention; the lower, the greater the distribution.

## COMMONLY CALCULATED RATIOS

### Liquidity Ratios

**Liquidity** is the ability of assets to be converted quickly into cash. A company wants to be liquid to meet current debts. A balance sheet has current liabilities for **short-term debts**, payable for a period of less than a year and **long-term debts**, payable for more than a year. Commonly used ratios to measure liquidity are *current ratio and quick or acid test ratio*.

**Current ratio** is the ratio of current assets to current liabilities

**Quick ratio** is the ratio of current assets, excluding inventory, divided by current liabilities.

### Activity Ratios

**Activity ratios** are related to operations and operating efficiency because they measure how quickly the firm is converting assets into cash.

**Inventory turnover** measures how many times per period (usually a year) the firm sells through its inventory.

**Accounts receivable turnover** is the annual credit sales of the firm divided by the accounts receivable.

**Average collection period** is also called "days of sales outstanding", the average collection period describes the average time it takes to collect accounts.

**Inventory conversion cycle** combines the days of sales in inventory and days of sales in accounts receivable. It gives the company an idea as to how long it takes to convert inventory to accounts receivable and subsequently, into cash.

**Asset turnover** is concerned with efficient use of assets. The goal is not to sell through the fixed assets but to maximize the efficiency of those assets.

**Fixed asset turnover** looks at sales in comparison to the long-term assets of the firm, such as land, equipment, and plants.

**Total asset turnover** combines the effects of current asset management, the conversion of inventory and accounts receivable into cash and fixed asset management. It allows the firm to compare how well it is managing each type of asset.

### Leverage Ratios

It is the responsibility of the financial manager to determine the level of debt that is appropriate for a firm. Debt or loan has a fixed value if the company is making regular payments.

**Debt to equity ratio** shows the relationship between debt and equity

**Times-interest-earned ratio** determines if the firm is capable of serving the interest they have for debts and gives idea of whether additional interest expense could be added. Debt obliges the firm to make specified payments of both principal and interest at regular intervals.

Times-interest-earned ratio =  $\frac{\text{operating income (operating before int. \& tax)}}{\text{Interest}}$

### Profitability Ratios

Since the goal of most companies is to earn a profit, these ratios are the most important to financial managers.

**Gross profit margin profitability** is the broadest measure of the firm's profit level.

**Operating profit margin** examines the income of the company before taking into account the interest and taxes.

**Net profit margin** demonstrates a better assessment of a firm's profitability, particularly for a company who does owe interest and taxes.

**Return on assets** determines profitability in relation to assets management.

**Return on equity** evaluates whether the use of company assets contributes to the rate of return for stockholders' investment.

### Market Values

A firm's value is related to what an investor will pay for its stock. If demand for the stock increases, then its price will also increase, wherein its increase in share price can be tied to expectation of an increase in future earnings.

**Book Value** is the basis for fairly determining the worth of the assets in relation to a holders' share, upon liquidation of the firm.

$$\text{Book Value} = \frac{\text{Total Assets}}{\text{Number of shares outstanding}}$$

**Earnings per share** aims to identify the valid earnings per share value, by looking at trends over time or the earnings of other companies in the same industry.

$$\text{Earnings per share} = \frac{\text{Net income} - \text{preferred dividends}}{\text{Number of shares outstanding}}$$

$$\text{Price earnings ratio} = \frac{\text{Market price of the stock}}{\text{Earnings per share}}$$

## SUMMARY OF RATIO ANALYSIS

Type of Ratio	Formula	Analysis
<b>A. Liquidity Ratios</b>		
1. Current Ratio	$\frac{\text{Current Assets}}{\text{Current Liabilities}}$	Firm's ability to meet short term obligations.
	$\frac{\text{Quick Assets}}{\text{Current Liabilities}}$	Firm's ability to meet sudden and immediate demands on current assets.
		Quick Assets=cash, marketable securities, accounts receivables, net
<b>B. Activity Ratios</b>		
1. Inventory turnover	$\frac{\text{Sales}}{\text{Average inventory}}$	Number of times the merchandise inventory was sold and replenished during the period.
2. Days of sales in Inventory	Number of days in a period/ inventory turnover	Number of days inventory is sold, from the date acquired.
3. Accounts receivable Turnover	$\frac{\text{Net sales}}{\text{Average receivables}}$	Number of times receivables have been realized in sales.

Type of Ratio	Formula	Analysis
4. Average collection	Number of days in year/ Receivable turnover	Average number Period of days it takes to collect receivable
5. Asset turnover		
a. Fixed asset turnover	$\frac{\text{Net sales}}{\text{Average fixed assets}}$	How effectively fixed assets have been utilized to generate sales rev.
b. Total asset turnover	$\frac{\text{Net sales}}{\text{Average total assets}}$	Ability of the firm in generating revenue; A measure of investment efficiency
<b>C. Leverage Ratios</b>		
1. Equity to debt ratio	$\frac{\text{Owner's Equity}}{\text{Total Liabilities}}$	Show the rel. b/wen investors' contribution and debt of the firm
2. Debt ratio	$\frac{\text{Total Liabilities}}{\text{Total Assets}}$	Proportion of assets provided by creditors
<b>D. Profitability Ratios</b>		
1. Gross profit margin	$\frac{\text{Gross Profit}}{\text{Sales}}$	Gross profit percentage on sales to recover operating expenses
2. Operating profit margin	$\frac{\text{Earnings/(before interest and taxes)/ Sales}}{\text{Sales}}$	Operating profit percentage per peso of sales
3. Net profit margin	$\frac{\text{Net profit (earnings after Interest and taxes)/ Sales}}{\text{Sales}}$	Profit percentage per peso of sales
4. Return on assets	$\frac{\text{Net profit (earnings after int. and taxes)/ average total assets}}{\text{Average total assets}}$	Overall assets productivity
5. Return on equity	$\frac{\text{Net Profit}}{\text{Average owners' equity}}$	Rate of net income earned based on owners' equity

**FRB Partnership**  
**Pre-operating Statement of Financial Position**  
**As of January 1, 2024**

Assets

Current Assets:	
Cash	₱204,274.50
Prepaid Rent	
Prepaid Advertising	
Prepaid Utilities	
Prepaid Business Taxes & Licenses	
Office Supplies	
Janitor Supplies	
Kitchen Supplies	
Kitchen Utensils	
Total Current Assets	₱500,000-
Non-current Assets:	
Leasehold Improvement	
Office Furniture & Equipment	
Kitchen Furniture & Equipment	
Delivery Equipment	
Total Non-current Assets	
Total Assets	
Partner's Equity	
Partner's Equity	
F, Capital	
R, Capital	
B, Capital	
Total Partner's Equity	₱500,000

**FRB Partnership**  
**Pre-operating Cash Flow Statement**  
**As of January 1, 2024**

Capital Investment	<u>P 500,000</u>
Less: Pre-operating Cost	
Plant Renovation	
Prepaid Rent ( 2 mos. Advance, 4 mos. Deposit )	
Organization Cost	
Prepaid Advertising	
Office Furniture & Equipment	
Kitchen Furniture & Equipment	
Delivery Equipment	
Office Supplies	
Janitorial Supplies	
Kitchen Supplies	
Kitchen Utensils	
Electricity Installation	
Telephone Installation	
Water Installation	
Net Cash Balance, January 1, 2024	₱204,274.50

FRB Partnership  
Comparative Statement of Comprehensive Income  
For the year Ended, December 31, 2024-2028

Sales ( Note 1 )  
Less: Cost of Sales ( Note 2 )  
Gross Income  
Less: Operating Expenses  
    Gen. & Adm. Expense ( Note 3 )  
    Selling Expense ( Note 4 )  
Total Operating Expenses  
(Net Loss) / Net Income before tax  
Less: Income tax due (30%)  
(Net Loss) / Net Income after tax

**FRB Partnership**  
**Comparative Statement of Financial Position**  
**As of the year ended, December 31, 2024 – 2028**

Assets ----->

Current Assets  
    Cash  
    Prepaid Rent  
    Inventories ( Note 5 )  
Non-current assets  
    Property, plant & Equipment ( Note 6 )  
Total Assets

Liabilities & Partner's Equity  
    Current Liabilities  
    Current tax Liabilities ( Note 7 )  
    Other Current payables ( Note 8 )  
Partner's Equity  
Total Liabilities & Equity

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Note 1 : Sales  
Consignment Sales  
Regular Sales  
Total Sales

Notes 2 : Cost of Sales  
Total Production Costs  
Less: Cost of Ending Inventory  
Total Cost of Sales

Notes 3 : General & Administrative Expenses

Salaries & Wages  
Employee Benefit Expense  
Utilities Expense  
    Electricity  
    Water  
    Telephone  
Supplies Expense  
    Office Supplies  
    Janitorial Supplies  
Bus. Tax & License  
Rent Expense  
Amortization Expense  
    Leasehold Improvement  
Depreciation Expense  
    Office Furniture & Equipment  
Total Gen. & Adm. Expenses

Note 4 : Selling Expense

Salaries Expense ( Deliveryman )  
Employee benefit expense  
Advertising Expense  
Depreciation Expense  
    Delivery Equipment  
Gasoline Expense  
Commission Expense  
Total Selling Expense

Note 5 : Inventories

Ending inventory  
Cost per pack  
Cost of ending inventories

Note 6 : Property, Plant and Equipment ( PPE )

Leasehold Improvement  
Kitchen Furniture & Equipment  
Office Furniture & Equipment  
Delivery Equipment  
Total PPE

Note 7 : Current Tax Liabilities

Income Tax Payable  
W/holding Tax Payable  
Total Current Tax Liabilities

Note 8 : Other Current Payables

SSS & EC Premium Payable  
PhilHealth Premium Payable  
Pag-ibig Premium Payable  
Total Other Current Payables

FRB Partnership  
 Comparative Statement of Changes in Partner's Equity  
 For the year Ended, December 31, 2024 – 2028

Partner's Equity Beginning	₱500,000
( Net Loss ) / Net Income	
Less: Partner's Drawing	
Partner's Equity, end	

**FRB Partnership**  
**Comparative Statement of Cash Flow**  
**For the year Ended, December 31, 2024 – 2028**

Cash Balance, Beginning	
Cash Flow from Operating Activities	
( Net Loss ) / Net Income	
Adjustments:	
Amortization Expense	
Depreciation Expense	
Net Inc. / ( Dec. ) in working capital	
Net cash ( used ) / provided from operation	
Cash flow from financing activities	
Partner's Drawing	
Net Cash Balance, end	

Year	No. of packs produced	Packs put on Consignment (70%)	Packs on regular sales (30%)
2024-2028			
	Sold packs of the Product (consignment) 97%		Ending Inv. (Consignment) 3%
	Packs on regular sales	Sold packs (regular) 96%	Ending Inventory. 4%

Total Production Costs	
Production Cost per pack	
Gross Mark-up (regular sales)	45%
Selling Price (regular sales)	
Gross Mark-up (consignment sales)	50%
Selling price (consignment sales)	

Projected Sales 2024 – 2028			
Year	Sold Packs of the Product (Consignment)	Selling Price	Consignment Sales
Year	Sold Packs of the Product (Regular)	Selling Price	Regular Sales
Year	Consignment Sales	+ Regular Sales	= Total Sales

**In Summary, you will be required to prepare the following:**

1. Introduction
2. Major Financial Assumptions
3. Total Project Cost
4. Prepare the Financial Statements (5 year- projection) with supporting schedules
4. Financial Ratios

**Textbook:**

A feasibility study guidebook for Students and Entrepreneurs, Jorge H. Cuyugan, Bright Concepts Printing House, 2020