

BAILRIGG VIDEOS

Business Economics

Group Project

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Bailrigg Videos

The Business Idea

The business idea is to set up a video rental store, "Bailrigg Videos" on campus here at Lancaster University, which would not only offer a varied selection of videos for hire but also video players, since a lot of students own televisions but not VCR's. Initially we were also going to hire out video CDs that could be played on a computer, but the survey showed that demand was not high enough, so this idea was abandoned. It was felt that this idea had the potential to be successful since there were no other video stores on campus and it would appeal to students if it were affordable and convenient.

The objectives of the firm in the short-term are to offer students and staff a good quality product that is within their price range, to build up a good reputation and to treat employees well. We would like to achieve a high proportion of the available market share within the first year of opening which will then allow us to keep on track for breaking-even just after the first year. We are not looking to make any profit, just to survive the first year of trading without any major setbacks.

In the longer term we are obviously aiming to make a small profit whilst still providing a good service and maintaining our reputation for having plenty of choice and regular new releases. If the business is a success, we may then look to expansion into Lancaster to increase our market share and maybe even developing a chain of video outlets throughout the North West, in which case we would become a private limited company.

The Market

With the increase in entertainment in the United Kingdom and the need for improved and smarter movies, videos and video compact disc (VCD), we have found that there is a wide and expanding market for good video shop services. Initial market thrust will be directed to renting the video player and the video at Lancaster University. The market for the video shop on campus is a monopoly, since it will be the one and only video shop at Lancaster University. The potential market is considered to be good, as many of the students found that the close competitors, which are situated in Lancaster Town, are quite far to go to. For this particular reason, they are willing to rent a video from where they can get it easily and quickly. If the competitors are not using any marketing strategies that can drive out the business out of the market, the possibility to earn good profit is likely to be high.

Competitors could be divided into two categories. Direct competitors, who offer the same services, and indirect competitors which customers might spent their money on, instead of with us. After several surveys were conducted, five direct and close competitors had been recognised. Two of which are “Double Two Videos” and “Scotforth Videos”, which are situated in Lancaster Town. The other three in Morecambe, which are 3 to 4 miles from the university, were considered as a little bit too far away. Whilst television, cinema and the Film Society (at Lancaster University) are regarded as indirect competitors. The established video shops are so powerful in controlling the distribution of well-advertised lines that it is impossible to compete with them on price. The only chance that Bailrigg Videos has got is competing on ‘services’, and this is the old sense of giving personal attention to customers. We feel that the best way in competing with our competitors is to ensure that we will always maintain high standards and offer good quality services and products at an attractive price. This does not necessarily imply a cheap price. We will be able to distinguish ourselves by offering something as having quality that is unique. We will aim to provide a unique service on campus, since we are the only video shop which provides this service and it is much more convenient to the students, due to the extensive demand for it, discovered by our market research.

Most of the customers are students from Lancaster University itself – these are the main targets. But, staff may also comprise a proportion of the potential customers. There are 3585 students resident on campus. This is such a good market for Bailrigg Videos as a beginner. We estimated from the overall potential market, we ought to be able to obtain at least 40% of the market, as we are the first shop at Lancaster University with high quality and convenience environment services. As this is a new business, it must gain customers' confidence first before widening the market share in the future. Since the students in campus are very eager to have video shop on campus, the tendency to have quite a big market share is very possible.

40% of the students we interviewed said that they would be interested in hiring out videos on campus: 40% of the 3585 students resident on campus mean that 1434 students will hire out the videos, while 28% of the students would be interested in hiring out a video player. From the questionnaires distributed, we got a rough idea of the price that the customers are prepared to pay in order to hire a video and the video player. This is illustrated in Figures 1 and 2 below:

Figure 1: How much customers would be prepared to pay to hire a *video*:

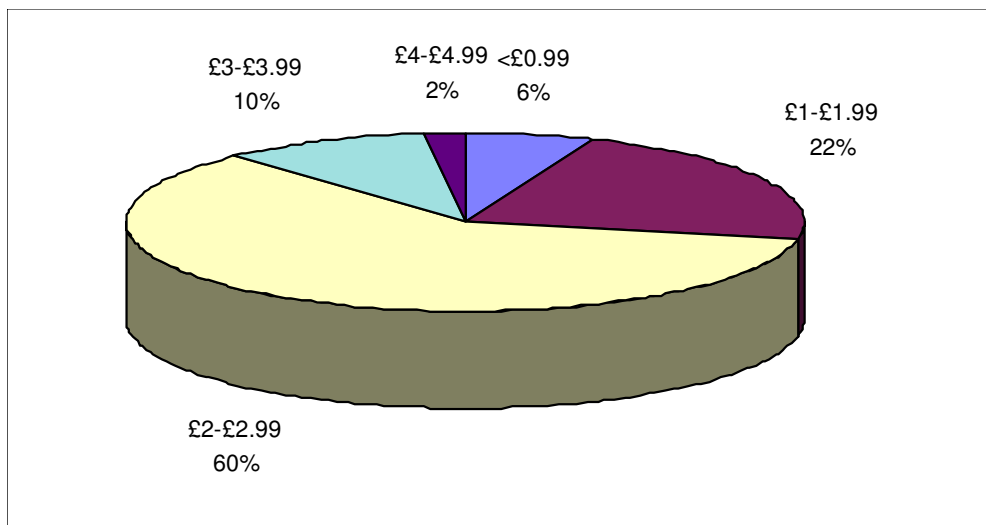
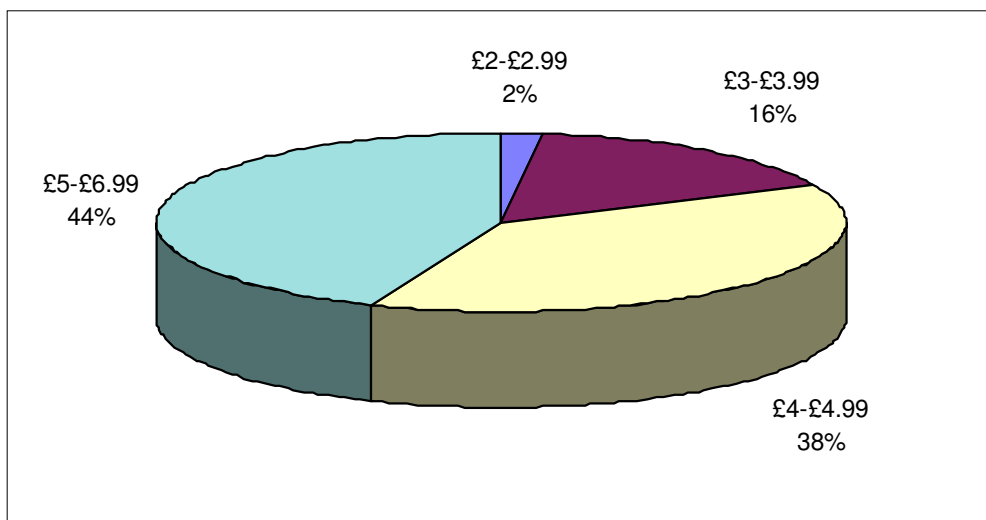
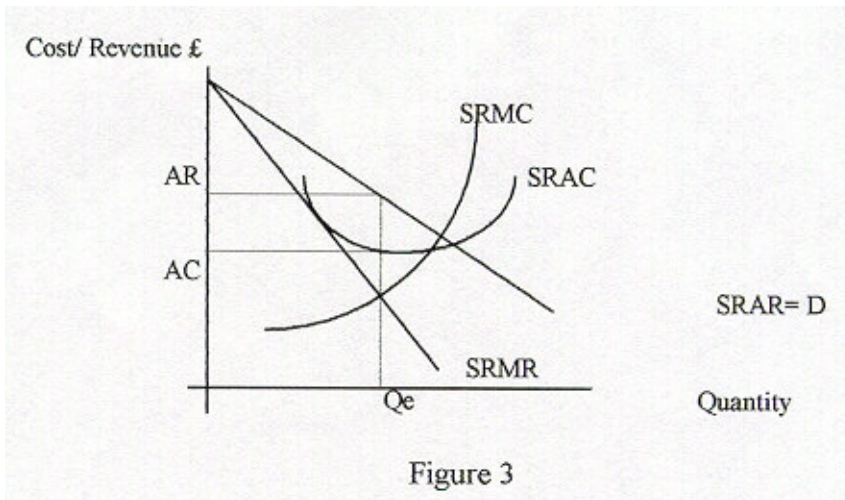


Figure 2: How much customers would be prepared to pay to hire a *video player*:



After considering several factors that may define which market structure Bailrigg Videos is in, it was decided that the market structure is one of monopolistic competition. It seems like monopoly structure, because of the single seller in the university, but we need to consider other factors. Even though the closest competitors, such as ‘Double Two Videos’, ‘Scotforth Videos’, ‘Key Videos’, etc. are in Lancaster itself, they must be considered potential close competitors. There is, however, some freedom to enter and exit the market, which is more indicative of an oligopolistic market structure.

This short run equilibrium scenario shows that if the business chooses to maximise profits, the optimum level of production would be at Q_e and would have to charge a price of AR . The firm will operate at Q_e , where marginal costs equal marginal revenue, because if $MR > MC$, then more is added to revenue than to cost and it is therefore beneficial to hire out more of the tapes. When the point is reached where $MC > MR$, more is being added to cost than to revenue and production should then be lowered. Cost of the firm will be at AC and so in the short run the firm will be able to make super-normal profits, as shown in Figure 3 below:



However in the long-run, other firms may see that super-normal profits are being made and so could enter the industry. This might happen both in town and on campus. This causes the demand curve to become more elastic and demand will fall. On the university campus, this will probably be caused by the threat of new entrants to the market, as there are only a limited number of spaces available for retail premises. In reality it will also be difficult for other firms to determine if supernormal profits are being made. There would, in theory, be an incentive for new firms to enter the market only until normal profit is being made. If this were the case, in the long-run, the firm would produce at Q_{e2} and charge price at P as in Figure 4 below:

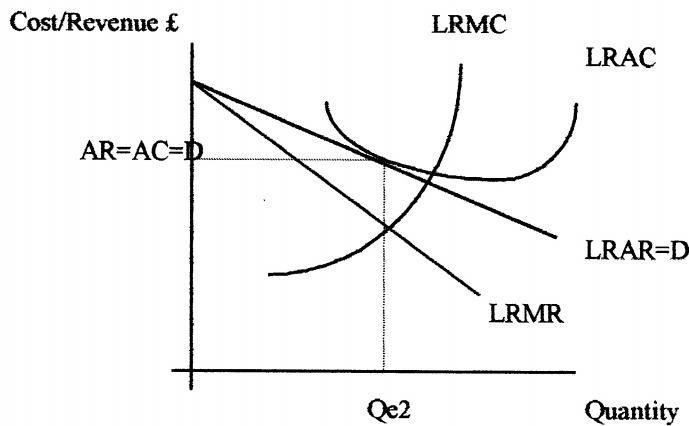


Figure 4

Why should people come to us? That is one of the fundamental questions that should be addressed. Bailrigg Videos had its own unique selling point, which makes it different from its competitors. It is providing better services and a more convenient sales environment. As the location of the business is usually the most important

aspect, Bailrigg Videos will be situated near Alexandra Square, which is considered to be the heart of the university, and so will attract customers from off campus as well as those resident on site.

The adverts for Bailrigg Videos will include information such as our services, the location, the business opening time and our telephone number. Since an advertising agency is likely to be expensive, we have decided to promote the shop in SCAN (the *free* student newspaper), and by way of posters and leaflets. Advertising in SCAN will stimulate more interest from the customers than advertising through the other media. A lot of posters will be pasted along the North and South spine of the university, although this will necessitate regular replacement as they are pasted over or torn down. Other areas including bars, Senior and Junior Common Rooms, porters lodges, the Student Union office and Alexandra Square. We will also be distributing leaflets around campus.

another worker in order to cut down on overcrowding within the shop. Whilst costs such as planning permission and solicitors fees are sunk into the business and therefore cannot be altered by the managers.

The total annual costs are shown below:

- Costs for initial year £73644.35
- Costs for years 2-5 £55000.00 (approx.)
- Costs for year 6 and onwards £43000.00 (approx.)

These costs are mostly estimates and may alter when actually operating a company. They are, however, based on past experience of other video shop owners and figures available from the owners of the premises so they are the best estimates available at the current time. These cost figures could be reduced dramatically by buying the videos in larger quantities and hence receiving a discount from the supplier if demand was larger than expected. If demand was lower than anticipated then we could reduce costs by opening for fewer hours or by purchasing a reduced quantity of new videos every month.

Profits

Objectives:

The objective of Bailrigg Videos is to provide a high quality video rental service on the university campus for student's convenience. Being student-orientated, we wish that our prices be as low as possible. In order to achieve this, we need to keep our costs and profit margin to an acceptable minimum. However, as a responsible entrepreneurial entity, we will need to have some liquid assets, namely cash, in reserve so that we may sustain the business in the event of possible economic quandary, whilst at the same time, not taking advantage of the monopolistic market structure that will arise on campus.

Costs:

Obviously, in order for this venture to prosper, the costs detailed in the previous section of this report need to be covered. Our market research was indicative towards the absolute fulfilment of this requirement. However, the success of the video store will largely depend on the fee for renting out the videos. If the rental price is too high, we will not gain enough custom, but if the rental price is too low, we may be over patronised and not realise our full profit potential, as well as losing income from disappointed customers who may not be able to hire a video of their choosing.

Break-even:

Given the possible vacillating nature of our income, it is difficult to precisely predict when we will break-even. Our consumer research suggests that we could rent out 880 videos per week, giving a total weekly income of £2,275 for 31 weeks, yielding an annual income from video hire of £70,525.

As can be seen from earlier in this report, the annual cost of running the business is around £55,000, with an additional one-off start up cost of around £18,000. However, it would be unfair to recognise all of the start-up cost in the first year, since many of the assets purchased have a life much in excess of 12 months. For this reason, it has

been decided that the cost of these assets should not be recognised in full in the first year. The assets will be depreciated over five years by the straight-line method, thus giving a £3,550 hit on profits each year for the first five years of the business's activities.

Also, the loan used to initially finance the business would be paid off over a five-year period. Whilst unwanted interest charges will be incurred in years 3 to 5, the business has the advantage of being more liquid than would otherwise be the case.

This leads to an accounting profit of £8,840 for the first five years and £26,000 for the foreseeable future after that. This profit figure is not particularly large, but would constitute a sufficient reserve for times of reduced income.

Thus, we would break-even after approximately 15 months, although not all costs will have been recognised by that time.

As mentioned earlier, none of the cash inflows to the company are certain, and "slack" has been built into our forecasts such that the business can survive by hiring out only 790 videos per week, leading to break-even after five years, when all our long-term debt is repaid.

Contingency Plans:

In the extremely unlikely event that our income is lower than estimated, there are a number of courses of action open to us.

The most favourable to start with is that of extra advertising around campus. This could be done by a poster blitz, advertising in SCAN, and / or advertising on Bailrigg FM. Out of these three media, the poster blitz would probably be the cheapest to execute, and would probably increase sales the most per pound spent on advertising.

In conjunction with this, we could offer special offers / discounts to stimulate interest in our business. For example, two-for-the-price-of-one deals, money-off if the video is returned by a certain time, etc.. However, the special offers must be closely

monitored to ensure that these measures have the desired effect of increasing our income.

Our biggest area of outlay is the purchasing of new films. To decrease our expenditure here, we could purchase less new videos, providing that our custom would not dwindle. Alternatively, we could purchase films a few months after they have been released, again, providing that it would not ultimately be to our detriment.

Depending on how the hiring-out of the video players works out in practice, we could purchase extra players to stimulate more customers without playing facilities to use our service.

Another possibility is to start limited opening in the vacations. As the plans currently stand, we only open in term-time. This means that 52 weeks costs have to be covered by 31 weeks trading! After consumer research to see if the proposition is viable, i.e. if the income exceeds the extra wages costs, this idea could be accepted or rejected.

Finally, if all the above fail, then we will have to shut-up shop and accept the loss. This is obviously not a preferred option, but one that must be taken into account. Most of the assets could be sold off, and some costs recovered, but there would still be a substantial loss.

Working Capital

In order to ascertain how much capital the business will need in order to start up, it is first necessary to work out the start up costs of the business, and the costs that will be incurred in the first year of business. This is necessary because if the sales revenue is not equal to, or greater than the yearly costs, then the initial loan will have to cover these costs as well. The start-up costs are detailed in the Costs section of this report and are also given in the Cash-Flow statements in Appendix I.

The cash flow statements show that the business will only require an initial loan of twenty five thousand pounds, which will cover the start up costs of the business. The costs of running the business (given in the cash flow statements in Appendix I) are covered by the sales revenue that the business will be generating.

The business loan can come from one of several sources, such as Bank Loans, European Grants, Lottery awards etc, and it has been decided that the twenty five thousand pound loan will be taken out with a Bank (such as NatWest or Barclays), with interest on the loan being approximately fifteen percent per Annum. The loan will be paid back in five yearly instalments of five thousand pounds, with the interest on the loan also being paid yearly.

These figures can be found in the cash flow statements in Appendix I which cover the first six years of the business, the reason for this is so that we can have an indication of the amount of cash flowing in and out of the company after the business loan has been paid off.

Premises and Equipment

The premises for Bailrigg Videos will need some requirements in order to be suitable. These are:

- A retail outlet
- Suitable size (with some storage space)
- Located close to the market
- Available to rent at a reasonable price

For basic operations the property chosen will require lighting, heating and an electrical point for the till and computer that are going to be operated. The premises will need to be not too big as a increased size will mean it will be more costly to rent and heat but the premises need to be large enough to fit all the stock and have storage space for video players. Location of the premises is another major influencing factor as it can influence demand greatly and can also influence price. Price has to be considered as it effects profit. Rental costs of the premises are likely to be a large proportion of Bailrigg Videos overall operating costs. Therefore this is another reason why price has to be a factor in our location decision.

The outlet that has been chosen is the vacant shop on the entrance to the north spine. This is central on the campus and hence will be seen by a large number of passing students. This has the benefit that he shop will be in some sense self-advertising. The size of the premises is forty-three square metres. This seems a suitable size initially considering our levels of stock. Renting these premises will cost Bailrigg Videos ten thousand pounds a year to rent. Considering its location this seems like a reasonable price to pay.

The benefits of the scale of premises to our company are that it is large enough to hold our stock on display without being wasting space. Also there could be some room for growth if the company were to purchase more videos. The drawbacks or costs of scale are that major expansion is not immediately possible internally. Also if we continue to purchase videos the stock may become too large for these premises quite quickly unless older videos are withdrawn from stock.

Expansion is a possibility in any successful business. If Bailrigg Videos were highly successful then there is a chance that we could expand within our original premises or to other premises if the expansion is on a large scale. The expansion could either be into Lancaster or on a wider level into other University campuses throughout the country.

The equipment that Bailrigg Videos will require is minimal and is limited to only the video players that are going to be hired out and the till and computer that will be assisting sales and storing the membership information. Compared to quite a lot of other firms our level of equipment is quite low.

Staff and Recruitment

Recruiting Staff:

Bailrigg Videos requires three staff whose job will be on the shop floor dealing with the renting and returning of videos and video players. We are mainly interested in employing students because they are generally willing to work for a lower, although reasonable wage, they are cheaper to recruit, have a variety of skills and it is convenient for them, especially as transport costs are low. However, we would not discriminate against local people who were interested.

Even though the staff we are looking to recruit is for a relatively low-grade job it is still important that we get the best person for the job; therefore we have created a job analysis, job description and a person specification. (see below)

Job analysis:	Working on tills Dealing with stock levels Customer contact - help etc. Sorting out / replacing videos
Job description:	Sales assistant Computer skills Basic knowledge of current films Customer skills - communicate well
Person specification:	Friendly Confident Trustworthy Reliable

The actual managing of the business will be done by the five partners, who between them have the necessary skills in running a business, apart from experience.

There are numerous methods available to us to recruit staff, some of which are more useful than others. In any case as we are a new firm we will be unable to recruit internally which means that we resort to external methods, these will vary depending on whether we are aiming at students or locals.

Assuming students, we will advertise the position in SCAN newspaper, which is relatively cheap, is seen by all students both on and off campus and all information

can be seen and kept. However it is only issued fortnightly which means that we will have to advertise perhaps a little before we are ready. Putting up posters around campus is a cheap and effective method of reaching the large student population. The only foreseeable problems is the replacement cost of posters being ripped down and covered up by others but as long as our posters are eye catching enough there shouldn't be a problem. We will also use the job board on campus, outside the Student Union as those who are really interested in looking for work will see it and it is also free.

When targeting non-student population we would have to turn more widely afield and advertise in the local paper, which has similar advantages to SCAN except that the cost is much greater at around £350 for a small advert. It is also worth considering that there will be a high response rate which will both expensive and time consuming to sort out. A recruitment agency could also be used, as it would cover a wide area and also sorts through applicants for you so we will only get suitable applicants. However costs are high as fees are charged.

Therefore, our first port of call will be with students, where we will recruit via posters, the job board and SCAN newspaper. Only if we do not receive enough interest, which is unlikely, will we aim our advertising at locals, although, we would not discriminate against a non-student applying.

Once we have numerous successful enquires we would issue a standard application form from which we would then give interviews to those candidates we feel are suitable. After which there would be brief training which is likely to be a matter of an hour and then mainly on the job training.

Wage Rates and the On Costs of Employment:

Under the New Earnings Survey the type of job Bailrigg Videos is looking for is sub major group 7b - sales occupation. Most recent data attainable was from 1995, which stated that a Sales Assistant was paid £4.48 per hour and a retail cash desk operator £4.54 (adult rates). It was felt that this was rather high especially as similar jobs in Lancaster and on campus including Sainsbury's and other video stores paid between £3.20 and £3.65. In deciding the level of wage to pay Bailrigg has relatively little scope to effect the wage level decided by the market as it is a small firm requiring

low-grade work which can be found both on campus and in Lancaster. Therefore, we have to be prepared to pay the local average if we want to get any workers. This is lower than the national average and with this in mind we believe that a wage rate of £3.60 would be adequate. This is at the higher end of the local average which would give us a good reputation amongst students, perhaps encouraging them to use our store, would keep a contented worker, especially as the work is repetitive and dull and at the same time keep our labour costs down.

The on costs of employment are those costs incurred per worker other than the wage they are being paid. These include national insurance costs, which we don't have to pay because we are only employing three workers; Health and Safety costs which will be between 11-15% which means that for a worker being paid £3.60, they are actually costing Bailrigg Videos between £3.96 and £4.14. Other on costs include training costs which are difficult to quantify as they will be minimal and consist of mainly 'learning on the job', mistakes, and finally staff discounts and other such benefits available to staff.

The managers are prepared for the time being to work without a wage whilst the company gets off the ground, allowing profit to be ploughed back into the firm. Once the company is up and running wages will be discussed.

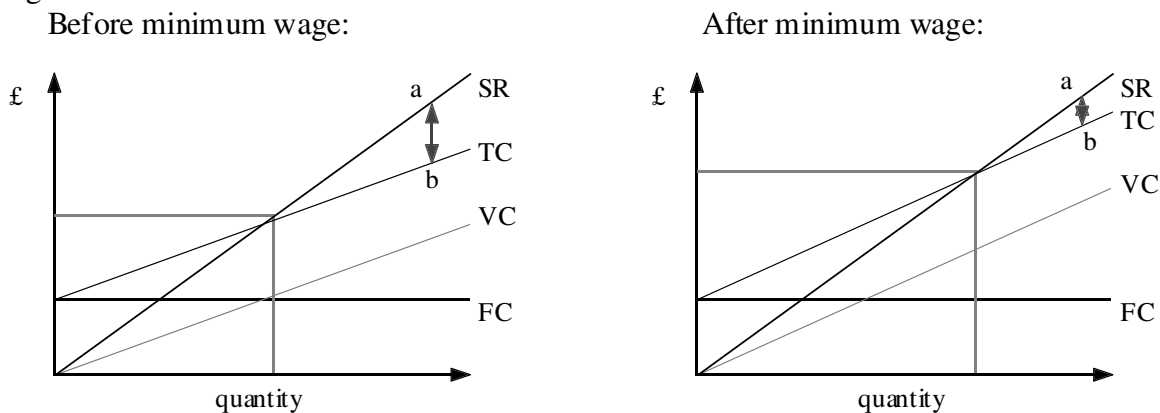
Introduction of a Minimum Wage and it's Effect on Bailrigg Videos:

The introduction of a minimum wage could have numerous effects on the business but it is hard to predict accurately since the size of the wage is unknown. For the market in general it will mean an increase supply of labour but a fall in demand by firms. Therefore, more interested workers means that we will have a greater choice of choosing a more suitable applicant, although by the time it is introduced, we will already have our labour force. In a wider sense, it could be argued that a minimum wage will result in increased unemployment amongst those very groups it is trying to protect - women, under 25s etc.. This means that they will have less money to spend on luxury items such as videos etc.. However, the student population cannot be referred to in the same way as the other groups of under 25s and it is unlikely that there will be any fall in demand on campus for Bailrigg Videos, since many students do not work during term-time and they rely on borrowing money from banks and

student loans as they are confident that once they finish their degree they will be earning a high wage in a good job.

For Bailrigg Video's cost structure, an increase in wages will mean an increase in its variable costs which will result in it breaking-even later if the minimum wage is introduced within the next year and less profit will be made in years to come. See Figure 5 below:

Figure 5:



In an attempt to reduce these costs Bailrigg Videos will introduce shorter shifts on its current workforce and would also reduce the number of staff. It may result in us introducing a labour saving technology which would actually reduce costs and actually benefit the company as it would become more efficient thus increasing profit, although this is unlikely if there are still only three staff.

Finally, as Bailrigg Videos isn't highly dependent on labour the impact of a minimum wage above £3.60 will have minimal impact costing the firm a few thousand pounds a year which at the end of the day isn't that much. The difficulties could be in the actual market itself, but again that is highly debatable as to what, if any the effects would be.

Law and Insurance

Legal Form of Business:

Bailrigg Videos has been set up as a partnership, consisting of five partners who all contribute equally to the running of the business. As no legal formalities are required, a deed of partnership will be drawn up stating division of profits, procedure for ending the partnership and each members rights in the event of a dispute, this will ensure that if there are ever disagreements they will be solved easily and with little cost. Whilst a partnership also means that the work and finance side of the business is shared, there are numerous problems. Each partner has unlimited liability so that in the event of the business going bankrupt or being in debt the partners own personal belongings such as their house could be sold to raise the money needed. Profits are shared so one gets less than if they were a sole trader and there must be a strong element of trust between the partners since one persons decisions binds the rest and therefore the company.

A partnership means that Bailrigg Videos pays income tax rather than corporation tax.

VAT:

Bailrigg Videos will have to pay vat of 17.5% once it achieves a level of turnover greater than £30,000 p.a.. At present and within the time forested the level of profit is always below this, therefore we do not have to pay. If and when we do register we will have to decide whether the cost is borne totally by the firm or whether it will be partly or all paid by the consumer in higher prices. This decision cannot be made now, as it is dependent on the position of the market in the future and actions of competitors.

Laws:

As an employer there are several laws protecting employees. These include the Health and Safety at Work Act 1975 which, for people working in a shop, covers issues such as break frequency, cleanliness, availability of drinking water, overcrowding, suitable and sufficient lighting and that the room temperature is not below 60° . As we are part of the European Union we are also subject to law made

from the European Court of Justice which includes the Sex Discrimination Act 1975 and the Race Relations Act 1976 which prohibits discrimination including dismissal and harassment on the grounds of sex or race and ensures equality of treatment. There is also the Equal Pay Directive 75/117, which ensures equal pay for equal work.

The various trading laws that have been created to protect the consumer include the Consumer Protection Act 1987 which states that we are liable for damage caused by defective products and that goods must be up to certain safety standards. The Trade Description Act 1968 prohibits misdescription of goods, services etc. and misleading prices. The Sales of Goods Act highlights consumers rights which include that they are entitled to a full refund if goods are faulty, that goods must live up to their claims and again meet with safety standards.

Finally, we must register under the Data Protection Act 1984 so we can keep employer and customer details on computer.

Insurance:

A must for Bailrigg Videos is to take out employer's liability, which provides protection against liability for accidental death, injury or disease to an employee. We will also take out property insurance which gives cover for fire, theft etc. of business assets.

Business Systems

Book-keeping:

The book-keeping side of the business is quite simple, and can be done mainly on the computer.

When a video is issued, the computer may be programmed to add the revenue from the transaction to the sales account. Also, when expenditure occurs, the various expenses may be added to the appropriate expense accounts. Obviously, transaction receipts will need to be kept in order to validate the entries made to the accounts.

Invariably, the amount of cash in the till will not match what should be in the till! Thus, this will need to be reconciled against the till audit roll and ultimately against the computer records. Any discrepancy in the amounts will need to be adjusted through the profit and loss account, consequently increasing or reducing profit.

The costs of running the business are also likely to differ from our predictions, so a close eye will have to be kept on the budget, and it will constantly need to be revised to reflect those changes.

Accountant:

As far as the law is concerned, the business only needs to produce full audited accounts if the concern's turnover is in excess of £300,000 per annum. Bailrigg Video's predicted turnover is substantially less than this figure, so audited reports need not be produced.

It is felt that, as the size of the entity is small, it would not benefit the business to pay a significant proportion of profit in order to produce unnecessarily audited reports.

Cash Control:

The main reason why businesses go bankrupt is because they have insufficient liquid assets to pay invoices when they fall due. For this reason, a good cash control system is introduced.

At Bailrigg Videos, we aim always to have enough money in the bank to meet trade creditor's demands. To this end, the size of the loan is a little larger than it would otherwise be, but gives security against not being able to pay our creditors on time, i.e. the benefit of being able to pay our creditors, in our opinion, far outweighs the small amount of extra loan interest incurred.

As far as possible, purchases will be bought on credit. This gives the business time to assemble the cash required for their purchase. If the money cannot be gathered in time, then the invoices may be paid out of the loan or out of accumulated profits.

Over the first five years, the loan will be replaced with accumulated profits, leading to a liquid capital base. Thereafter, profits may either be invested, or put towards possible expansion.

Controlling Debt:

Debts fall into two main areas: firstly, debt we owe to others, and secondly, debts due to us.

In the first of these areas, our liabilities consist of short-term trade creditors and long-term loan capital. The repayment of these is detailed earlier in this report.

On the second count, our trade debtors are only limited. The main constituent of debtors is people hiring out the videos. As payment is made when the video is initially rented, there should not be a debtor's figure at all! However, some videos will probably not be returned on time. Bailrigg Video's policy on this matter is that the appropriate rental charge should be applied to that customer when the video is returned. Some videos may never be returned, in which case, after chasing-up the

debt, Bailrigg Video will accept the loss of the cost of the video, although this is not expected to be a significant area for concern.

Business Performance:

It is important that the performance of the business is closely monitored. This will be done by several means: computer generated weekly reports will provide an indication about what the most popular videos / types of film are, whilst consumer research and questionnaires will provide more detailed information of what may be done to improve our business.

Obviously, the renting of videos is a business in which success or failure is highly dependent on consumer preference, thus we need to listen to customer comments and react to them appropriately.

APPENDIX I

Cash Flow Forecast Year 1:

	£	£
Cash at Start of Year 1		0.00
Bank Loan		25,000.00
Sales Revenue		70,525.00
Start-up Costs:		
Planning Permission	(190.00)	
Solicitor' s Fees	(587.50)	
Fixtures and Fittings	(5,000.00)	
Computer	(2,000.00)	
Cash Register	(250.00)	
Telephone Connection	(65.00)	
Initial Stock	(15,442.50)	
Video Players	(1,000.00)	
Start-up Advertising	(100.00)	
	<hr/>	(24,635.00)
Expenses:		
Rent on Premises	(10,000.00)	
Business Rates	(2,000.00)	
Insurance Premium	(5,000.00)	
Electricity	(1,800.00)	
Wages	(6,696.00)	
Telephone Rental	(105.85)	
New Videos	(21,600.00)	
On-going Advertising	(200.00)	
Banking Charges	(50.00)	
Interest Charge on Loan	(3,750.00)	
Loan Repayment	(5,000.00)	
	<hr/>	(56,201.85)
Cash at End of Year 1		<hr/> <hr/>
		14,688.15

Cash Flow Forecast Year 2:

	£	£
Cash at Start of Year 2		14,688.15
Sales Revenue		70,525.00
Expenses:		
Rent on Premises	(10,000.00)	
Business Rates	(2,000.00)	
Insurance Premium	(5,000.00)	
Electricity	(1,800.00)	
Wages	(6,696.00)	
Telephone Rental	(105.85)	
New Videos	(21,600.00)	
On-going Advertising	(200.00)	
Banking Charges	(50.00)	
Interest Charge on Loan	(3,000.00)	
Loan Repayment	(5,000.00)	
		<u>(55,451.85)</u>
Cash at End of Year 2		<u><u>29,761.30</u></u>

Cash Flow Forecast Year 3:

	£	£
Cash at Start of Year 3		29,761.30
Sales Revenue		70,525.00
Expenses:		
Rent on Premises	(10,000.00)	
Business Rates	(2,000.00)	
Insurance Premium	(5,000.00)	
Electricity	(1,800.00)	
Wages	(6,696.00)	
Telephone Rental	(105.85)	
New Videos	(21,600.00)	
On-going Advertising	(200.00)	
Banking Charges	(50.00)	
Interest Charge on Loan	(2,250.00)	
Loan Repayment	(5,000.00)	
		<u>(54,701.85)</u>
Cash at End of Year 3		<u><u>45,584.45</u></u>

Cash Flow Forecast Year 4:

	£	£
Cash at Start of Year 4		45,584.45
Sales Revenue		70,525.00
Expenses:		
Rent on Premises	(10,000.00)	
Business Rates	(2,000.00)	
Insurance Premium	(5,000.00)	
Electricity	(1,800.00)	
Wages	(6,696.00)	
Telephone Rental	(105.85)	
New Videos	(21,600.00)	
On-going Advertising	(200.00)	
Banking Charges	(50.00)	
Interest Charge on Loan	(1,500.00)	
Loan Repayment	(5,000.00)	
		<u>(53,951.85)</u>
Cash at End of Year 4		<u><u>62,157.60</u></u>

Cash Flow Forecast Year 5:

	£	£
Cash at Start of Year 5		62,157.60
Sales Revenue		70,525.00
Expenses:		
Rent on Premises	(10,000.00)	
Business Rates	(2,000.00)	
Insurance Premium	(5,000.00)	
Electricity	(1,800.00)	
Wages	(6,696.00)	
Telephone Rental	(105.85)	
New Videos	(21,600.00)	
On-going Advertising	(200.00)	
Banking Charges	(50.00)	
Interest Charge on Loan	(750.00)	
Loan Repayment	(5,000.00)	
		<u>(53,201.85)</u>
Cash at End of Year 5		<u><u>79,480.75</u></u>