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CREATING A SCHOOL MINI BUSINESS

FUNDAMENTAL AND BASIC CONCEPTS

- 1) This is an unreal situation:
 - a) We can use real money, coloured counters, buttons tops, or Cuisenaire rods instead.
 - b) In real life General Director is who has more shares.
- 2) Difference between “going to a job”/”having a company”. Concept of risk. In a public limited company (PLC) if there are not profits, you won’t lose more than the money invested in buying the shares.
- 3) The concept of MONEY. Money is a new idea backed by confidence. Money is made of paper, that paper is worthless but backed by the European Central Bank, in the case of euros.
- 4) Concept of SHARES. There are classes of shares:
 - a) With voting right for those who have the idea, or more money or skills.
 - b) With non-voting right.
- 5) The essence of a company is to make profits, win money. Corporate Social Responsibility (CSR) refers to a business practice that involves participating in initiatives that benefit society, to companies taking responsibility for their impact on society. Companies can become socially responsible by following the law and integrating social, environmental (increasing pollution or taking away a green space within the community affect the general public), ethical, consumer, and human rights concerns into their business strategy and operations.

CSR is becoming more mainstream as forward-thinking companies embed sustainability into the core of their business operations to create a shared

value for business and society. Sustainability isn't just important for people and the planet, but also is vital for business success.

6) Importance of convincing with profits, telling people that our idea is very good.

7) Balance between **costs** (fixed and variable) vs. **profits**-----reinvest in

a) Giving to shareholders, an allocated part of the profits for every share owned.

b) Financing the business growth in variable costing: b1) power (electricity,...), people(workers,...) b2) fixed costing: rent, draw material,...) b3) training.

8) Importance of management, problems in management cause a lot of failures.

9) Difference between customer/client. A client buys regularly and visits, brings new customers, has a closer relationship...

10) Importance of the Currency of the company. The company's registered office.

11) Importance of skills to create a business:

a) Technical skills... b) management skills... c) entrepreneurial skills...

12) Difference between entrepreneur and businessman. The entrepreneur likes to create, innovate, look for new ways of doing business or is able to give a new position to an existing business. The businessman has skills to set up and manage a business, but he hasn't to have that characteristic of creative innovation which has the entrepreneurs.

Steps to create a mini company / mini business

1) Hold the first meeting:

a) Find a market niche: what is it we are going to sell? Do a marketing survey and SWOT (strengths, weaknesses opportunities, threats) analysis.

Select an initial product or service: cheaper, better, and more desirable...

(product/service evaluation sheets)

b) Create a name and a logo.

c) Draw up the statutes.

2) Hold the second meeting:

a) Research on the legal requirements of the company.

b) Students apply for a post in the company (job application form). Skills-based selection criteria. They can put in a C.V. Definition, duties and skills of each post. Posts: General Director, Directors of departments or areas (Finances, Human Resources, Marketing and Production), Directors' secretaries, accountants, advertising manager, employees who produce and sell the product or service...

c) Company organization chart.

c) Sale of shares (share certificate)

This is the BUSINESS PLAN taken from the book "Junior Achievement miniempresas.es student book"

3) **Business plan** is a company policy, which is a summary of the goals and objectives and strategies to reach them. The key is to control how the objectives are being achieved in order to take the necessary measures to avoid improvisation.

It has 5 basic points:

3.1) **Executive Summary.** It is a brief introduction to the business:

a) Basic characteristics of the product or service and the market target.

b) What we do and how we do it, fill needs and differences with other similar competitive products.

c) Where to market and growth prospects of the product.

- d) Key success factors affecting consumer purchase intention.
- e) Business direction: decision making process, direction skills,...

3.2) **Production Plan**. Here you have to stress on all technical and organizational aspects taking part in manufacturing the product or service production. **Production Direction**: business progress control, production and sale of the product or service. It deals with three main aspects: productivity, quality and environmental respect.

a) Manufacturing process description: give details about where to buy raw materials, how and where they are transported, how they are stored and used in the manufacturing process, and what this process is consisted of.

b) Location of your business premises and facilities. When you are starting out, it may be possible to operate your business from home until you become more established, especially if you provide a service.

c) Equipment and machinery needed.

d) Production costs.

e) Subcontracting other companies to take part in the production process. Subcontractors do a partial work to another company. You can use subcontracting both ways, to have subcontractors work for you to fabricate components of your finished product or service, or for you to act as subcontractor for other manufacturers.

f) Quality control.

g) Other controls to guarantee the efficiency of the product or service and meet or exceed customers' expectations.

3.3 **Marketing Plan**. A marketing mix to improve your commercialization strategies (product, price, place or distribution and promotion).

a) **Market Analysis**:

-a description of the industry sector and the position we hope achieve.

- the most important competitors and market positioning of them.
- how is my product or service different to those offered by my competitors?
- why will customers purchase the product or service from me rather than my competitors?
- are there any barriers to me entering the market?
- what makes my competitors successful?

b) Marketing Strategy:

- define the market target and the market-oriented pricing strategies.
- to do an advertising plan and how the product or service is going to be distributed.
- sale strategies.
- steps to close a sale.

3.4) **Human Resources Plan**. It includes the company organization chart and a brief description of the posts of each employee and how much you are going to pay every one. Human resources direction:

- a) Staff policy: staff problems, how to prevent them, problem solving process, social responsibility of the business.
- jobs, salaries and organization.

3.5) **Financial Plan**. Finances Direction: company economic balance, financial risks. Shareholders, bankers and investors will be particularly interested in the financial needs of your business. They will want you to do a short or medium term income statement study to estimate profitability and check the financial feasibility of your business. A income statement is an accounting scorecard on the financial performance of your business that reflects quantity of sales, expenses incurred and net profit. It illustrates just how much income your company makes or loses during the year subtracting cost of goods and expenses from total revenue (the

amount of money that a company actually receives during a specific period) to arrive at a net result, which can be either a profit or a loss.

4) **Winding up or Liquidation**. It is a formal and legal process of dissolving a business, ending its corporate existence, by selling off its assets and paying the creditors from the proceeds of the sale. This process is initiated either by shareholders (voluntary liquidation) or by the creditors after obtaining court's permission (compulsory liquidation).

BUSINESS PLAN DEVELOPMENT (BPD)

The BPD evaluates the mini company possibilities. It includes all the basic aspects on the economic, financial and technological means. The BPD is only good intentions unless it entails hard work immediately. A company policy is a summary of goals and objectives and the strategies to reach them.

List to organize a mini company

1) Develop a remuneration plan including:

- ☐ Directors and managers salaries
- ☐ Salaries and commissions

2) Develop a production plan including:

- ☐ List of materials and equipment needed
- ☐ Cost of materials
- ☐ Production goals and activity timetable
- ☐ Quality control process description

3) Develop a marketing plan including:

- ☐ Sale strategies and distribution
- ☐ An advertising strategy
- ☐ Sale goals, incentives and timetables

4) Develop a prices strategy and fix a price for the products/services

5) Develop a financial plan including:

- ☐ a project of incomes
- ☐ capital needs

Preliminary Business Plan

Answering these questions will you a preliminary company policy for the production and sale of the initial product or service.

1) What is the initial product or service?

2) Who could be more interested in buying the product or service? For example, secondary students, people who like cooking, football fanatics, teachers, etc.

3) How much do you think these people are willing to pay for your product/service?

4) Now the big question: Will your suggested price cover the material and work costs and other costs?

4a) What is the total cost per unit of the product/service?

4b) Does your suggested price cover the unit cost?

☐ Yes

☐ No

If it doesn't cover it it would be better to reconsider your price, otherwise the company will lose money in each sale. If it covers it, will the other costs be covered? This is a difficult question to answer if we do not have more information. But if you follow the next instructions your mini company will generally cover the operating, work and material costs.

Material costs

Sale price

1

2

3

5

5

8

10

15

4c) If you are grounded on this information, what price would you recommend? _____ €

5) We are about to finish! We still need the production and sale goals

-What is the difference between the sale price and the material cost per unit?

-How many units will your company have to sell to cover the total cost of materials?

In order to cover all your costs, multiply that number by 1.5. This will be your production and sales goal.

-Are these reasonable goals?

-How many units will each company member have to sell?

CURRICULUM VITAE TEMPLATE

PERSONAL INFORMATION

Replace with First name(s) Surname(s)

[All CV headings are optional. Remove any empty headings.]

📍 Replace with house number, street name, city, postcode, country

☎ Replace with telephone number 📱 Replace with mobile number

✉ State e-mail address

🌐 State personal website(s)

💬 Replace with type of IM service Replace with messaging account(s)

Sex Enter sex | Date of birth dd/mm/yyyy | Nationality Enter nationality/-ies

JOB APPLIED FOR POSITION PREFERRED JOB STUDIES APPLIED FOR

Replace with job applied for / position / preferred job / studies applied for (delete non relevant headings in left column)

WORK EXPERIENCE

[Add separate entries for each experience. Start from the most recent.]

Replace with dates (from - to)

Replace with occupation or position held

Replace with employer's name and locality (if relevant, full address and website)

▪ Replace with main activities and responsibilities

Business or sector Replace with type of business or sector

EDUCATION AND TRAINING

[Add separate entries for each course. Start from the most recent.]

Replace with dates (from - to)

Replace with qualification awarded

Replace with E
(or other) level
relev

Replace with education or training organisation's name and locality (if relevant, country)

▪ Replace with a list of principal subjects covered or skills acquired

PERSONAL SKILLS

[Remove any headings left empty.]

Mother tongue(s)

Replace with mother tongue(s)

Other language(s)

Replace with language

Replace with language

UNDERSTANDING		SPEAKING		WRITING
Listening	Reading	Spoken interaction	Spoken production	
Enter level	Enter level	Enter level	Enter level	Enter level
Replace with name of language certificate. Enter level if known.				
Enter level	Enter level	Enter level	Enter level	Enter level
Replace with name of language certificate. Enter level if known.				

Levels: A1/2: Basic user - B1/2: Independent user - C1/2 Proficient user
Common European Framework of Reference for Languages

Communication skills

Replace with your communication skills. Specify in what context they were acquired. Example:
▪ good communication skills gained through my experience as sales manager

Organisational / managerial skills

Replace with your organisational / managerial skills. Specify in what context they were acquired.
Example:
▪ leadership (currently responsible for a team of 10 people)

Job-related skills

Replace with any job-related skills not listed elsewhere. Specify in what context they were acquired.
Example:
▪ good command of quality control processes (currently responsible for quality audit)

Computer skills

Replace with your computer skills. Specify in what context they were acquired. Example:
▪ good command of Microsoft Office™ tools

Other skills

Replace with other relevant skills not already mentioned. Specify in what context they were acquired.
Example:
▪ carpentry

Driving licence

Replace with driving licence category/-ies. Example:
▪ B

ADDITIONAL INFORMATION

Publications
 Presentations
 Projects
 Conferences
 Seminars
 Honours and awards
 Memberships
 References

Replace with relevant publications, presentations, projects, conferences, seminars, honours and awards, memberships, references. Remove headings not relevant in the left column.

Example of publication:

- How to write a successful CV, New Associated Publishers, London, 2002.

Example of project:

- Devon new public library. Principal architect in charge of design, production, bidding and construction supervision (2008-2012).

ANNEXES

Replace with list of documents annexed to your CV. Examples:

- copies of degrees and qualifications;
- testimonial of employment or work placement;
- publications or research.

JOB APPLICATION FORM _____

Date _____

Mini Business (small business) _____

Job/position looked for _____

Personal information _____

Name _____ Telephone _____

Address _____ email _____

School Education _____

School _____ Year _____

Average mark _____

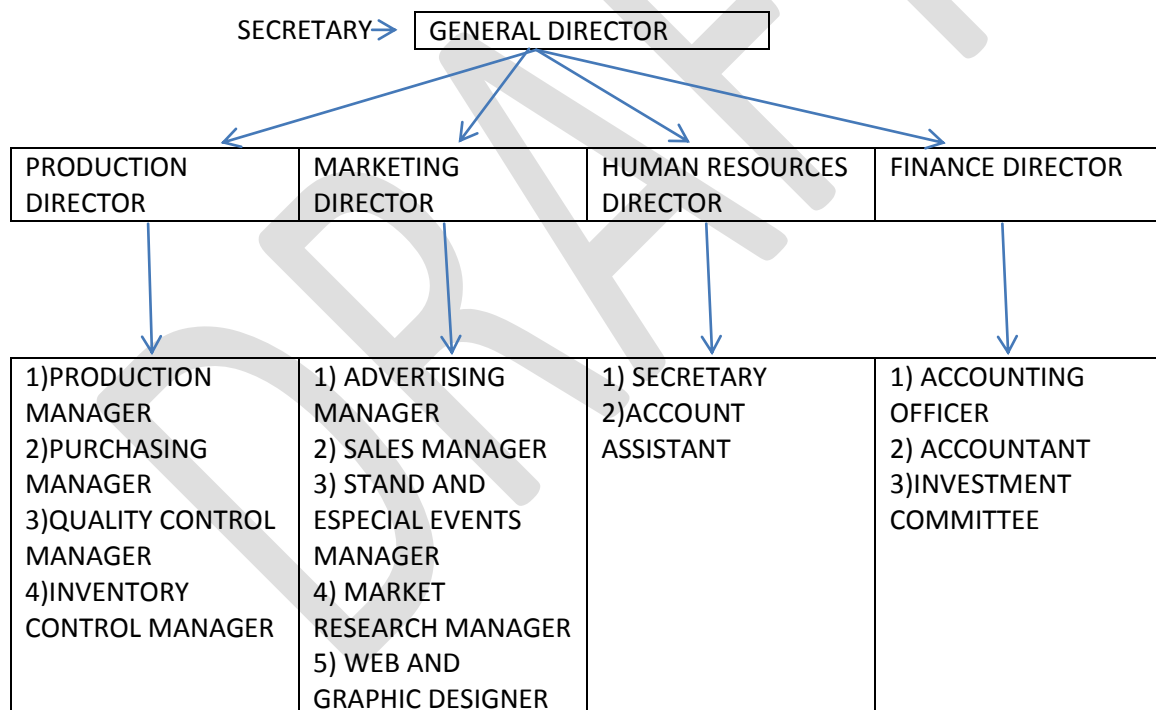
Qualifications that will help you in this job, for example accountancy, knowledge of languages:

Extracurricular activities that have helped you prepare for this job. Write your position within those extracurricular activities, for example, secretary, captain of a basketball team:

Future studies you intend to perform:

How would you describe yourself?:

MINIBUSINESS ORGANISATION CHART



First option: each student applies for a job through the job application form.

Second option: each student doesn't have to apply for a position of the 20 shown in the chart, but only the CEO and CEO's secretary. Groups can be set up in every department with students taking the main responsibility for each department in turn.

20 € par value

SHARE CERTIFICATE

Nº.....

A share. Non-transferable. Redeemable within a year's time from its date of issue.

..... a Junior Achievement company in (city/
town)..... certificates that (name).....

is the owner of a share at a price of....., related to the information in the Certificate.

JUNIOR ACHIEVEMENT

Representative..... Date.....

MINI COMPANY

* the shareholder appoints this representative
to vote on his/her behalf in the
shareholders' meeting.

SHAREHOLDER'S INFORMATION CARD

Watch out: Make sure your name and address are complete and readable. Please sign

Nº.....

NAME PHONE NUMBER:.....

EMAIL ADDRESS

SHAREHOLDER SIGNATURE.....

P.C. CITY / TOWN

REPRESENTATIVE.....

SERVICE EVALUATION SHEET

Answer the questions below to evaluate a possible service. Mark each feature with 1(poor), 2 (good) or 3 (excellent). When you evaluate the service, take into account other products or services which your Mini Company offers.

FEATURES OF THE SERVICE

1. **Attraction**. Most consumers should consider the service useful.

- It aims at a very limited market (birthday parties)
- It is for a specific but big group- secondary education students
- It aims at a large and varied group of people

2. **Demand**. The best services are always on demand. Avoid services which are required just one time.

- Seasonal services or just one time services
- Services which may be needed during the lifespan of the Mini Company (organising a dance for a party)
- Services which are always necessary (window cleaning)

3. **Safety**. Avoid services which may be a threat for customers.

- Consumers need special training or may get injured: mountain bike or mountain climbing.
- It is safe for adolescents and adults: dance parties, visiting museums.
- Limited participation of the customer: cleaning services or gardening.

PROVIDING THE SERVICE

Junior Achievement services should not need special tools. The best services are intensive services.

4. **Materials**. Materials should be available in local firms or reliable suppliers.

- Materials should be bought to different dealers.
- Most materials are available in the city but some key materials must be bought to a far off supplier.
- Materials are only found in a local or a national supplier.
- Materials can be bought to some relative involved in the business or somebody familiar to a Junior Achievement member.

5. **Special knowledge**. Those services which require many workers and special knowledge should be avoided.

- Special knowledge is required: advanced computer experts or tourist services.
- A specialist can be provided: advertising campaign, organisation of birthday parties.
- Easy to develop for adolescents with basic knowledge (car wash service, gardening)

6. **Work.** The service must involve most members during most of the programme.

- All services can be done in one or two sessions by a few members
- All services can be done in one or two sessions by all the members.
- The demand of the service is adjusted to the mini company capacity to provide it.

The Financial factor

The Price must be reasonable and profitable. If your Mini Company has a variety of services it would be appropriate to have a range of prices: expensive, medium and cheap services. The following points are for the main service:

7. **Price.** Could you offer a competitive price which generates profits and allows you to pay commissions? Low prices demand a lot of sales and expensive services are difficult to sell.

- Prices above 70€
- Prices between 40 and 70 €
- Prices between 10 and 40 €
- Prices between 1 and 10 €

8. **Gross Profit Margin.** The gross margin must reach at least from 35 to 45%.

-Gross Profit Margin (GPM)= selling price—(less) cost price(the cost to make the product or service)

E.g.: GPM= 40 €--25€= 15€

-Gross Margin Percentage (GMP)= $\frac{\text{selling price} - (\text{less}) \text{ cost price}}{(\text{divided by}) \text{ selling price}}$ X(multiplied by) 100

E.g.: 40€--25€:40€X100= 37,5%

-Selling price I wish to sell for = $\frac{\text{cost price}}{(\text{divided by}) 100 - (\text{less}) \text{ required profit margin}}$ X (multiplied by)100

E.g.: 25€: (100—37,5)X100= 40€

- Gross margin above 35%
- Gross margin between 35 and 40%
- Gross margin between 41 and 45%
- Gross margin above 45%

9. **Time.** If the service needs a long time it may be difficult to develop.

- It can take more than six hours a week: painting a house
- It can be done on Saturday or at a fixed hour
- It can be done regularly within the Schedule of the mini company

10. **Safety.** Avoid services which may be risky for the members. Electric tools must not be used: lawnmowers, electric saws.

- The service demands frequent journeys, special training or unusual safety measures: window cleaning on a second floor, post service across the city.
- Tools are dangerous: soldering iron, drills.
- Few basic tools and safe materials are needed: screwdrivers, pliers, sandpaper.
- Tools are not needed and there is hardly any travelling.

Discuss the result with the other members. Summarize your reasons to recommend or reject the service.

Add the points here (If you believe that your Mini Company is firmly decided to produce and sell this service add two extra points).

Points	Service Rating
26-30.....	Excellent
21-25.....	Very good
16-20.....	Good
11-15.....	Poor

PRODUCT EVALUATION SHEET

Answer the questions below to evaluate possible products. Write down the points that you assign to them. Being 1 the worst scoring and 4 the best one.

a) Product Characteristics

1) Attraction. The majority of consumers consider the product useful or decorative.

- The product is of low quality and/or it has a bad look.
- The product achieves the standard quality but it does not attract much attention.
- The product is of good quality and quite appealing.
- The product is of excellent quality and highly appealing.

2) Market size

- It appeals to a very limited market (fishing rod for left-handed people).
- It appeals to a specific and small market (plastic surgeons).
- It appeals to a specific but large market (high school students).
- It appeals to a large and varied group of people. Anybody could buy it.

3) Size. Big products are difficult to store and dispatch.

- It needs a delivery van to be transported.
- Too expensive shipment.
- It is easy to be transported.
- It goes into a pocket or wallet.

4) Storage life. Yesterday's bread is difficult to sell and so it is last year's fashion.

- It gets spoilt easily, it gets dry, it melts, it loses validity.
- It is seasonal, a trend or it has a month expiry date.
- It can last a year or more, or at least the whole semester.
- It has unlimited life storage.

5) Safety. Products must be safe for consumers. Avoid toys with small parts or sharp borders, cosmetic products that can produce allergic reactions, food that can get rotten, etc.

- The consumer must learn its use with detailed and complex instructions.
- It has cutting borders.
- It is safe for teenagers and adults.
- Even a baby can handle it.

b) Production. It is not recommended the use of electric or special tools. The best products for a mini company are those requiring an intensive production and interesting to be produced.

6) Materials. Materials must be easily found.

- All materials have to be bought to different and distant suppliers.
- The majority of materials can be obtained in the city, but some key elements have to be bought to a distant supplier.
- The material suppliers are local (close by).
- The material suppliers are local (close by) and besides they have work experience with mini companies.

7) Special Knowledge. Avoid those products requiring many workers or special practice.

- Only artists or electronic engineers can make them, etc.
- It requires a previous training, with a lot of possibilities of errors.
- It requires basic painting, dyeing or sanding
- Easy to assemble and with few possibilities of error.

8) Safety. Avoid breakable products, requiring a special packaging or containing hazardous chemical elements.

- It requires special security measures (use of a blowlamp).
- Tools are dangerous (soldering iron, fragile or sharp products, metal bells, etc.).
- It requires a simple manual tool and safe material (screwdrivers, pincers or sandpapers).
- Assemblage and packaging are totally manual.

9) Work. The production should be carried out during the whole life of the mini company and everybody should be able to take part in it.

- A few members produce everything that has been planned, in one or two sessions.
- The production can be only carried out by a small group of the mini company members.
- All members can make up the assembly line, but they produce everything that has been planned in 2 or 3 weeks.
- Production can be carried out throughout the mini company life, fulfilling the sales needs and with all the members making up the assembly line.

10) Packaging. It must be simple and appealing.

- Packaging is more complicated than production.

- Packaging is easy but expensive.
- Packaging is easy and cheap.
- Packaging is easy, cheap and very appealing.

c) Financial Considerations. The price must be reasonable and profitable. If there are different products, it would be appropriate to have cheap, average and expensive products. The guides below are for the main product.

11) Price. Can it be sold at a competitive price that is profitable and allows to pay commissions? The majority of JA products are sold between 5 and 15 euros. Lower prices need more sales and more expensive products are more difficult to sell.

- Price higher than 50 euros or lower than 1 euro.
- Price between 30-50 euros or between 1-3 euros.
- Price between 3-5 euros or between 15-30 euros.
- Price between 5-15 euros.

12) Gross profit margin. It must be 35% -45% at least.

-Gross Profit Margin (GPM)= $\frac{\text{selling price} - (\text{less}) \text{ cost price}}{\text{the cost to make the product or service}}$

E.g.: $\text{GPM} = 40 \text{ €} - 25 \text{ €} = 15 \text{ €}$

-Gross Margin Percentage (GMP)= $\frac{\text{selling price} - (\text{less}) \text{ cost price}}{\text{selling price}} \times 100$
(divided by) selling price

E.g.: $40 \text{ €} - 25 \text{ €} : 40 \text{ €} \times 100 = 37,5\%$

-Selling price I wish to sell for = $\frac{\text{cost price}}{(\text{divided by}) 100 - (\text{less}) \text{ required profit margin}} \times 100$

E.g.: $25 \text{ €} : (100 - 37,5) \times 100 = 40 \text{ €}$

- Gross margin < 35%
- Gross margin = 35-40%
- Gross margin = 40-50%

- Gross margin > 50%

Add up the points here:

<u>Points</u>	<u>Rating</u>
35-48	excellent

Discuss the results with the other members. Sum up your reasons to recommend or refuse the product.

Product

<u>Points</u>	<u>Rating</u>
25-35	Good
19-24	Acceptable
13-19	Poor
12	Unacceptable

MINI COMPANY STATUTES

ARTICLE I **MEMBERS**

A. The students selected to carry out the project are members of the mini company as long as they have not been excluded.

B. all members of the mini company must own at least one share.

C. No member of the mini company can own more shares than another. All the members of the mini company cannot own more than 50% of its shares (see article II).

D. Any member absent for three meetings of the mini company without justification is automatically excluded. Members having expressed their reasons can be also excluded by the affirmative votes of two-thirds of all the Governing Board members.

E. A member can be reinstated at the request of the President and upon a majority vote of the Governing Board members.

ARTICLE II **SHAREHOLDERS**

A. This mini Company belongs to the shareholders.

B. This mini Company has two types of shareholders, both of them owning ordinary shares: inside and outside shareholders. All the members of the mini Company are inside shareholders. The others are outside shareholders. Each outside shareholder must have a representative in the managing board, who is the member that sold him the share.

C. At least half the shares of the mini Company must be owned by outside shareholders.

D. The managing board can call a general meeting of shareholders.

E. Dividend payment.

ARTICLE III MANAGING BOARD

A. The control and management of this mini Company is in the hands of the managing board.

B. The quorum for taking decisions is half the members of the managing board plus one.

C. Among other duties, the managing board will be in charge of choosing presidents and directors, replacing them if needed, asking the authorities for reports, setting wages and salaries above minimum, passing the annual report, agreeing the account and liquidating dividends.

D. Any motion addressed to the director will pass when it is supported by simple majority, unless it is specified otherwise.

ARTICLE IV. AUTHORITIES

A. The so-referred guidelines of the Board of Directors will be performed by a body/corpus of authorities made up by President and four Managers (HH.RR., Marketing, Production and Finance).

B. The above-quoted authorities will be chosen by the majority of votes of those people attending their respective meetings.

C. These authorities will be assisted, when required so, by a team of professional executives, whose designation will be responsibility of each Manager.

D. Further and additional posts may be founded, according to what the Board of Directors establishes in its records.

ARTICLE V. REMUNERATION (Payment)

- A.** The Minimum wage is 0.40 € per hour.
- B.** The Minimum wage is 1.25 € per week for a Manager and 1.50 € per week for a President.
- C.** Incomes and wages will be paid for each meeting of the mini company, except for the first and last ones to be held.
- D.** A 10% minimum commission from the general sales will be eventually paid.

ARTICLE VI. FINANCES

- A.** The mini company must follow the tax rules of the country in which it operates.
- B.** The finance department will take a detailed proof of purchase and sale received and issued registration.

ARTICLE VII. PRODUCTS AND SERVICES

- A.** The products and services offered by this mini-company must include the value added by employees.
- B.** The products or services of a mini company must be of good quality and do not pose a danger to consumers or employees

ARTICLE VIII. AMENDMENTS

These statutes may be amended by the affirmative votes of two-thirds of all the Governing Board members.

MINI COMPANY PRODUCTION PLAN

The key question is to control how the objectives are being achieved in order to take the necessary measures to avoid improvisation.

Here you have to stress on all technical and organizational aspects taking part in manufacturing the product or service production. Production Direction: business progress control, production and sale of the product or service. It deals with three main aspects: productivity, quality and environmental respect.

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. It is a marketing mix to improve your commercialization strategies (product, price, place or distribution and promotion).

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- sales strategies. -steps to close a sale.

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Financial Plan

What selling price must each unit have to cover costs?

What is the annual expected profit?

Calculate the difference between income and expenses.

Income

-Billing: Multiply the annual estimated sales by the selling price of each unit.

Expenses

-Detail the estimated expenses of marketing, production, staff, office, etc.

	Year 0	Year 1	Year 2	Year 3
Income	-----	-----	-----	-----
Expenses	-----	-----	-----	-----
Profit	-----	-----	-----	-----

-In what year do you expect income is more than expenses? (Break-even point)

Weekly duties

-To keep the financial register

-Pay the bills and save money

-Pay the salaries and wages

-Prepare the financial reports

The financial manager is responsible for keeping the accounting registers and checking the progress towards the financial aims.

The profit-and-loss table allows to see quickly how much money the company has gained or lost during a specific period of time.

Capitalisation: The Financial Department is responsible for determining the initial capital needed to start up the business; not only money must be included but also the machinery, tools, equipment, and promises needed to start to work. In order to get the capital you should already have launched the sale of shares to the company shareholders.

Overcapitalisation: When a mini-company collects more money than is necessary (either issuing shares or borrowing credits), it is overcapitalised. You must be careful to not collect more funds than necessary.

Undercapitalisation: The undercapitalised companies are those which do not have sufficient funds to meet running costs. The draw material cost is the only expense that your company will have in principle. Make an accurate calculation of the money you will need till sales income starts to cover the operating costs.

The financial plan studies the financial needs of your company, and creates an income and expenses projection in the short and medium term in order to check the financial viability of the project.

Profit and loss table

Income: The money obtained by sales of goods or services of the mini-company.

Expenses: The operating costs of the mini-company.

The difference between income and expenses represents a profit or a loss.

The balance describes the value of things that a mini-company has and the money a mini-company has.

Material cost per unit= Total cost of materials divided by number of units.

Total cost of materials

Number of units

Break-even analysis: Helps to determine the quantity of sold services or products from which, at any price selected, you will start to have profits.

Break-even point: total fixed costs divided by selling price minus variable cost per unit.

total fixed costs

selling price --variable cost per unit

Example: The company “Wash your car” thinks to charge their clients 10 € for each wash. Before fixing the price, the company would like to know

how many washes will they have to do in order to start having profits. The break-even analysis result is the following: the fixed costs (rent, wages and equipment) are 30,000 € per year. The variable costs (water, electricity, salaries, etc.) are, on average, 2.50 € per car. Therefore:

Break-even point= $30,000/10 - 2.50 = 4,000$ washes. That means that from 4,000 washes onwards, each wash will give profit to the company.

Winding up or Liquidation Plan

A liquidation plan, or 'winding up' of a company is a formal and legal process of dissolving a business and ending its corporate existence, by selling off its assets and paying the creditors from the proceeds of the sale. This process is initiated either by shareholders (voluntary liquidation) or by the creditors, after obtaining the court's permission (compulsory liquidation).

What are the procedures necessary to dissolve a mercantile society?

When a **mercantile company decides to dissolve**, it must first ensure that there are no debts pending payment, otherwise dissolution cannot occur. Therefore, the first step is to settle the obligatory payments incurred and recover the collection rights. This procedure is called liquidation.

The administrators will call a general meeting, where the partners will record the dissolution agreement and begin the liquidation period. **The administrator ceases in his position and appoints a liquidator**, a role which usually assumes the same administrator. This will be the mercantile society's new representation and management until it is fully dissolved. The General Meeting continues to remain, although only for matters relating to the liquidation of the company.

The appointment of liquidators shall be registered in the Mercantile Register, along with the dissolution. The registrar will send the registration to the Official bulletin of the registry for publication.

Once the liquidation is completed, **a final balance sheet will be drawn up**, which will be incorporated into the dissolution deed and approved by the partners. Once the balance has been approved and the social property has been distributed, the liquidators must request the cancellation in the Mercantile Register of the book entries related to the dissolved company. Before filling in the registry, the Tax on capital transfers and documented legal acts must be settled, following the same procedure established for the constitution. **The accounting documents must be kept for a period of six years** in the registry.

Once the deed of dissolution has been registered, **a copy will be presented in the Tax Agency accompanied by the census Model 036** where the fact is indicated.

INSOLVENCY PROCEEDING

The legal procedure that originates when a company is in a situation of bankruptcy from which it cannot hope to recover due to the totality of the payments that it owes, is called an insolvency proceeding. This procedure covers situations of bankruptcy and those of suspension of payments.

It begins when a judge is asked to intervene and appoint an administrator who will negotiate with the creditors to see how the company can handle its outstanding debts.

Companies that do not require insolvency proceedings can continue to operate normally. If this is unlikely to be achieved, they will proceed to the liquidation of the company as outlined previously.

FINAL REPORT

Summary of difficulties encountered in putting the mini company into practice, and possible solutions in order to be solved in the future.

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