



BSBFIM601
Manage finances

OVERVIEW- BUSINESS EXAMPLE

- I am starting the Business of Internet Advertisement Service which will support clients for posting their advertisement on the website such as Face book, Google Ad, Seek.com and Gumtree.com.au instead of them.
- We will distribute the client's advertisements to the so many websites.
- So we need to research and prepare revenue, expenditure and capital investment proposals for a business or strategic opportunity.



OPPORTUNITIES AND OBJECTIVES

○ Opportunities

- According to our research, some retailers or shop owners want to advertise their service on the Internet.
- Besides, the people want to customize their advertisement for local people.
- The People want to announce any updates using Social Network Service as well.
- But, in Australia, there are not many companies which can support local customized advertisement services.

○ Objectives

- Research how much we need to spend money on start-up capital.
- Consider overheads including rent, wages, stocks and etc.
- Come up with new business model for clients who want to advertise their business on the Internet.
- Identify performance measures and tactics for monitoring and control process.
- Estimate the other finance statements such as profit and loss, cash flow and etc.



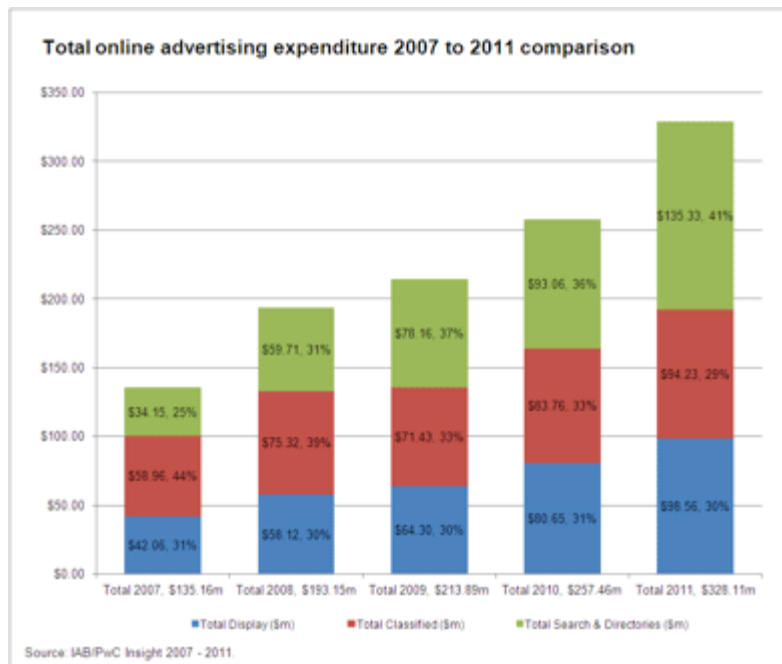
OPPORTUNITIES TO SPECIAL PROJECTS

- According to our research and the opportunities, so many people want to advertise their business and service on the Internet.
- However in Australia it is not easy to find any proper company which supports the business people.
- Although some large companies such as Google or eBay support an Internet advertisement service, they only have a public advertisement strategy for any people.
- So, we are going to make a new business model which supports an Internet advertisement but, it will be very specialized and customized for local people.



FINANCIAL TRENDS AND OBJECTIVES(1)

- Financial Trends



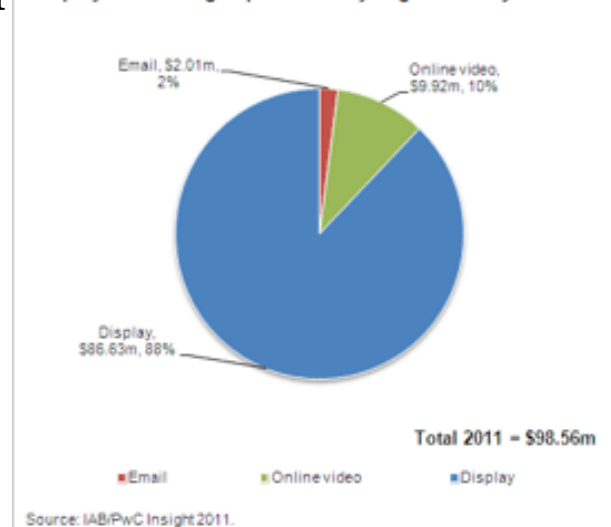
- Before business starting, we have researched financial trends, which describe how the trends have moved from offline advertisement to online advertisement, and come up with more reality objectives based on those financial trend data.
- So, according to some researched data which is conducted Online advertising in New Zealand 2011, online ad spend will increase its share of the total ad spend market from its current position of 12 per cent to 19 per cent by the end of 2013.



FINANCIAL TRENDS AND OBJECTIVES(2)

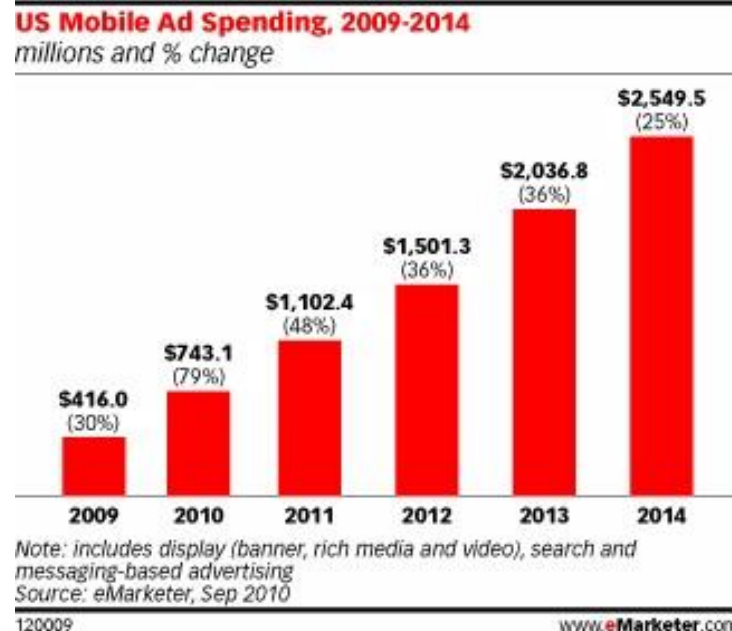
- The chart below shows Total online advertising spend in the fourth quarter of 2011 was \$87.11m, up 20.52 per cent year on year. Display advertising in the same quarter was \$27.03m – its biggest quarter to date. Both email and online video spend increased throughout 2011:
 - Email advertising increased from \$0.24m to \$0.61m
 - Online video increased from \$1.90m

Display advertising expenditure by segment full year 2011



FINANCIAL TRENDS AND OBJECTIVES(3)

- The graph below is meant as mobile marketing spend is on the rise. Forrester research announces mobile advertising in the U.S. will become a billion-dollar business for the first time in 2011. And between 2011 and 2014, the market will more than double in size, topping \$2.5 billion.



FINANCIAL TRENDS AND OBJECTIVES(4)

○ Objectives

- According to the above data, which show the internet advertisement industries have been grown gradually from 2009 to 2014, Internet marketing and advertisement are valuable to promote as a new business, because the business still growing and mobile marketing, which is combined with Internet infrastructure, is required for people. Therefore, the business plan could be focused on internet, mobile and social media as the objectives below.
- Business Preparation : Internet advertisement and Trends research, Mobile advertisement and Trends research, Social advertisement and Trends research
- Internet Advertisement Service :Banner Advertisement Service, Web Search Advertisement Service, Email marketing
- Mobile Advertisement Service : Mobile Banner Advertisement Service, Mobile Web Search Advertisement Service, Mobile Application for Promotion
- Social Media Advertisement Service : Face Book Advertisement Service, Twitter Advertisement Service, YouTube Advertisement Service



FINANCIAL PLANNING, TIMEFRAMES AND RESOURCES(1)

○ Financial Planning

- Allocation expenses and resources for financial planning must be setup, but it is an initial stage, which means the items can be not correct or need to be revised.

Start-up Expenses	
Legal	\$1,000.00
Stationery, etc.	\$2,500.00
Employment	\$15,000.00
Promotion	\$5,000.00
Insurance	\$250.00
Rent	\$500.00
Research and Development	\$1,000.00
Expensed Equipment	\$3,500.00
Other	\$5,000.00
Total Start-up Expense	\$33,750.00
Start-up Assets Needed	
Cash Balance on Starting Date	\$494,000.00
Other Short-term Assets	\$5,000.00
Total Short-term Assets	\$499,000.00
Long-term Assets	\$0.00
Total Assets	\$499,000.00
Total Requirements	\$532,750.00



FINANCIAL PLANNING, TIMEFRAMES AND RESOURCES(2)

○ Timeframes

- First of all, the business planning must be defined clearly, and then some of people will be hired for web site development, business service implementation, Marketing and Sales.

Activity	Step 1	Step 2	Step 3	Step 4	Step 5	Step 6	Step 7
Business Planning							
Employment							
Web Site development							
Business Service Implementation							
Promotional Campaign							
Review the activities							
Start Internet AD service							
Start Mobile AD service							
Start Social Media AD service							



INDIVIDUALS OR GROUP ARE GIVEN RESPONSIBILITY FOR THE DEVELOPMENT

- Chief Technical Officer
 - This position needs work experience including engineering, programming and sales.
- Online User Experience and Marketing
 - This position is required with experience in the interactive space, specializing in online branding, marketing, and user experience design.
- Marketing and Communications
 - Marketing and Communications roles want the right person who has experience in sales, employee communications, public relations, interactive communications and technology marketing.
- Advisor
 - Advisor can be described as a person is expertise in Business Administration in Management Science and

Position or Role	Men Months
Chief Technical Officer	1
Online User Experience and Marketing	1
Marketing and Communications	1
Development and Technical Service in IT area	3
Sales and Consulting	2
Advisor	1

* The salary will follow the market rate in Australia.



ANALYSIS WITH PAST EXPERIENCES, PRESENT TRENDS AND FUTURE EXPECTATIONS FOR PROPOSAL(1)

○ Analysis

- As an example below for that we are processing business plan, this chart shows the growth of online advertisement revenue and the simultaneous decline of newspaper advertising in the United States.
- The Interactive Advertising Bureau announced that online advertising revenue in the United States was up 14 per cent in the first half of 2012, hitting a new record of \$17 billion. Online ad revenue has been rising steadily for more than ten years now, only dipping once in the wake of the financial crisis in 2009. Naturally, the rise of online advertising comes at the expense of other media, with newspapers arguably being the worst affected. Radio is also in a fight for advertising survival.
- Bob Pittman, born Jackson, MS., founder MTV and AOL executive is un-retiring to lead Clear Channel's attempt to recapture market.



ANALYSIS WITH PAST EXPERIENCES, PRESENT TRENDS AND FUTURE EXPECTATIONS FOR PROPOSAL(2)

○ Proposal

- Offline advertisement business will be decreased due to less preference than online advertising which have been getting more populated with changed IT infrastructure such as faster Internet speed, Smart phone and tablet PC.
- This IT environment makes it possible to appear an advertisement as photo, music and movie, but not only text.
- As a result, these factors could convert simple text advertising to a variety of types for advertisement.
- So it can be suggested that using many types of media for advertising.



PROPOSAL LINKED OBJECTIVES

- The suggested proposal ideas could be matched into the each objective.
- These proposal items and advertisement types will be chosen based on people requirements and different preferences.

Proposal Items	Advertisement Types		
	Internet	Mobile	Social Media
eMail	<input type="radio"/>	<input type="radio"/>	
Image	<input type="radio"/>		<input type="radio"/>
Video	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Instant Message			<input type="radio"/>
Music	<input type="radio"/>		
Mobile App		<input type="radio"/>	
Web Search	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>



COST BENEFIT AND RISK ANALYSES(1)

○ Cost-benefit analysis

- In the beginning, the development will cost \$80,000 to setup every business parts and infrastructure excluded employees, and it will lead people to an efficient business flow.
- After one year, it will expect that maintenance costs will be paid for employees, facilities and the other expenses.
- However, the benefits of advertising and marketing services from clients will highly make profits over \$120,000.

Cost-benefit Analysis			
Cost	Year		
	0	1	2
Development Costs	-\$80,000		
Maintenance Costs		-\$75,000	-\$82,500
Total Costs	-\$80,000	-\$75,000	-\$82,500
Present Value of Costs	-\$80,000	-\$65,217	-\$62,382
Cumulative PV Costs	-\$80,000	-\$115,217	-\$177,599
Benefits			
Benefits from advertising service		\$110,000	\$121,000
Benefits from marketing service		\$10,000	\$11,000
Total Benefits		\$120,000	\$132,000



COST BENEFIT AND RISK ANALYSES(2)

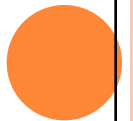
○ Risk Analyses

- There are many different types of business risk. Risks can be internal and external to business. Some risks can also directly or indirectly affect the business's ability to operate.
- Risks can be hazard-based (e.g. chemical spills), uncertainty-based (e.g. natural disasters) or associated with opportunities (e.g. taking them up or ignoring them). The Australian standard defines risk as 'the chance of something happening that will have an impact on objectives'. The table below represents some of the main risk issues for common business parts.
- Thus, those issues must be considered in the middle of business planning.



COST BENEFIT AND RISK ANALYSES(3)

Issues	Description	Level	Cost
Legal and ethical obligations	Compliance with all relevant statutes, regulations and audit requirements of the organisation, along with the organisation's policies and values	High and Critical	Less than \$5,000
Legislation, codes and national standards relevant to the workplace	Relevant legislation from all levels of government that affects business operation, especially in regard to Occupational Health and Safety and environmental issues, equal opportunity, industrial relations and anti-discrimination	High and Critical	Less than \$5,000
OHS considerations	OHS legislative requirements and address organisational OHS objectives	Medium and Moderate	Less than \$3,500
Property and Equipment	Damage from natural disasters, burst water pipes, robbery and vandalism	Low and Minor	More than \$6,500
Security	Theft, fraud, loss of intellectual property, terrorism, extortion and online security and fraud	High, but Moderate	Less than \$4,000
Economic and Financial	Global financial events, interest rate increases, cash flow shortages, customers not paying, rapid growth and rising costs	Low and Moderate	N/A



INVESTMENT TARGET RATES AND CAPITAL EXPENDITURE PROPOSALS(1)

○ Investment Target Rate

- Investment target rates refer to the minimum percentage rate of return required by the organisation for a capital investment project to proceed. Thus, this table shows the minimum rate and range of investment targets.
- Our business belongs to IT Service area, so some Investment Targets such as Employment and Research and Development will be focused more than others.

Investment Target	Rate (Range)
Legal	10% (10-25%)
Employment	25% (25-25%)
Facility Expenses	15% (15-35%)
Research and Development	25% (25-30%)
Maintenance	15% (15-15%)
Risk Management	10% (10-15%)



INVESTMENT TARGET RATES AND CAPITAL EXPENDITURE PROPOSALS(2)

○ Capital Expenditure

- In order to implement the Internet Advertisement Business Service and launch strategy, we are seeking an initial seed investment of \$150,000.
- An additional investment of \$1 million will be required for operational expenses, continuing marketing campaigns, additional website enhancements, maintenance and support as necessary to establish and maintain Internet Advertising for customers.
- As detailed in the Cash Balance chart for one year, our business will be able to begin and sustain its operations with the above mentioned investments.
- We are confident the opportunities in the market place are so compelling that with year one cash flows, and our business will grow and take advantage of the growth in the Internet Advertisement Service.



INVESTMENT TARGET RATES AND CAPITAL EXPENDITURE PROPOSALS(3)

Start-up Funding	
Start-up Expenses to Fund	\$57,685
Start-up Assets to Fund	\$157,315
Total Funding Required	\$215,000
Assets	
Non-cash Assets from Start-up	\$155,000
Cash Requirements from Start-up	\$2,315
Additional Cash Raised	\$0
Cash Balance on Starting Date	\$2,315
Total Assets	\$157,315
Liabilities and Capital	
Liabilities	
Current Borrowing	\$5,000
Long-term Liabilities	\$0
Accounts Payable (Outstanding Bills)	\$0
Other Current Liabilities (interest-free)	\$0
Total Liabilities	\$5,000
Capital	
Planned Investment	
Web Service Development	\$50,000
General Customer Service and Technical Service Development	\$5,000
Research Online User Experience and Marketing	\$2,500
Employment for Advisor Positions	\$2,500
Additional Investment Requested	\$150,000
Additional Investment Requirement	\$0
Total Planned Investment	\$210,000
Loss at Start-up (Start-up Expenses)	(\$57,685)
Total Capital	\$152,315
Total Capital and Liabilities	\$157,315
Total Funding	\$215,000



PERFORMANCE MEASURES

- Getting on top of financial measures of performance is an important part of running a growing business, and it will be much easier to invest and manage for growth.
- Thus, normally, key performance indicators (KPIs) should be prepared on a regular and consistent basis and compared with prior periods. Monitoring performance using successive monthly or quarterly accounts can show trends that otherwise might not be apparent.
- The following are some important KPIs that should be monitored:

KPI	Description
Stock turnover	Reflects the number of days that it takes to sell inventory. The lower the ratio means the quicker the stock is sold.
Debtors turnover	Reflects average length of time from sale to cash collection. The lower the ratio means the quicker that accounts are paid. From a cash flow perspective, it is important to keep days outstanding to a minimum.
Current ratio	Indicates the extent to which current assets cover current liabilities and is a measure of the ability to meet short-term obligations. The rough rule of thumb is a ratio of 2:1. That is for every \$1 of liabilities (within 12 months), there should be at least \$2 in current assets to meet such liabilities.
Debt/equity	This is a measure of the extent to which a business relies on external borrowings to fund its on-going operations. The higher the ratio, the more heavily that debt financing is used. In order to provide a reliable measure, assets should be valued at market value.
Interest coverage	Provides a measure of the ability of the business to meet its interest commitments out of profits and is linked to the debt/equity ratio. The rough rule of thumb used by banks is a ratio of 3:1. That is, operating profit before income tax exceeding interest expense three times.
Return on investment	Represents the after-tax return that owners are receiving on their investment and should be compared with alternative forms of investment.
Gross profit margin	An indication of the profitability of the business and reflects control over cost of sales and pricing policies. This ratio should be compared with prior periods and to any available industry data.
Breakeven sales	Reflects the sales that need to be generated in order to cover expenses. In other words, this is the level of activity at which neither a profit nor loss is incurred, nor where total costs equate with total revenue. This is a very important ratio that every owner should monitor on a monthly basis.

OBLIGATION WITH ORGANISATIONS VALUES, POLICIES AND CODE OF CONDUCT

- Some Legal and Ethical must be considered, before starting business. So, we need to consult some organizations such as Advertising Federation of Australia, Internet Censorship Laws in Australia, Australian Competition and Consumer Commission.

- Legal and ethical obligations

Businesses should make it imperative that its officers, directors and employees act at all times in an honest and ethical manner in connection with their service to that particular company.

- Legislation, codes and national standards relevant to the workplace

These parts are relevant legislation from all levels of government that affects business operation, especially in regard to Occupational Health and Safety and environmental issues, equal opportunity, industrial relations and anti-discrimination.



OBLIGATION WITH ORGANISATIONS VALUES, POLICIES AND CODE OF CONDUCT

- OHS considerations

Occupational safety and health is an area concerned with protecting the safety, health and welfare of people engaged in work or employment. The goals of occupational safety and health programs include to foster a safe and healthy work environment.

- Advertising Federation of Australia

The Advertising Federation of Australia is the peak body representing companies in advertising and marketing communications to industry, government, media and the public. They monitor and help influence government and industry policy on issues affecting members' businesses. The AFA represents advertising agencies to unions in areas such as talent and TV production.



OBLIGATION WITH ORGANISATIONS VALUES, POLICIES AND CODE OF CONDUCT

- Internet Censorship Laws in Australia

Internet censorship in Australia currently consists of a regulatory regime under which the Australian Communications and Media Authority (ACMA) has the power to enforce content restrictions on Internet content hosted within Australia, and maintain a "black-list" of overseas websites which is then provided for use in filtering software. The restrictions focus primarily on child pornography, sexual violence, and other illegal activities, compiled as a result of a consumer complaints process.

- Australian Competition and Consumer Commission

The Australian Competition and Consumer Commission (ACCC) is an independent authority of the Australia government. It was established in 1995 with the amalgamation of the Australian Trade Practices Commission (TPC) and the Prices Surveillance Authority to administer the Trade Practices Act 1974 (TPA) (Cth) (renamed the Competition and Consumer Act 2010 on 1 January 2011). Its mandate is to protect consumer rights, business rights and obligations, perform industry regulation and price monitoring and

