



Business Planning for a Nursery School

by

Mr. Nakin Sukcharoenphon

A Final Report of the Three-Credit Course
CE 6998 Project

Submitted in Partial Fulfillment
of the Requirements for the Degree of
Master of Science
in Computer and Engineering Management
Assumption University

March 2004

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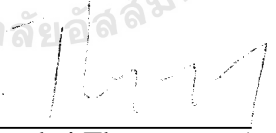
Project Title	Business Planning for a Nursery School
Name	Mr. Nakin Sukcharoenphon
Project Advisor	Dr. Chamnong Jungthirapanich
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The Graduate School of Assumption University has approved this final report of the three-credit course, CE 6998 PROJECT, submitted in partial fulfillment of the requirement for the degree of Master of Science in Computer and Engineering Management.

Approval Committee :


(Dr. Chamnong Jungthirapanich)
Dean and Advisor


(Prof Dr. Srisakdi Charmonman)
Chairman


(Assoc.Prof Somchai Thayamyong)
CHE Representative

March 2004

ABSTRACT

Theparak Area, Samutprakarn has more population, as a result of, high industrial zone and the growth of economy. However, there is no nursery in that area. When there are new born child, the relative or their parents have to come over from rural area to take care of that child with the traditional way. We think that this is the good opportunity to open up nursery schools that are good in quality of raising children and having good price for these parents.

This project is written based on feasibility study of establishing the nursery school for young children aged 6 months to 3 years. For marketing program, we create for the next 7 years in order to see the opportunity of revenue. We have divided students into 3 classes which are 6 month to 1 year, 1-2 years, 2-3 years. We then give the benefit of supplementary and food each time for children with reasonable price. Recreation and activity area has been created to improve mental and physical developments.

Then, we create operational feasibilities. We give the suitable amount of teacher to each class of students in order to take care of their child in good condition. After that we will give the head of teacher to evaluate the performance of teacher in order to be good quality. However, we give the good incentive program for each teacher.

Later on, financial feasibility, after which will give the all assumption of the condition of our school. We calculate the Pro-forma Income Statement, Pro-forma balance Sheet, and Pro-forma Cash Flow for 7 year (Year 2005-2010). Then, we calculate the financial ratio. We have discovered that we have the good working capital and we have high proportion of Return on equity. Then, we got IRR equal to 7% and payback period 5 years with $NPV > 0$. However, our permanent asset is quite low, so we have recommended the owner to use more of permanent asset to be more profitable.

ACKNOWLEDGEMENTS

I am indebted to the following people and organization. Without them, this project would not been accomplished.

I wish to express sincere gratitude to my advisor, Dr. Chamnong Jungthirapanich. His patient assistance, guidance, and consultant encouragement have led me from the project inception to the project completion.

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Special appreciation is due to my family, friends for their fervent and continuous encouragement. Above all, I am forever grateful to my parents whose willingness to invest in my future has enabled me to achieve my educational goal.

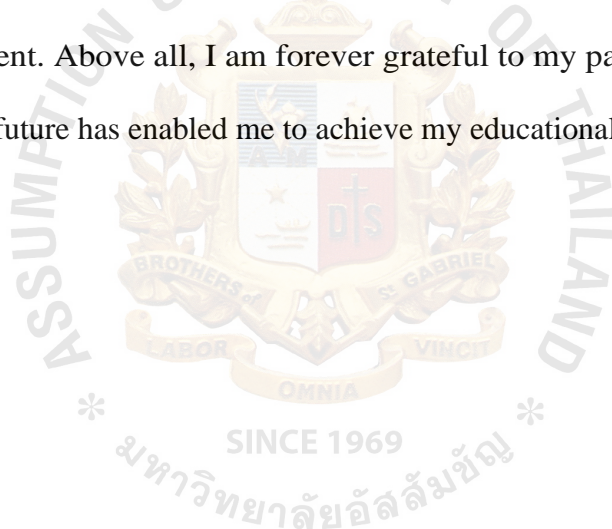


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I. INTRODUCTION

1.1 Background

This project is written based on feasibility study of establishing the nursery school for young children aged 6 months to 3 years with the intention of the author to help parents raise their children in suitable way both mental and physical by implementing the business plan to match with the market needs.

At the present, the population in Amphur Theparak, Samutprakarn Province has increased dramatically. As a result of increasing in industrial areas, the workers who have work in those industrial areas mostly live in apartments, which have not enough space for raising their child in a proper way. In addition, those parents have to work hard to earn their living so that they have not enough time to take care of their child.

Furthermore, there is no nursery school around those areas. Therefore, management of the nursery has developed business plan to respond to those needs.

In my plan, I need to do feasibility study and business plan for setting up nursery school in Theparak area, In conclusion, we separate into 6 studies. They are:

- (1) Studying the feasibility of setting up nursery school by interviewing the school nearby-and the company in industrial area.
- (2) Studying the factor that affects the business growth.
- (3) Studying the operation management for nursery business.
- (4) Studying the marketing plan for nursery school.
- (5) Find out the financial ratio of nursery school.

1.2 Objectives

The project is produced to study the following;

- (1) To study the feasibility of nursery school for future business.
- (2) To analyze the factors which affect the business __mewing the people in the given areas.
- (3) To develop the marketing plan in order to be competitive.
- (4) To conclude and suggest the financial plan in order to get the most of profit in the long term.

1.3 Scope

This project focuses on studying and analyzing the factor that impact to nursery business. The method that we use to track the data is interviewing. We select the sample school nearby and company in industrial areas for interviewing the data. Then, business plan will be written in order to get the most out of profit in the long run. Finally, The studying will not cover the school in other areas.

II. LITERATURE REVIEW

2.1 The Business Planning (Ryan, 1992)

One of the most important steps in establishing any new business is the construction of a business plan. It can help the owner - manager to crystallize a focus his ideas. It can help him set objectives and give him a yardstick against which to monitor performance. Perhaps of more immediate importance, it can also act as a vehicle to attract any external finance needed by the business. It can convince investors that the owner - manager has identified high growth opportunities, and that he has the entrepreneurial flair and managerial talent to exploit that opportunity effectively, and that he has a rational, coherent and believable program for doing so.

The business plan entails taking a long - term view of the business and its environment. A good plan should emphasize the strengths and recognize the weakness of the proposed venture. Above all, it should convey a sincerity of purpose and analysis that lends credibility both to the plan and to the entrepreneur putting it forward.

The sequences of process should plan as follows:

(a) Knowing where you are: the position audit

The whole planning process is shown diagrammatically in Figure 2.1 for an existing business this process first involves coming to terms with the personal objectives of the owner - manager.

- (1) Do we want income, or capital growth?
- (2) Do we want to sell the business as a going concern when it gets to maturity, or do we want to pass it on to our children ?
- (3) Do we want to take risks in the business or do we value security more?

It involves coming to terms with the strengths and weaknesses of the existing business, and the opportunity and threats that it faces. This is often called a "position audit" or "SWOT" (Strengths, Weaknesses, Opportunities, Threats) analysis. We are seeking to answer the following sorts of questions:

- (1) Where are we and how did we get there?
- (2) What condition are we in?
- (3) What lessons can we learn for the future?
- (4) What threats need to be countered?
- (5) What opportunities are open to us, and how can we exploit them or create new ones ?

In other words we need to determine where we can go and where we want to go. The in-depth analysis of the business will cover our products or service, finances, personnel and facilities. The sorts of questions we would ask would be the following.

(b) Products or Services

- (1) Are they quality products or services?
- (2) How do our prices compared with our competitors?
- (3) How much do we spend on promotion?
- (4) Where do we sell the product or service?
- (5) Should be change the product or service in any way?

(c) Finance

- (1) What is our current level of profit and cash flow?
- (2) Which products or services does it come from?
- (3) How strong is our balance sheet?

(d) Personnel

- (1) Are there gaps in our management?

- (2) Are there gaps in the skills of our workers?
- (3) What do they do best?
- (4) What do they do worst?
- (5) How well do we pay them?

(e) Facilities

- (1) How old are our building, machines and vehicles ?
- (2) What is their life expectancy ?
- (3) How efficient are they ?

These questions are by no means exhaustive. They simply illustrate the sort of searching questions that need to be asked and answered truthfully.

As far as the environment is concerned, we also need to ask about four key areas: the customer (the most important person so far as any business is concerned), the technology, and finally the economy as a whole. The sorts of questions we would ask would be:

(f) Customer

- (1) Who is the customer ?
- (2) What does he want from the product or service?
- (3) How important to him are quality and price ?
- (4) Where does he buy the product or service ?
- (5) How important is promotion ?
- (6) Why do customers buy our product or service, in particular ?
- (7) What developments in the product are taking place?
- (8) Can we estimate the size of the market and its future growth ?

(g) Competition

- (1) Who are our competitors ?

(2) What size of businesses are they and where are they located?

(3) How profitable are they ?

(h) Technology

(1) Is technology changing ?

(2) What are the changes ?

(i) Economy

(1) What are the growth prospects in the UK ?

(2) Can we sell Overseas ?

(3) Will we be affected by any changes in legislation?

(4) What will happen to the price of our raw materials ?

2.2 The Format of Business Planning (Ryan, 1992)

Any format for a proposed of this business plan should be viewed as providing general guidance only. Every business is different, and consequently a standard play is totally appropriate in every circumstances. Having said that, in table 2.2 we attempt to outline the skeleton of a business plan. When looking at this it should note that it is unlikely that in every circumstance all the items mentioned here will be of sufficient importance or relevance to warrant inclusion in every plan. In particular there is one overriding principle with all business plans:

Keep It Short

Any business plan should be sufficiently long to cover the subject adequately but short enough to maintain interest. Some business plans requiring a large amount of venture capital could be well over 50 pages long, but more normal projects should be restricted to 10 to 20 pages.

Clearly Table 1.1 is no more than an outline, and an outline that will have to be judiciously precise. Nevertheless it is an outline that is worth following. Plans for

internal use can be even shorter. A few comments on the main heading in this plan may be of help.

(a) Overview/Summary

The Executive Summary must be brief - no longer than or two pages. This should be treated as a stand - alone selling document. It is essential that the highlights of the entire business plans be contained in this summary. For many investors it will be the only part of the plan that they read. Indeed some advisors recommend that investing institutions be only sent this summary initially. Only if they are sufficiently interested should full business plan be sent.

(b) The company and its industry

This section attempts to establish the credibility of the owner manager and his business in the eyes of potential investors. It is important, as a common way of evaluating future potential is to look first at past performance. If, however, past performance is not a reliable indicator of future potential, it may be best to leave out this section entirely. Nevertheless the owner - manager must display a thorough understanding of His own company and the industry in which it is seeking to compete. Important, as a common way of evaluating future potential is to look first at past performance. If, however, past performance is not a reliable indicator of future potential, it may be best to leave out this section entirely.

(c) The Products/Services

This section should define precisely the products and service to be marketed. Clearly it will vary according to the number and complexity of the products or services to be marketed. While it is important to display a grasp of

the technology involved, it is important that this section is written in clear, concise, layman's language. It is important that in this section, and in others. The distinctive competences his ability to develop the product or service beyond its present form. Investors rarely participate in a one — product company without indications of future developments.

(d) Design and Development

Many new businesses that are developing products, which have not yet been marketed need to give a potential investor considerable information, not only on the stage of development the project is currently at, but also on the difficulty and risks that it faces.

Table 1.1. Outline Contents of Business Planning.

1. Overview/Summary
Purpose of the Plan
How Much Finance is Required, and What it is for
Highlights of Financial Projections
2. The Company and its Industry
Purpose of Company
History of Company
Past Successes of Company
Discussion of Industry
3. The Products/Services
Description of Products/Services and Application

Table 1.1. Outline Contents of Business Planning. (Continued)

	Distinctive Competencies or Uniqueness of Product/Service
	Technologies and Skills Required in the Business
	License/Patent Rights
	Future Potential
4. Markets	
	Customers
	Competitors (Strengths and Weaknesses)
	Market Segments
	Market Size and Growth
	Customer Buying Patterns
	Estimated Market Share
	Critical Product/Service Characteristics or Uniqueness
	Competitor Response
5. Marketing	
	Market Positioning-Critical Product/Service Characteristics or Uniqueness in Relation to Competitors
	Pricing Policy
	Selling/Distribution Policy
	Advertising and Promotion
	Product/Service Support Policy
	Interest Shown by Prospective Customer
6. Design and Development (if appropriate)	
	Stage of Development

Table 1.1. Outline Contents of Business Planning (Continued)

	Difficulties and Risks
	Product/Service Improvement
	Product/Service Development in Future
7. Manufacturing and Operations	
	Premises Location
	Other Facilities
	Product/Service Capacity
	Source of Supply of Key Materials of Workforce
	Use of Subcontractors
	Nature of Productive Process - Machinery and Critical Points
8. Management	
	Owners/Directors and Other Key Management
	Expertise and Track Record (Detail CVs as an Appendix)
	Key Management Compensation
	Summary of Planned Staff Numbers and Recruitment Plans
	Training Policies Consultants and Advisors
	Organization Charts
	Names of Accountants, Solicitors and Bankers
9. Financing Requirements	
	Funds Required and Timing
	Deal on Offer
	Exit Routed for Investors
10. Financial Highlights, Risk and Assumption	

Table 1.1. Outline Contents of Business Planning (Continued)

	Highlights of Financial Plan
	(Sales, Profit, Return on Capital, Net Worth, etc)
	Commentary on Financial Plan
	Risks and How They will be Tackled
11.	Detailed Financial Plan (for 3 years)
	Profit and Loss
	Contribution and Break -Even Analysis
	Cash Flow Analysis (Monthly 1 first year)
	Sensitivity Analysis
	Balance Sheet (Annual Only)
12.	Items Frequently included in Appendices
	Technical Data on Products
	Details on Patents, etc
	Consultants Reports on Products or Markets
	Order and Inquiry Status VS of Key Managers

(e) Operations

In this section the manufacturing or operations process should be briefly described. The section should highlight any potential problem areas such as new or untried technology or production facilities. It should highlight the intended use of subcontractors. Investors are very interested in how the

business will control the quality of its products and in the case of a service operation it may be necessary to explain how the business is organized and controlled. Premises location and other facility needs should also be discussed. Finally lead times in crucial supplies, how many sources there are, and how quickly output can be increased or decreased, should also be addressed.

Management

The importance of management cannot be over emphasized. In many ways, the development of a coherent business plan simply proves the ability section is therefore vitally important, particularly for start-up companies. It is worth remembering that for a substantial business to emerge it will be necessary to talk, not about individuals, but about teams of people with complementary skills. Ideally these skills will cover all the areas of business.

However it is unlikely that a start-up would be able to bring together a balanced team at such an early stage. It is therefore reasonable to mention areas both of strength and weakness for a start-up business. Weakness can often be addressed by using consultants. Key managers should be described in terms of their experience and abilities, together with a statement of specific responsibilities. Detailed CVs may be included in the appendices.

Detailed Financial Plan

A detailed financial plan for three years should be included with the business plan. This will include profit — and — loss estimated on a quarterly basis, cash flow analyses, monthly in the first year but quarterly thereafter, and annual balance sheets. Supplementary to the forecasts should be the assumptions on which they are based, in particular the build — up of the

sales forecast. Investors are particularly interested in contribution and break-even analysis, since the break - even level is an indication of risk. Forecasts should also be treated to sensitivity analysis. This process involves making different assumption that would vary the outcome of the financial plan. Typical variations would be based upon changes in sales targets or, for example, timing of cash flows. It is important to choose three or four main variables and to show the effect a variation in these would have on the financial plan. Most sensitivity analyses concentrate on timing, volume, gross margins and credit given.

(1) Financial Ratios

These Ratios show about the status of business. We use the ratios to analyze the business status.

(a) Internal Equity:

The owner — manager or directors of the company, may provide internal equity or come from retained profits generated through the company. That internal equity contributed around 31 percent to firm 's financing structure and in that sense was as important as bank debt as a source of funds to small businesses. As indicated in the opening section, this availability of internal equity will vary considerably between firms according to the wealth of the owner-managers or directions and the profitability of the business.

(b) External Equity:

Access to external equity has been identified as a problem Area for small business for a considerable time.

(c) Debt finance:

In providing debt finance a bank is in effect investing in a business and it needs to be confident that the opportunity provided will generate a sufficient income stream to enable repayment. The provision of finance acts as a constraint on growth only in those situations where a project that is commercially viable and profitable at prevailing and potentially higher interest rates is not undertaken because firms are not able to obtain funding dealing with its competitors.

(h) Marketing

Marketing Strategy can only be developed on the basis of a thorough understanding of the market. Often the exact details of the marketing strategy can be complex, covering such areas as market position, pricing policy, selling, distribution policy, advertising and promotion, and product service support policy. Nevertheless, any business must analyze all of these factors when formulating sales projections. These projections should be built up as much detail as possible to act as a cross-check against the sales targets developed from the market analysis process outlined previously. Sales estimated based simply on targets without the detailed nuts and bolts of how these targets are to be achieved will inevitably prove unconvincing to a potential investor. The factors which affect marketing: There are four major forces namely, Demographic, Socio-cultural, Technological, Macroeconomics.

(a) Demographic Factors

The first environmental factor is population because people make up markets. Most of the business policy makers are interested in the size

of population, aging of the population, ethnic composition, and regional changes in population growth and decline.

(1) Population

The explosive population growth are great implications for business. A growing population means growing human needs, but it does not mean growing human needs, but it does not mean growing market unless there is sufficient purchasing power.

(2) Aging of the Population

The changing age structure of population will strongly affect future marketing decisions. It will result in different growth rates for various age groups over the time period, and this difference will strongly affect policy maker's targeting strategies.

(3) Ethnic Composition

Business policy maker need to do a better job in developing products, marketing programs, and marketing communications strategies that are designed to meet the unique needs of ethnic groups, Ethnicity plays an important role in directing consumer behavior.

(b) Social cultural Environmental Factors

The society that people grow up in shapes their basis beliefs, values, and norms. People absorb, almost unconsciously, a worldwide that defines their relationship to themselves, to others, to nature and to the universe.

(c) Technology Environmental Factors

The business policy makers need to understand the changing technological environment and how new technologies can serve human needs. They need

to work closely with research and development people to encourage more market-oriented research. They must be alert to undesirable side effects of any innovation that might harm the users and create consumer distrust and opposition.

(d) Macroeconomics Environmental Factors.

The Macroeconomics Environment consists of factors that affect Consumers ' purchasing power and spending patterns. Market require purchasing power. Markets should be aware of major trend in income and changing consumer-spending patterns.

(e) Market Research Stage

To conduct a market research, our group goes through the following stages:

- (1) Search for secondary data from various sources such as magazines, newspaper, etc.
- (2) Prepare questionnaires for the in-depth interview, and conduct in-depth interviews.

In-depth interviews were conducted among sample people to help find the potential target market, and to identify which group is the potential group.

The finding from the interviews discussed below: indicate one group of potential customers and one group of experienced teacher :

Group 1: The group of people who are the potential group of sending their child to our school.

Group 2: The group of people who has experienced in teaching in primary school in order to know more of students in pre-school age.

2.3 Introduction to Feasibility Study (Muro 1975)

A feasibility study, sometimes called a project study, is an investigation that ascertains the viability of an undertaking may be a new or proposed venture, or an existing enterprise. The enterprise may or may not have an expansion program. While too often a feasibility study is merely considered as a procedural requirement for securing financing or government assistance, its real objective is to guide project promoters, business managers, and financial expectative in determining the actions they must take on a project in order to bring about its successful operation.

2.4 The Preparation of a Feasibility study

The feasibility should be following;

- (1) The collection of data which are relevant to all aspects of the undertaking
- (2) The analyses of the collected data.
- (3) The formulation of recommendations, based on the analyses.

A good feasibility study should cover the various phases of the operation of a project: organization and management, marketing, technical, and financing.

Finally, the study should include the financial projections that estimate the profitability and each requirements of a project. A study of management aspects will help the project management select the appropriate from of business organization, design the internal structure of the organization, and staff the organization. The aim of the marketing study

is to ascertain the future total demand for the product, determine the competitive situation of the product in the factory, establish the annual quantity that it may sell,

estimate the future selling prices, and design the marketing program for the product. The objective of the technical study of the factory is to select the manufacturing process, plant rated capacity, machinery design, plant location and layout, structures specifications, and operating requirements. The cash requirements and financing leverage of the factory should be to obtain adequate financing on the most reasonable terms. The selection of the management, marketing, technical, and financing specifications is based mainly on their effects on the profitability and cash requirements. Hence the need for the profitability and cash estimates, which are covered in the financial projections. The feasibility study determines the viability desirability, or practicability, of an undertaking. The feasibility study offers the advantages of constituting the most realistic basis of calculated action and minimizes the probability of business failures.

2.5 Components of a Feasibility Study (Muro 1975)

Shown below are the three components of the basic parts of feasibility study of this research.

(1) Marketing aspects

- (a) Demand
- (b) Supply
- (c) Pricing
- (d) Marketing program

(2) Operational aspects

- (a) Product specifications
- (b) Manufacturing process
- (c) Schedule of manufacturing

(3) Financial estimates and analyses

- (a) Projected cash flow statement
- (b) Projected income statement
- (c) Projected balance sheet
- (d) Net present value
- (e) Internal rate of return
- (f) Payback period

(1) Marketing Aspects (Muro 1975)

The objective of the marketing feasibility study is to establish the annual quantity of the product that is expected for selling by the project in the future. The selling price at which the product can be sold, and the marketing program which have to be adopted in order to sell the given quantity at the given price.

(a) Demand

Demand (in quantity) is considered as equivalent to the quantity of product/service. Demand may refer either to the past or historical demand, or to the projected or future demand. The expected sales quantity of the factory application of certain projection tools that the forecasting technique to estimate of the future demand or projected demand may be made, based on past demand.

(1) Past demand

The figures on the past demand that may be used in the demand projections should preferably represent the actual usage.

(2) Projected demand based on past demand

The past or historical demand may be used as the basis in projecting the demand into the future. The tools that may be used are forecasting technique. This research will use the moving average method.

(b) Supply

If the cylinder intended for the factory has a substitute, then the future demand for product/service should be estimated. The total estimated future demand should then be allocated between the proposed product/service and the product/service substitutes. The portion of the total demand that will be supplied by the proposal product will then be divided between those coming from importation and those coming from local production.

(1) Product substitutes

The relative prices and quality, and the consumer acceptance of the competing product/service, may be used as the primary considerations in allocating the overall projected demand to the proposed product/service and the product/service substitutes.

(2) Importation

After taking out the portion of the total projected demand which will be met by the product/service substitutes, the remaining projected demand (the one corresponding to the demand for the proposed product/service) will have to be allocated between importation and local production. In order to have some bases in making the allocation between importation and local production, the following would be investigated:

- (a) Import duties
- (b) Tax-free importation; and
- (c) Export pricing and subsidies.

The above items affect the landed cost imported product/service.

(3) Local production

After dividing the supply for projected demand between importation and local production, the portion of the demand that will be met by local production may have to be allocated among the various competitors, including the research under consideration. The following factors will serve as some of the bases in the allocation:

- (a) Relative strength of the competitors, including the project, in terms of production volume, location, and ownership;
- (b) Prices set by the competitors; and
- (c) Marketing program of the competitors

(c) Prices

The selling price per unit that may be adopted by a project may be determined by considering the purchasing price of product/service.

(d) Marketing Program

The product / service may be sold either on cash advance basis, cash basis, or account. If the cylinder is sold in account, the planned payment period and collection period may be patterned after those prevailing in the factory. The repayment period represents the number of days the customers are formally allowed to pay. This is normally much shorter than the collection period, or the period required for the seller to actually collect.

(2) Operational Aspects (Muro 1975)

For this research, the purpose of the operational study is to select the product specification, the manufacturing process, machinery capacity and design. The primary consideration need not be that the factory must have the most modern plant design. The real test is : will the cash generation from the factory be large

enough to attain the maximum rate of return on the investment?

(1) Product

- (a) Description and specification of the product, including weight, size, and physical and chemical properties
- (b) Tests for the product
- (c) Assurance that the products will have expected quality and quantity.

(2) Manufacturing process

The type of process to be used depends on :

- (a) The characteristics of the available raw materials
- (b) The desired quality or specifications of the end-product
- (c) The manufacturing costs, and initial investment required.

(3) Production schedule

- (a) Rated annual and daily plant capacity, at a number of shifts per day, and number of operating days per year.
- (b) Expected annual production volume for the next years.

(3) Financial Aspects

The financial study estimates and evaluates the future profitability, cash transactions, and financial condition of a research in order to guide decision-making.

(1) Major assumptions used, as on :

- (a) Project timetable
- (b) Sales volume
- (c) Plant capacity
- (d) Escalation rate
- (e) Discount rate

- (f) Raw materials to be used
- (g) Income tax rates.

(2) Financial statement (Muro 1975)

Projected financial statements, with supporting computations and subsidiary assumption:

- (a) Projected cash flow statement
- (b) Projected income statement
- (c) Projected balance sheet

(3) Financial analysis (Zerbe Jr. 1994)

"Financial Analysis" is a practical way of assessing the desirability of projects, where it is important to take a long view and a wider view and lead to a statement assessing costs and incomes relevant to project alternatives. Financial analysis is a tool for systematically developing useful information about the desirable and undesirable effects of project.

- (a) Financial Ratio
- (b) Net present value
- (c) Internal rate of return
- (d) Payback period.

(4) The stages of a Financial Analysis (Zerbe Jr. 1994)

Financial analysis is divided into four stages

Stage 1- This is concerned with when a production product / service is appropriate. It will, of course, be most appropriate where there are likely to be appreciable investment.

Stage 2 - This is more tricky and requires identifying all of the relevant costs and incomes

Stage 3 - Once all of the incomes and costs over the life of the project are enumerated, they must, of course, be discounted to present values in the same manner as for private investment detailed earlier.

Stage 4 - This is a decision which must be reached as to whether or not to proceed with the investment.

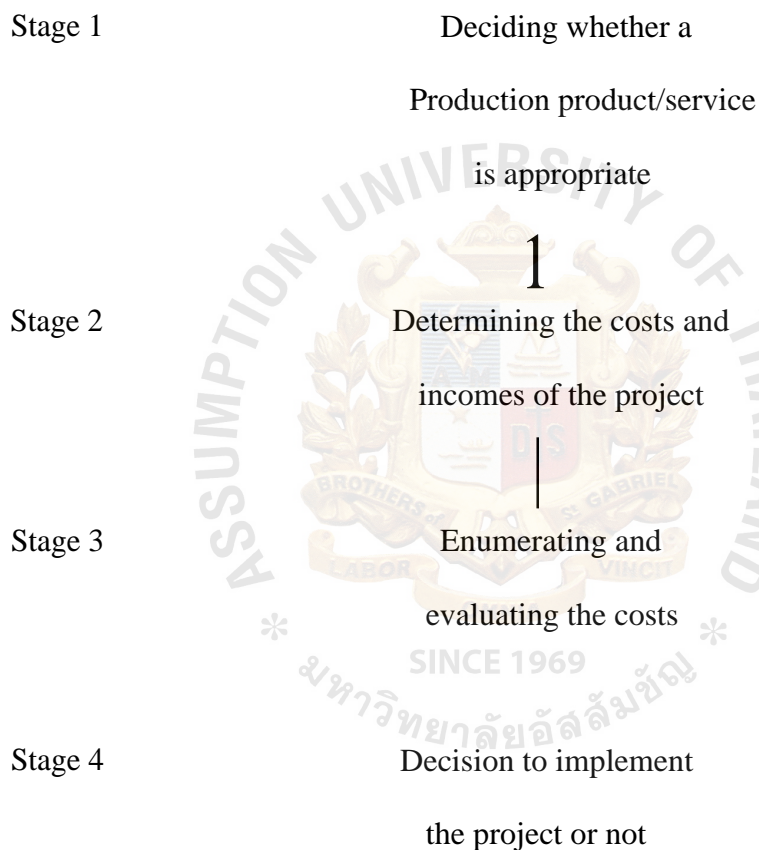


Figure 1.1. Stages of a Financial Analysis.

(5) Cost of the operation (Dewhurst 1972)

The purpose of the activity is to calculate all the anticipated costs associated with the production. It is only the cost of initial investment, but also the cost of operating and maintaining the factory, as well as ancillary

$(P/F, i\%, t)$ is the single-payment present value factor

The principle problem associated with using the NPV method is the determination of the appropriate discount rate. The feasibility study of the project can be determined directly by computing the NPV of the cash flow profile representing the proposed project. If this NPV is greater than or equal to zero, the proposed project is economically feasible; otherwise it is not feasible. Of course, the higher its NPV, the better is a project.

(7) Internal Rate of Return (Blank 1989)

The internal rate of return (IRR) is a measure popularized by John Maynard Keynes and has received a good deal of attention. Until recently, this Criterion was considered by many to be as good as the NPV criterion; however, it is now generally regarded as inferior. The IRR of a project is defined as that rate of discounting the future that equates the initial cost and sum of the future discounted net incomes. IRR refers to the discount rate at which the NPV of the cash flow profile representing a proposed project is zero. Let the IRR of the cash flow profile for project x be i , and let the discount rate specified by nursery be denoted by i . When there is only one positive IRR, the internal rate of return criterion for accepting project x is $i < i$

(8) Payback Period (Blank 1989)

The payback period refers to the length of time within which all incomes received from an investment can repay all costs incurred. It is a measure of how fast the initial outlay is repaid. Using the net annual cash flow A (for $t = 0, 1, 2, \dots, n$) representing project x , the payback period refers to the smallest positive integer q

M. MARKETING ANALYSIS

Introduction

Currently, the industrial area in Thailand has been expanded. We can see from the number of GDP in Thailand has been rising consecutively. This year, Dr. Taksin Chinnawat has estimated our GDP to 8%. As a result, many industries which sell domestically has been expanded. And also, the export industry has been increased their capacity due to the increasing in export index which is 63.4% to 70% this year.

Therefore, there are many new parents who work for this company. They still lack the place to take care of their child when they go to work. Mostly, their culture to get their grandmother from rural areas to take care of their child. However, the quality of their child still be in doubt.

Furthermore, there are no nursery school around these areas. This people will have to depend on their own to take care their child. This company has thought about this matter as the importance issue as their welfare to their workers.

We as the nursery school will see this opportunities to do contract with the company in order to help worker have more free time to work. We will take care of their child when they have to work and can pick up whenever they have free time as we will have service 24 hours.

3.1 Market Environment

There are quite several primary schools and kindergartens around Theparak areas. Generally, every school aims to provide or give knowledge as much as they can to their students for expecting and hoping that they can further enter to any good and qualified schools in the upper level. However, there are no kindergarten around this area.

(a) Cultural and Social Environment

The culture of new parents in industrial areas is that the new parents who

have to work hard to earn the money will have to let their grandmother or relative from rural areas to take care of their child, as they have to sometimes work overtime. However, the quality of taking cares their child still in doubt. Therefore, this is the good opportunity for our school to promote the quality of taking care of their child into each company. As a result, their parents have no worry about their child.

(b) Economic Environment

The economy in the last few years after Taksin has been dedicate to be president of our country; the economy has been expanded consecutively especially this year. This will affect the industry in our country who produce to sell domestically and internationally to expand their capacity. This is the main reason why there are many new workers around Theparak which near the industrial zone to expand their new staff As a result, there are new parents who move from other areas and come into this areas.

(c) Political and Legal Environment

From the ^{Stn} national economic and social development plan, there are the point to raise the nursery quality and giving importance to every school in Thailand to expand their capacity in order to improve children quality o f life in their career in the future to develop our country. So, this is the good opportunity that our nursery school will operate following the national economic and social development plan in order to give children quality of life and develop our country.

(d) Technology Environment

The technology of suitable way in raising the children has been increased in their importance to all people. Our school has seen this trend. So, we will

use the good way to raise our student in proper way both in good environment and good way of taking care of the children in order to increase their intellectual capacity.

(e) Competitive Environment

As there is no nursery school in that areas, we will be the number one school who operates in this area. So, the market of this one will be niche market.

3.2 Five Force Analysis

(1) The power against suppliers

As this school in one of the affiliated schools of Sukcharoenphon primary school. we have good relationship with supplier such as the supplies of equipment of teaching, utility things, and also the pools of staff.

(2) The power against customers

As we will launch the good relationship with each company in industrial areas in order to increase their welfare for their workers, we will launch the contract programmed with each company. This contract will vary up to the amount of student we get from their company. Such as;

0-10 students, we will give 10% discount for their tuition fees.

10-20 students, we will give 20% discount for their tuition fees.

20-30 students, we will give 30% discount for their tuition fees.

(3) Substitution Service

As we see that some of parents will get their grandmother from rural areas to take care of their children, we will give the promotion to every company in order that the company will give the information of our nursery and quality of our nursery to the new parents in their responsibilities.

(4) New Entrants

The company service will be the first service in this industry areas. So, we will see no competitors and we will gain back the money very fast.

(⁵) Competitors

The direct competitor : There are no other nursery in this areas.

The indirect competitor : Their grandmother/ relatives from rural areas. Some kindergarten school might expand their service to send the nursery take care of the children who aged less than 3 years

3.3 SWOT Analysis

(a) Strengths

- (1) The company has good experience from the experienced headmaster who used to work more than 10 years with primary school.
- (2) The source of staff can be founded from the affiliated school (Sukcharoenphon school) because there are many teacher applying for that school.
- (3) The service that the school has offered to their parents is the innovative one which no one has done this before.
- (4) The policy of our company has stressed on quality of our caring to our students. So, we will take care of the children neatly in the proper environment. (with air-conditioning).
- (5) The parents can come to visit their child when they have break on lunch time. Because the location of the school is nearby the factory. So, the parents do not have to worry about their children.
- (6) The children can continued studying with Sukcharoenphon school because we are in the same affiliated school.

(b) Weaknesses

- (1) The school is very new to people. So, we have to pay much to promote our school.
- (2) The new parents still believe in taking care of their children by their grandmother/relatives.
- (3) We still have to find the experienced teacher from many sources. And also, this is the new school so we still cannot evaluate the performance of our staff.

(c) Opportunities

- (1) The economy of Thailand has been expanded dramatically. Therefore, there are many industrial expanding their capacity so that there are many workers and new parent increased.
- (2) The price that we offer to new parents is not expensive because we range our school for the medium to low income persons.
- (3) Currently, the government has stressed the importance of education In Thailand. So, this is the good opportunity to us to invest in this section.
- (4) There are no nursery school in this areas. So, we are the first one.

(d) Threats

- (1) The new competitor can come easily as the service can be imitated easily. The technology that we use is medium range with not much investment. However, this is can payback very fast so that there might be many people getting interested in this business.
- (2) Owing to the new born school, some parents might not have trust with us.
- (3) There are substitution way of raising their child which is to get their grandmother/relatives from rural areas to take care of their child.

3.4 STP Analysis

(a) Segmentation

We have to use segmentation by geographical areas. We will focus on the new parents around Theparak area which are mostly from the industrial zone.

(b) Targeting

We are targeting into the new parents who has middle to low income which is around 2,000-30,000 baht/month.

(c) Positioning

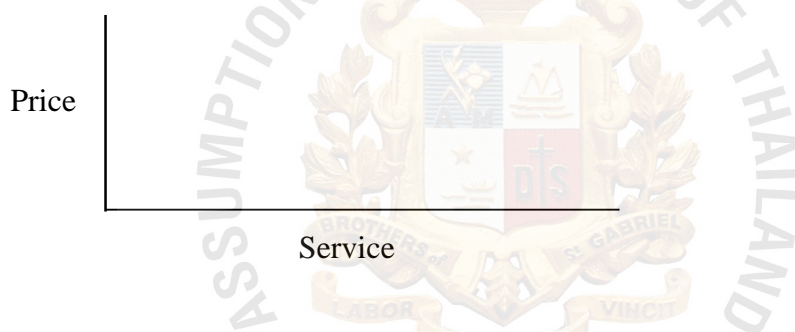


Figure 3.1. Positioning of Nursery School.

We use the positioning of low price but good service to our customers.

3.5 Marketing Mix

(a) Product

We have divided the students into 3 groups; 6 month to 1 years, 1-2, and 2-3 years.

- (1) 6 month to 1 year: We have taking care 7.00AM-4.00PM. After that we will calculate the overtime and charge parents later. Then, we will give complementary food for the child, 2 breaks(small meal), one lunch for the child.

(2) 1 - 2 years : We have taking care 7.00 AM - 4.00 PM. After that we will calculate the overtime and charge the parents later. Then, we will give 2 breaks and one lunch for child.

(3) 2 - 3 years: We have taking care 7.00 AM - 4.00PM. After that we will calculate the overtime and charge the parents later. Then, we will give 2 breaks and one lunch for child.

We plan to have about 100 students and increasing every year. After that, we will use our formula of teacher. 6 month to 1 year, we will have 20 students So we have 4 teachers for nursing. For student 1— 2 years, we have about 35 students. We will have 4 teachers. For student 2-3 years, we have about 45 students. So we have 3 teacher for nursing.

We will divided our teachers into 3 categories. First, the teacher who graduated from nursery school as the head of nurse in the school. Secondly, the teacher who graduated from educational degree as nurse assistant. The nurse assistant will be divided into 3 groups to take care of the child and get order from nurse head. Thirdly, the teacher who graduated from educational vocational degree as teacher assistant. This teacher will help nurse assistant to take care the children and get demanded from them.

During the time the teacher is taking care children, we also let them play in the recreation room and media room in order to expand their intellect and capacity of learning.

In addition to enough teachers to take care of the children, the school also provides the supplementary food, 2 breaks and one lunch for student aged 6 month 1 years, 2 break and one lunch for student aged 1 to 2 years, 2 break and one lunch for student aged 2 to 3 years. However, the milk, student has to bring

by themselves. (Because every child has different kind of milk to drink.)

(b) Price

- (1) 6 month to 1 years, we charge 6,500 baht/month (Including, supplementary food, 2 break and one lunch)
- (2) 1 year to 2 year, we charge 6,000 baht/month (Including, 2 breaks and one lunch)
- (3) 2 years to 3 years, we charge 5,500 baht /month (Including, 2 breaks and one lunch)

Then, the overtime will be charged up to the time the parent let their child stay at the school. Furthermore, If they apply through the company that school has contact with, we will give discount to them.

(c) Place

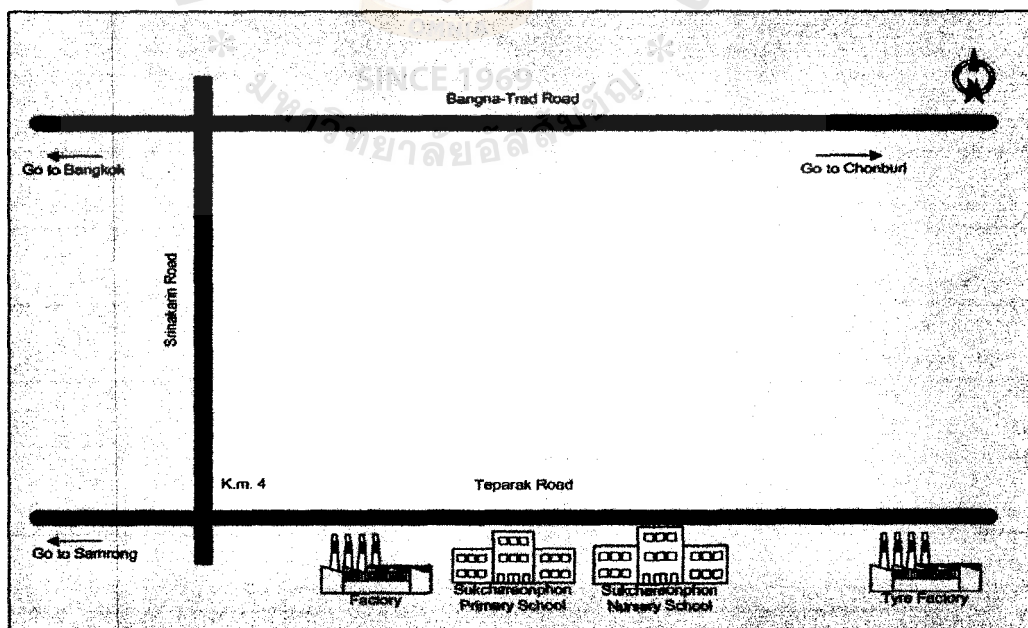


Figure 3.2. School Location.

As we have chosen the location near the road, there are some bus that pass by. Therefore, we will have good accommodation for our staff and also our students. And also, good for their parents to pick their child up on the way back home. Therefore, there are good accommodation with public utility such as electricity, water, gas etc.

In addition, the price of land is not much expensive because we have bought this land for many years. We will use the assumption for this year price will be equal to 10,000,000 Baht. And, then the building we have planned to finish building construction and decoration within 1 year with the estimated value of 20,000,000 baht. The design of the building will be the following;

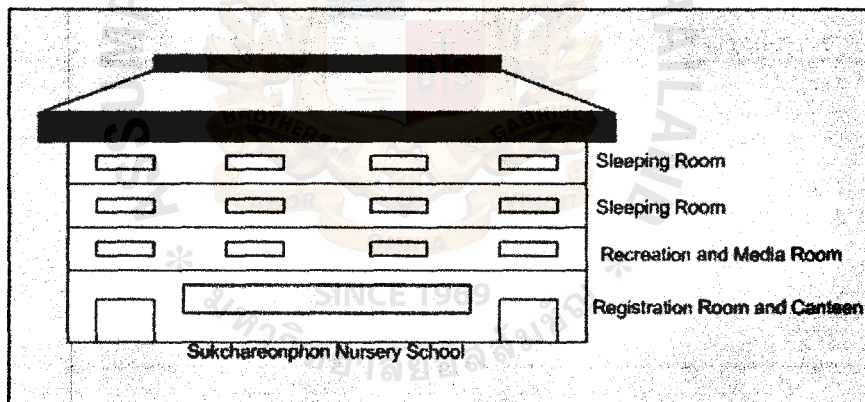


Figure 3.3. School Building Map.

We will have 4 story building; The ground from will provide the Administration office, Play room, Skill room, while the kitchen will be after the building. At the first year, we have plan to open only two storeys which the second story will have 3 room divided by the 3 categories: 6 month to 1 year,

1-2 year, 2-3 year. In addition, the walkway in front of each room will have the table for break in the morning and in the afternoon, and also the lunch time which will be provided by our kitcheners and school maid.

However, we have plan to expand the capacity in the following year so that the 3rd and 4th floor will be used in the following year. (after we expand our students)

(d) Promotion

We will launch a campaign to give the brochure of our school in front of each company in industrial zone and put the information on the Sukcharoenphon school about our nursery school.

In addition, we have plan to visit each company to sign contract in order to be their employee's fringe benefit (to take cared- their children when they work) Therefore, the company has the good reputation of taking care of their workers and we give promotion 10% discount for the company that sent up to 10 children to our school and 20 % if they sent up to 20 students per company. And also, 30 % if they sent up to 30 students per company.

3.6 Marketing Plan

(a) Objective : The revenue will increase more than 60 % each year and finally we will have the profit to give to shareholders more than 100%

(b) Year of Plan : 7 years

(c) Marketing Plan :

Year 1. We will build the building and decoration in year 2004 with the loan money from bank 30,000,000 baht with interest rate 4% . And we will promote our school to parents by posting the information of the nursery at the school bulletin and give brochure to parents about this service. Then, we

go to see each company and let them sign contract and having the information of school that will be launched next year at their bulletin board. We then prepare to get the school personnel and teacher prepare for the next year.

2nd year : We will open the school at the beginning of the year. Then, we will present more information through Sukcharoenphon school. Then, the price, we will give the standard price to the customers. And, if they apply through their company, then we will give discount if the company sent more than 10 students. However, we will get benefit from overtime charge which we will have at least 2 hour per day. We plan to have 100 students for the first year that the school opens

3rd year : We plan to increase our student to 250 students and increase the teacher by the proportion. (For the student aged 6 month to one year : if more than 5 students per class we will get one more of teacher. For the student aged 1 to 2 year: if more than 10 students per class we will get one more of teacher for the class. For the student aged 2 year to 3 year, if more than 15 students, we will get one more teacher for the class.). So, the proportion will be in the following table.

4th Year : the student that we have plan will be the same as the 3rd year, 400 students and the number of teacher will be in proportion. So, the proportion will be in the following table.

5th Year : the student that we have plan to register 450 students and the number of teacher will be in proportion. So, the proportion will be in the following table.

6th Year : the student that we have plan to register 450 students and the number of teacher will be in proportion. So, the proportion will be in the following table.

7th Year : the student that we have plan to register 450 students and the number of teacher will be in proportion. So, the proportion will be in the following table.

Table 3.1 The Proportion of Student Each Categories From Year 2005-2010.

Student Age	Proporation	2005	2006	2007	2008	2009	2010
6 month to 1-year	20	20	50	80	/ 90	90	90
1 year to 2 year	35	35	88	140	' 157	1'157	157
2 year to 3 year	45	45	113	180	/ 203	,,,203	203
		100	250	400	450	450	450

Table 3.2. The Proportion of Teacher Per Student Each Categories From Year 2005 — 2010.

Student Age	Proporation	2005	2006	2007	2008	2009	2010
6 month to 1 year	5	4	10	16	18	18	18
1 year to 2 year	10	4	9	14	16	16	16
2 year to 3 year	15	3	8	12	14	14	14
Teacher		11	27	42	48	48	48

IV. OPERATIONAL FEASIBILITIES

4.1 Company Policy

- (1) Giving the knowledge with quality. And also, taking care of children with love and warmness.
- (2) Giving the service with the number of teacher who take care will be in the best proportion.
- (3) Evaluating our process of teaching and take care of our children with timely basis.
- (4) Doing business with equality with all parties. Including taking care of the quality of our people's life. Giving importance to our people. We will give impression of our school as their home, in order to get responsible of everyone to our school property and service.
- (5) Get respect to each other. And also, giving importance to relationship between each other.
- (6) Our slogan is "Doing everything efficiently to get the best of it"

4.2 Personnel

We have divided the student into 3 groups; 6 month to 1 years, 1-2, and 2-3 years.

- (1) 6 month to 1 years : We have use the proportion 1 teacher : 5 students
- (2) 1-2 years : We have use the proportion 1 teacher : 10 students
- (3) 2-3 years : We have use the proportion 1 teacher : 15 students

We plan to have about 100 students and increasing every year. After that, we will use our formula of teacher. 6 month to 1 year, we will have 20 students. So we have 4 teachers for nursing. For student 1 — 2 years, we have about 35 students. We will have 4

teachers. For student 2-3 years, we have about 45 students. So we have 3 teacher for nursing.

We will divided our teachers into 3 categories. First, the teacher who graduated from nursery school as the nursery of the school. Secondly, the teacher who graduated from educational degree as the assistant of nursing. Third, the teacher who graduated from educational vocation will be the teacher assistant.

Therefore, we will have the proportion of assistant teacher : nursery assistant and nursery teacher equal to 1:3:follow the proportion of student per one teacher.

We will give the salary for the teacher following the government regulation :

- (1) For the teacher who graduated from nursery-degree will get 12,000 baht/ month
- (2) For the teacher who graduated from educational degree will get 8,500baht/ month.
- (3) For the teacher who graduated from vocational degree will get 6,000 baht.

1:0

Then, we will hire one administrative staff, two school maids, two kitcheners, one gardener, and two guards for each shift to do routine work, (7.00AM-4.00) which we can see the salary referred to table 4.1 the detail of staff

Table 4.1. The detail of staff (Year 2005).

Position	Numbers of staff	Salary /person	Overtime /person*
1. Headmaster	1	30,000	
2. Headmaster Assistan	1	25,000	
3. General Manager	1	25,000	
4. Nursery Head	1	12,000	
5. Nursery Assistant	3	8,500	2,128
6. Teacher Assistant	7* ,	6,000	1,512
7. Administrative	1	7,000	
8. School maid	2	6,000	
9. School kitchener	2	5,500	
10. Gardening staff	1	5,000	
11. Security Guard	2	8,000	

*overtime/month = minimum incentives 2 hour per day, 28 days a month. We give only teacher assistant and nurse assistant.

* Teacher Assistant, we use the proportion from year 2005 which you can see in table3.2

4.3 Incentives Plan

Our incentive policy. (We will have plan to stimulate our people to work effectively)

- (1) Our plan to create the friendly atmosphere in school as sister and brother between each other.
- (2) We will give the medical expense and social welfare to all people in our school.
- (3) We will give the bonus which depended on our profit depending on their ability and diligence into working for our school.
- (4) We will give training to our people in order to increase capability and skill to work for our school.

- (5) We will support in getting our people into enhance their specialized in this field such as giving the scholarship to the department that we have lack of people.
- (6) We will give the promotion equally, as we will consider up to their capability and performance.
- (7) We will have overtime payment for every teacher in school as following;

As we will have student enrolled from many parents in industrial areas, we will have service also on weekend. So, we will give the teacher overtime with good price which is 2 x wage per hour on weekend. And, also we will give 1.5 x wage per hour after the school time which we have 8.00 AM to 5.00 PM.

- (1) Wage per hour for nursery assistant we will use $8500/28 \text{ days} * 8 \text{ hour per day} = 38 \text{ baht / hour}$.
- (2) Wage per hour for assistant teacher we will use $6000/28 \text{ days} * 8 \text{ hour per day} = 27 \text{ baht / hour}$.

4.4 Source of Personnel

- (1) The management board. We will get the people who specialize and have experienced in that field.
- (2) The teacher in school. We will get from the advertising in newspaper and get suggestion from the people in the Sukcharoenphon school which is the affiliated school.

4.5 Structure of share

- (1) The company have capital register 10 million baht. They have divided into 100 shares. The owner who we will give the position of headmaster, she will get 40 shares.
- (2) The headmaster assistant and general manager will get 30 shares each.

Table 4.2. Structure of Share

Name-Surname	Position	Shares
1. Ms. Pensree Sukcharoenphon	Headmaster	40
2. Mr. Nakin Sukcharoenphon	Headmaster Assistant	30
3. Ms. Supasagee Sukcharoenphon	General Manager	30

4.6 Structure of organization

The head master of the school will have the highest authority in the organization. Then, headmaster assistant and general manager will be the second authority as they are the one of shareholders. Then, both will order directly to nursery teacher who has the highest power among other teacher. She will take care of both three categories (6 month to 1 year, 1-2 year, 2-3 year) which each categories will have nursery assistant head take care of one of each category. Then, each category will have teacher assistant who look after the children following the proportion of one per 5 children aged 6 month to 1 year, 1-2 year : one per 6 children, 2-3 year : one per 10 children.

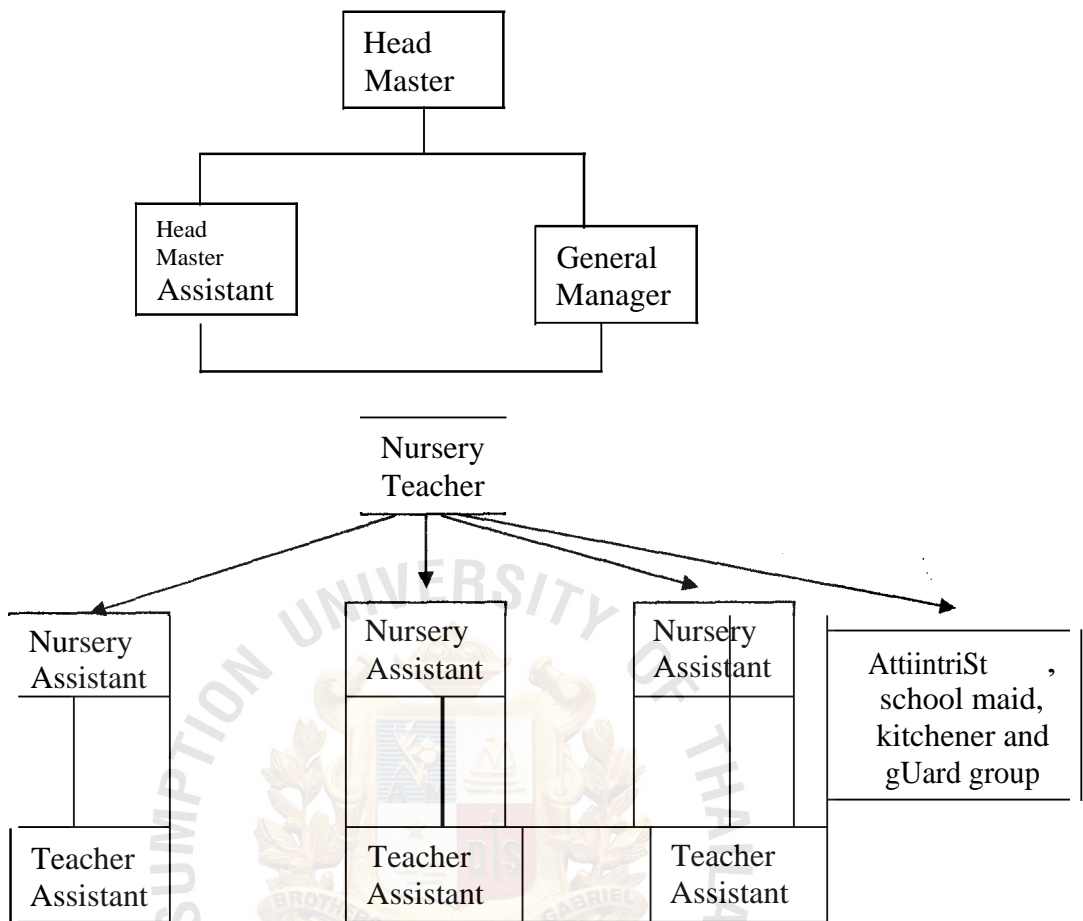


Figure 4.1. Structure of Organization.

V. FINANCIAL FEASIBILITY ANALYSIS

5.1 Assumptions

- (1) The investment of school is a loan because all of investment costs do not come from the owner of the school
- (2) The project period is 7 years, beginning of construction in year 2004, construction period is 1 year, and the school will open during 2004 to 2010.
- (3) Depreciation Method = Straight Line Method
- (4) We will assume the expense into Pro-forma balance sheet following;
 - (a) We will have no cost of goods sold because the most cost will come from the administrative expense.
 - (b) We will assume that the promotional expense will be 5% from 10% of income earned per year.
 - (c) We will assume that the other tax and custom expenses will be 5% from 10% of income earned per year.
 - (d) We will assume that the utility expense will be 20% from 10% of income earned per year.
 - (e) We assume that the fax and telephone expense will be 10% from 10% of income earned per year.
- (5) About the income each year. We assume that we will get 100 student first year and then 250,400,450 divided into 3 groups;
 - (a) 6 month to 1 years 25 students, they have to pay 6,000 baht /month.
So, totally one year we will get 1,800,000 baht/year.
 - (b) 1 year to 2 years 35 students, they have to pay 5,500 baht / month.
So, totally one year we will get 2,310,000 baht/year.

(c) 2 years to 3 years 45 students, they have to pay 5,000 baht /month.

So, totally one year we will get 2,700,000 baht/year.

- (6) The building we assume to be 10,000,0000 baht cost for the initial with the decoration and construct the building about 20,000,000 baht.
- (7) We will have one vehicle in case of emergency. The cost will be 500,000baht/car.
- (8) We will hold the minimum cash in case of emergency about 50,000 baht/year in the first year (2548). And the following year, we will keep 100,000 baht/year.
- (9) The interest for loan is 4% per year for school
- (10) For school business, we do not have to pay income tax. The only tax that we have to pay is property tax which is calculated from the square meter of the building which we estimate about 10,080 baht per year
- (11) The time period for collecting the account receivable will be 30 days
- (12) The time when the customer will pay the money will be around 30 days
- (13) The time when we have to pay back the debt will be 30 days
- (14) We assume that one year will have 360 days.

5.2 A Financial Ratio Analysis

(1) Working Capital = Current Asset — Current Liabilities

2005	2006	2007	2008	2009	2010
687,500.00	1,568,917.17	2,450,167.25	2,743,667.33	2,743,667.33	2,743,667.33

It represents that nursery has the capability of paying all current debt And, it has current asset to be stock about 687,500 baht for the first year and then it has increased every year.

Working Capital Turnover = Sale volume / Working Capital

2005	2006	2007	2008	2009	2010
10.25	11.24	11.51	11.56	11.56	11.56

The number of year 2005 equal to 10.25, it mean that for the revenue each 10.25 baht require working capital 1 baht. And the year follow would be sale about 11 baht to working capital 1 baht.

Sale volume per Permanent Asset = Sale volume / Permanent Asset

2005	2006	2007	2008	2009	2010
0.14	0.25	0.33	0.33	0.30	0.27

From the proportion, we can see that year 2005 we can use permanent asset 1 baht to create revenue 0.14 baht. And, we can see that it has increased year by year. However, it seem to have very low revenue generated. So, we should find another program to use this assets.

Sale volume per Total Asset = Sale volume / Total Asset

2005	2006	2007	2008	2009	2010
0.14	0.25	0.32	0.32	0.29	0.26

This proportion represents the effectiveness of total asset to create revenue to the company. From the proportion, we can see that year 2005, we use total asset (cash+ account recievable+permanent asset) 1 baht can create revenue 0.14 baht. And, it has increased year by year. So, the management of asset to generate revenue is improved.

Net Profit Ratio = Net Profit / Sale Volume

2005	2006	2007	2008	2009	2010
0.45	0.70	0.77	0.78	0.78	0.78

This proportion represent the margin of profit to the revenue. If high proportion, it represents that our product is more popular or has good reputation to the competitor. From this proportion, we can see that year 2005, we have the profit margin to the Revenue equal to 44.96%. This means that every revenue 100 baht, we can create net profit after tax and interest equal to 44.96 baht. And, we can see that it has increased every year; therefore, it has good sign of business.

$$\text{Return on Asset} = \text{Net Profit} / \text{Total Asset}$$

2005	2006	2007	2008	2009	2010
0.06	0.17	0.25	0.25	0.22	0.20

This proportion represent the margin of profit to the total asset. If high proportion, it represents that we can use total assets to generate high revenue. From this proportion, we can see that year 2005, the proportion equals to 6%. It means that every 100 baht of asset that we pay, we can generate revenue 6 baht. This proportion is quite low. But it has increased every year. So, it means the asset can generate more revenue in the year after.

$$\text{Return on Equity} = \text{Net Profit} / \text{No. of share}$$

2005	2006	2007	2008	2009	2010
31699.2	124238.4576	216158.4672	246369.6768	246369.6768	246369.6768

It represents that nursery has the capability of high paying money from profit to shareholders. From this proportion, it show that year 2005, we can pay profit to each share equal to 31699.2 baht. And, it will increase every year.

Operating cash flow to sale volume = Operating cash flow / sale volume

2005	2006	2007	2008	2009	2010
0.602508652	0.700480212	0.69023138	0.632098075	0.55443775	0.476777426

This proportion represent how much revenue can generate the operating cash. From year 2005, we can see that every revenue 100 baht, we can generate operating cash equal to 61.9 baht. This is quite high proportion. And, it is quite stable to this level year by year.

Operating cash flow to asset = Operating cash flow / total assets

2005	2006	2007	2008	2009	2010
0.08	0.17	0.22	0.20	0.16	0.12

This proportion represent how much total assets can generate the operating cash. From year 2005, we can see that every asset 100 baht, we can generate operating cash flow equal to 8 baht. This is quite low proportion. However, it has increased year by year. So, it mean this asset has more performance to create revenue.

5.3 Net Present Value

$$NPV = A (1+i)^t$$

where

A is the series of net cash flows for project x

t is the life of the project, in years.

is the discount rate

(P/F, i%,t) is the single-payment present value factor

We see from the table 5.1, After we have summarize the net cash flow each year from Table 5.1, we will get the total of NPV equal to 9,650,440.46 baht which is more than 0. Therefore, this project is good to invest.

Table 5.1. Cash Flow from operating.

Investment	30000000						
Return on investment	0.4						
Year	2004	2005	2006	2007	2008	2009	2010
No. of Year	0	1	2	3	4	5	6
Net Cash Flow from operation	0	3,747,686.0	12,347,368.9	19,465,910.2	20,052,684.4	17,588,987.6	15,125,290.9
Net Cash Flow from investment	-30500000	0	0	0	0	0	0
Current Net Cash Flow	500000	-50000	0	0	0	0	0
Net Cash Flow per year	-30000000	3,697,686.0	12,347,368.9	19,465,910.2	20,052,684.4	17,588,987.6	15,125,290.9
Present Value of Cash Flow	-30000000	2,641,204.3	6,299,678.0	7,093,990.6	5,219,878.3	3,270,398.4	15,125,290.9
Accumulation Net Cash Flow	-30000000	27,358,795.7	21,059,117.7	13,965,127.1	8,745,248.8	5,474,850.4	9,650,440.5
NPV =	9,650,440.46						
IRR =	7%						
Payback Period =	5yrs						
Break Even Point		3,870,000.0	5,193,080.2	6,576,080.3	7,076,960.3	7,076,960.3	7,076,960.3

5.4 Payback Period

We can see from the number of Year in the table, we can see that after year 5 (2009), we have accumulation net cash flow is positive sign. It means that we do not have to pay debt anymore and we have money as the net profit for the nursery.

5.5 IRR

The IRR of a project is defined as that rate of discounting the future that equates the initial cost and sum of the future discounted net incomes. IRR refers to the

discount rate at which the NPV of the cash flow profile representing a proposed project is zero.

Let the IRR of the cash flow profile for project x be i , and let the discount rate specified by nursery be denoted by i . When there is only one positive IRR, the internal rate of return criterion for accepting project x is $i < i$. From the table the interest rate that get NPV equal to 0 is 7%.

5.6 Break Even Point

From Table 5.2, we will see that after 2009 we got accumulated present value of cash flow excess break even point. It means that we can have free of total liabilities and start making real profit from that year.

Table 5.2. The Revenue and Break-Even Point each year

Year	2004(1)	2005(2)	2006(3)	2007(4)	2008(5)	2009(6)
Revenue	7050000	17,627,006	28,202,007	31,724,008.00	31,724,008.00	31,724,008.00
Break-even point	3,870,000.00	5,193,080.24	6,576,080.28	7,076,960.32	7,076,960.32	7,076,960.32

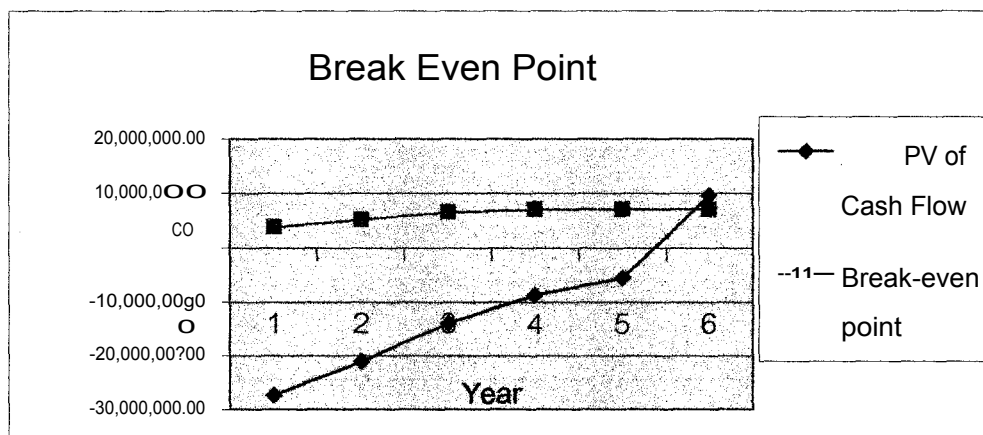


Figure 5.1. The Accumulated Present Value of Cash Flow and Break-even Point Each Year.

VI. CONCLUSIONS AND RECOMMENDATIONS

6.1 Conclusions

As the population growth rate in Thailand is increasing each year and our service can widely serve every household, there is high potential for the growth in this business. We also see that basic taking care is essential for the children to continue studying in higher level of education, so establishing the nursery school is the attractive business.

Furthermore, the customers will consume our service when their children grow up, our target consumers, the parents who have children aged between 6 month to 3 years old who live around our school, recognize the problem that their children need to have more taking care and knowledge than what they teach by themselves. In addition, they will choose our school because our school is not far from their houses together with the good surrounding and enough facilities that are necessary for the children's development.

This project is written based on feasibility study of establishing the nursery school for young children aged 6 months to 3 years with the intention of the author to help parents raise their children in suitable way both mental and physical by implementing the business plan to match with the consumers needs.

At the present, the population in Amphur Theparak, Samutprakarn Province has increased dramatically. As a result of increasing in industrial areas, the workers who have work in those industrial areas mostly live in apartments, which have not enough space for raising their child in a proper way. In addition, those parents have to work hard to earn their money so that they have not enough time to take care of their child.

Furthermore, there is no nursery school around those areas. Therefore, management of the nursery has developed business plan to respond to those needs.

In writing business plan, we have summarized our nursery strength, weakness, threat and opportunities. Then, we come up with five force analysis. After that, we have written our marketing plan for 7 years. First year, we still not getting students as we build up our school and prepare the material and plan for the building. 2nd Year, we will accept 100 students (we estimate from Sukcharoenphon school kindergarten) which divided to 3 categories follow the proportion of 20:35:45. Then, the teacher will be taking care, one per 5 students aged 6 month to 1 year, one per 6 students aged 1 year to 2 year, one per student aged 2 year to 3 year.

After that we plan for operation, we give our school policy as giving the knowledge with quality, and also, taking care of children with love and warmness, and so on. Then, we come up with the best salary and incentives.

Then, we calculate the financial statement. We have seen that this project will have NPV more than 0. It means that it is the good project to invest. In addition, we got payback period 5 years that is very fast returning money to the shareholders. And also, IRR equal to 7% which is quite reasonable. Therefore, management of this nursery sees this is the good opportunities to invest in this business.

6.2 Recommendations

Even though this is the good project to invest, we still have worry about the ratio of sale volume to total asset and especially ratio of sale volume to permanent asset which are quite low. So, we have recommended if the management of nursery will be given opportunities for the permanent asset such as land, building to be more beneficial. For example, the school might have some part of the school be rent to open the small confectionery shop or clothes shop to generate more income for the school.

As we can see that, the asset can have capacities of generating more income. We might operate some part of the room to be tutoring school to get into good kindergarten. In other way, if the children are born more than we have expect, we might expand our room to accept more children to be our students and might reduce some tuition fee as we have generated much of the profit per year.

In the current economic situation, competition in business is very crucial. Not only can it increase in serviceability towards the customer, increase students but reduction of cost is also one of the ways to survive in this situation. The competitors can occur soon if there is good profit business. Therefore, we have to aware of this situation. We should have plan to reduce cost in the future in order to expand our profit margin.

Furthermore, the accuracy in information and the effective market strategy will support our school in competing with other competitors. So far, as the time limited, we have not much information of the competitor in the school in other areas if they have good service or good teaching tools. The parents who are mostly aware of their child will think of this as the other choice. Therefore, in order to be consistent with this plan, we should have more time to gather more information of the school in other areas to adapt our plan in the future.

Too often, the plan might not be as we think they are. We then should revise the plan every single period such as one year or one quarter in order to see more opportunities of the business.

APPENDIX A
FINANCIAL STATEMENT FOR YEAR 2004-2010



Proforma-Income Statement	2004	2005	2005	2007	2008	2009	2010
Revenue		7,050,000.00	17,627,006.00	28,202,007.00	31,724,008.00	31,724,008.00	31,724,008.00
Cost of Good Sold							
Gross Profit		7,050,000.00	17,627,006.00	28,202,007.00	31,724,008.00	31,724,008.00	31,724,008.00
Cost of Selling and Administratio	50,000.00	2,670,000.00	3,993,080.24	5,376,080.28	5,876,960.32	5,876,960.32	5,876,960.32
Profit before tax and interest	50,000.00	4,380,000.00	13,633,925.76	22,825,926.72	25,847,047.68	25,847,047.68	25,847,047.68
Interest Expense	1,200,000.00	1,200,000.00	1,200,000.00	1,200,000.00	1,200,000.00	1,200,000.00	1,200,000.00
Profit before tax	- 1,250,000.00	3,180,000.00	12,433,925.76	21,625,926.72	24,647,047.68	24,647,047.68	24,647,047.68
Tax	10,080.00	10,080.00	10,080.00	10,080.00	10,080.00	10,080.00	10,080.00
Net Profit	- 1,260,080.00	3,169,920.00	12,423,845.76	21,615,846.72	24,636,968	24,636,968	24,636,968



Proforma-Balance Sheet

Asset

Current Asset

Minimum Cash	50,000.00	100,00000	100,000.00	100,000.00	100,000.00	100,000.00	100,000.00
Excess Cash	1,310,080.00						
Account recievable		587,500.00	1,468,917.17	2,350,167.25	2,643,657.33	2,643,667.33	2,643,667.33
Inventory Account							
total current asset	1,360,080.00	687,500.00	1,568,917.17	2,450,167.25	2,743,667.33	2,743,667.33	2,743,667.33

Permanent Asset

Land, building and equipment	30,500.000.00	60.500.000.00	90,500.000.00	120,500.000.00	150.500.000.00	180.500.000.00	210.500.000.00
Accumulated Depreciation	4,600,000.00	10,200,000.00	20,300.000.00	34,900,000.00	54.000,000.00	73.100,025.00	92.200,064.44
Net land buiding and equiprr	25,900,000.00	50,300,000.00	70,200,000.00	85,600,000.00	96,500,000.00	107,399,975.00	118,299,935.56
Total Asset	27,260.080.00	50,987,500.00	71.768.917.17	88.050.167.25	99,243.667.33	110.143.642.33	121.043.602.89

Overdraft cash		1,222,340.00	12,764,768.59	33,499,365.23	57,842,832.83	82.479,800.51	107,116,768.19
Account Payable							
Total current liabilities							
Total current liabilities							

Equitiy and shareholder

Paid equity							
Accumulated profit	- 1.260.080.00	1.909.840.00	14.333,585.76	35.949,532.48	60.585.500.16	85.223.467.84	109.860.435.52
Total equity and shareholder	- 1,260,080.00	1,909,840.00	14,333.685.76	35.949,532.48	60.586.500.16	85.223,467.84	109.860.435.52
Total equity and shareholders	- 1,260,080.00	1,909,840.00	14,333,685.76	35,949,532.48	60,586,500.16	85,223,467.84	109,860,435.52

Total Assets	50,000.00	687,500.00	1,568,917.17	2,450,167.25	2,743,667.33	2,743,667.33	2,743,667.33
Total Liabilities	- 1.260,080.00	1,909,840.00	14,333,685.76	35,949.532.48	60.586,500.16	85.223,467.84	109,860.435.52
(Excess cash)/Overdraft cash	- 1,310,080.00	1,222,340.00	12,764,768.59	33,499,365.23	57,842.832.83	82,479,800.51	107,116,768.19

Cash Flow Account

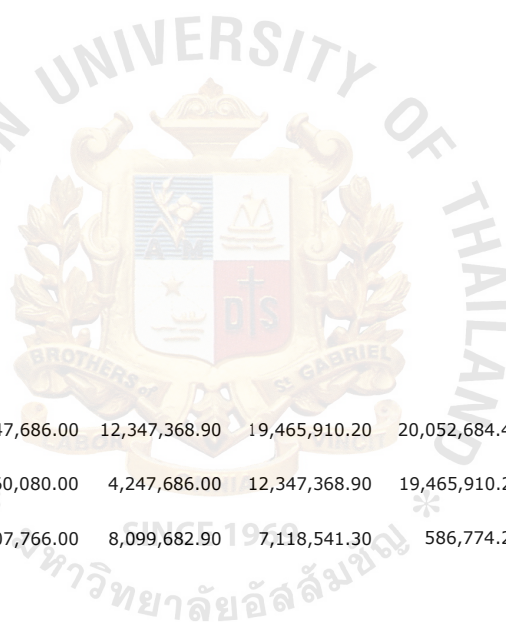
Operational Activities	2004	2005	2006	2007	2008	2009	2010
Cash from operator		7,050,000.00	17,627,006.00	28,202,007.00	31,724,008.00	31,724,008.00	31,724,008.00
Cash paid for operation	50,000.00	2,670,000.00	3,993,080.24	5,376,080.28	5,876,960.32	5,876,960.32	5,876,960.32
Cash for interest expense		122,234.00	1,276,476.86	3,349,936.52	5,784,283.28	8,247,980.05	10,711,676.82
Cash for tax	10,080.00	10,080.00	10,080.00	10,080.00	10,080.00	10,080.00	10,080.00
Net cash flow from operator -	60,080.00	4,247,686.00	12,347,368.90	19,465,910.20	20,052,684.40	17,588,987.63	15,125,290.86

Investment Activities

Land	10,000,000.00
Building and Decoration	20,000,000.00
Vehicle	500,000.00
Net Investment Activities	30,500,000.00

Finance Activities

Paid equity	
Debt	30,000,000.00
Net finance activities	30,000,000.00
Net cash balance	560,080.00
Add Cash in the beginning of year	- 560,080.00
Net cash at the end of year -	560,080.00



APPENDIX B
THE POPULATION FOR SUKCHAROENTHON, SCHOOL



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