**MUNAKU THE UPCOMING CONTRACTOR**

1.1 She shouted to Munaku at the top of her voice “Go away, go back where you have been! I cannot open for you at this hour anymore! You cannot lie to me again that you are coming from work at this hour!”

1.2 It was a few minutes to four in the morning. Munaku had just arrived at home. He was trying to persuade his wife to open for him but now he realized he had hit a dead end. He had been drinking at a neighbouring joint and did not realize how late it was. Lately, luck had shined on him and he seemed to have a lot of friends that kept him at the bar. He banged the door one more time without any response. He staggered to his car, reclined the driver’s seat backward and in a short while he was snoring.

1.3 It was about nine o’clock in the morning when Munaku woke up with a terrible headache. He remembered he had a site meeting at 9.30 am where, he had been told, the District Internal Auditor was to visit the site. He had submitted an invoice that the Internal Auditor had queried. He recalled that he had to deliver some information to the IA but unfortunately he had not collected it from his foreman John the previous evening! He made a call to the District Chairman and had a long telephone conversation that ended with Munaku making a sigh of relief and having a little smile. At least he knew he could rely on the Chairman to safeguard his job. He rushed to the house, cleaned up and drove to the site just to be told the Internal Auditor had just left. This job was already three months behind schedule!

1.4 He wondered what the Auditor would report …... Damn the Auditor he thought. Whatever the report, he was sure that the District Chairman and the Chairman of the Contracts Committee were on his side and would take care of any issues. Munaku enquired from his foreman about the day’s site requirement. He pulled out a bundle of cash and paid him the money for that day. He then proceeded to the local hotel to have breakfast and to wait for the District Chairman with whom they were to have lunch. He planned to deliver cash to the Chairman to get the invoice processed. Later he planned to buy some materials for the house he was putting up at the town centre. He mused that this road contract has indeed transformed his life. He quizzed what took him so long to become a Road Contractor! Munaku felt now he was a man of substance! He quietly resolved to deal with his nagging wife who dared to shut him out of his own house!

1.5 As he enjoyed a hefty breakfast and waited for his mentor, he recalled his past life of hardship. He had trained as a teacher and for many years taught at St. Joseph Primary School. It was the largest Primary School in the Sub-county and one of the few government-aided ones. He taught with dedication and commitment.

Many parents admired him and always talked of him as being a very talented teacher. He was the one responsible for a handful of first grades the school would receive time and again, most often the only ones in the Sub-county. Being a teacher he lacked many things. He often went to work without breakfast. Even on festive days he very often failed to buy meat for his family. He would only get such luxuries courtesy of one rich trader for whom he usually coached children. Munaku’s children had dropped out of secondary school due to lack of school fees. He was disappointed with himself and cursed his employers for his misery. Had it not been for his industrious wife, even some days the family would do without food.

Those were the circumstances when one day his long lost childhood friend appeared out of the blue and asked him to be his campaign manager. His friend had decided to campaign for the District Chairmanship. Munaku did not need a lot of persuasion. He was already a popular school teacher who knew his way around the District very well. Most importantly, he was to earn a hefty twenty thousand shillings per day for the next three months while the campaigns lasted! He had never imagined he could ever handle such cash in his life. God had answered his prayers! He particularly remembered that night before the day of the election, how he had mobilised voters in all corners of the district offering a “little something”! By the time they announced the results Munaku still had with him three hundred and fifty thousand shillings out of what his candidate called “petty cash”. That night, Munaku boozed himself silly with whoever cared to drink from him. He had won the District Chairmanship for his candidate, his childhood friend! However, several weeks after the election, back at his teaching job, his misery returned to bite him like never before!

1.6 Munaku was now overwhelmed by the memory of the misery of those days. He called a waitress and ordered for a bottle of cold beer. As he sipped the beer he thanked God once again that things had changed. Then he dozed off!

1.7 He woke up sweating and panicking. He broke into a run towards his car. As he reached it, a magnificent Prado entered the premises. The District Chairman emerged from the posh car accompanied by a man and three smashing beauties. Chairman asked Munaku what the hurry was for and further reminded him that they had a lunch date. Munaku retreated to the restaurant, ordered fifteen sticks of meat and a crate of beer for them. Taking aside the Chairman, he whispered in his ears that he had an emergence to take care of at his house. He therefore excused himself to rush home fast to ensure all was well. “I am finished; I am in real trouble”, he kept whispering as he disappeared.

At home he quickly went to his bedroom, searched into the far corner of his wardrobe and was relieved that his bundle of money was intact. In his dream at the restaurant, he had witnessed it being stolen by thugs and had to rush home to confirm whether his money was still intact. Now that it was intact, he carried some with him to go buy building materials. He also called the road project foreman home and paid him money for the day’s wages for the workers. Relieved, Munaku went back to continue with the binge with the Chairman and his entourage. He never returned to the road site that day; neither did he buy any of the materials he intended. He again reached home in the wee hours of the night with just a few loose coins in his pockets to meet a sulking woman at home!

1.8 A month later, Munaku woke up early that day. He resolved that he had to put sense in his foreman and the labourers at the road site. They were not working hard enough to finish the job. While about 80% of the fees had been paid, less than 50% of the work had been completed. Munaku had used the influence of his mentor to get paid without really doing the work he was being paid for. He wondered where he would get funds to complete the job. The site workers had by now gone three weeks without pay, and the foreman had hinted to him that they were not working as hard any more. They were just reporting at site and engage in idling and in loose talk. Whenever the foreman was absent, it was rumoured, they would pilferage some of the materials or even tools. He had not yet caught any but when the foreman would try to reprimand them, they would just remind him that they needed to be paid to be able to feed their families. Munaku had also heard that the Internal Auditor was not cooperating and that he had raised several issue concerning the value for money being delivered by Munaku Contractors Ltd. The queries were now holding the payment from being made. Munaku had started feeling the pinch of being cashless. Many disturbing thoughts went through his mind as he drove to site that morning.

On arriving at the site he neither sighted the foreman nor any labourers at the job. He suddenly felt cold and scared. He wondered why the workers were not where he expected them to be. He tried to call the foreman but his cell phone was off air. He decided to check out the labour camp. About half a kilometre from the site camp, Munaku was shocked to see the charred remains of his lorry! A passerby narrated to him how the labourer had gone wild, beat up the foreman and put the camp and the lorry on fire. They had also carried off any equipment they could carry. The foreman was assisted by well wishers and admitted in a nearby clinic. Munaku was so much the more confused for he neither had cash, nor did he have any insurance cover for staff or the assets. He pictured himself returning to his teaching job. But even that was not possible anymore.

He had only the previous day received a letter from the District Service Commission advising him that he had been removed from the payroll as he was considered to have absconded from his teaching job. He recalled one of his contractor acquaintances talking to him about insurance. Since he had heard that the guy was one of the critics for his work, he did not take him seriously. It was also widely rumoured that insurers were cheats. Suddenly everything became very dark for Munaku. He wondered what he would do next! He sat in his car and wept.

1.9 That evening, although this time his wife found him at home, she did not give him any peace of mind. She complained about his promiscuity and also reminded him about the school fees he had not completed. She wanted money for kitchen supplies that were finished and threatened not to cook that evening; that there was no meat. Then she reminded him about her grandmother who was admitted in hospital. She wanted money to visit her as well as to settle the hospital bills. He could not tell her that he was broke as that would make the nagging worse. He therefore promised her money a few days away hoping that a miracle would happen! Women, he cursed! He wished he could go back to his local bar and spend some quite moments. But he had already been there and he only took one beer on credit. The bar tender demanded for her money now accumulated over a month. She could not allow him any more credit. Munaku was now stuck at home penniless with a road construction business only in name. He started picturing himself being dragged to prison. “Where shall I get money to finish the road works?” He wondered. “Should I sell off my unfinished house? No, not yet. I think I should talk to the District Chairman. He is the one who got me into all this. ” He resolved therefore to see the District Chairman first thing in the morning.

2.0. As he lay sleepless in his bed that night, he remembered how the Chairman had assisted him to put some papers together to bid for two jobs. He had rushed and registered a business name “Munaku Contractor”. Although one friend advised him to register a company, he did not appreciate why. He was also told the process was expensive, long and tedious. For a short cut, on all his documents, he just put “Munaku Contractors Ltd.” No one to date had questioned it. Munaku frowned when he recalled how the Chairman made him sell part of his land to buy the lorry and basic equipment and tools for road construction. Now all these were gone. He remembered that he was the District Chairman who brought him the news that he had been awarded the job. Chairman called him to receive money; a hefty 125 million shillings. He explained to him that that was the mobilization fee provided for in the construction contract. They had shared the amount equally between them as per their previous agreement. Munaku did not have any budget for the amount that he had received as mobilisation. He quickly bought a prime plot near the town centre and thereafter painted the town red.

 With what remained, he hired John as foreman who put together some casuals and started work on the road. John the foreman was the man that has made him. John hired and fired the workers, set their pay and recorded their attendance. John knew where to find machinery for hire and negotiated the fees. He is the one who knew how much fuel these guzzlers consumed and he also procured it. He supervised all the works. Although Munaku had wanted to hire an accountant, John had advised against it.

He reasoned that there was not enough work for such and that the business could not afford to waste money on non-core staff like accountants. Ha! Now that John was half dead in hospital, Munaku realized the deep trouble he had landed in. “Surely, I must see my candidate first thing in the morning” he reconfirmed.

2.1 Munaku sat at the reception of the District Chairman gazing aimlessly at the cabinet chart. He checked his watch and realized he had been waiting for over two hours now. He decided to check out the cashiers’ office to see if by any luck there was a payment for him. No there was no payment yet, he was told. As Munaku was castigating the cashier for being corrupt and inefficient, the young man advised him to check with the Chief Finance Officer because the reason for his delayed payment was beyond the junior staffs. It was at the CFO’s office that Munaku was advised that all payment to Munaku Contractors Ltd. had been stopped pending answers to the Internal Auditor’s queries. The CFO volunteered a copy of the report to assist Munaku to put his house in order. The document from the Internal Auditor was an internal memo that was addressed to the CFO and read as follows:

2.2 “Refer to the payment voucher No. 8 for Munaku Contractors Ltd. for the final instalment of the works for shs 135 million. My office conducted an audit on this contract and noted anomalies that must be rectified. No further payments should be made to this contractor until the following issues have been resolved to our satisfaction:

1. There was no VAT registration number provided and no tax clearance certificate for the current year.
2. The performance bond of Shs. 50m required per contract was not executed.
3. Physical inspection of the work indicated that the work done did not meet the specifications in the contract and therefore a value for money audit needs to be done.
4. The Contractor did not provide banking details and previous payments were made by cash contrary to accounting standing orders.
5. Evidence of contribution to NSSF and the workers compensation insurance policy were not included in the bid documents as required.
6. Withholding tax of 6% should be deducted from all the amounts due.
7. Retention fees of 10% must be deducted and only paid after certification at the end of the retention period or a retention security bond be provided.
8. It is irregular to pay cash moneys to Mr. Munaku when the contracting party is Munaku Contractors Ltd.

2.3 It was at that moment that the secretary to the District Chairman called him. He rushed to the office of his mentor in a state of utter confusion. He started narrating his woes to the Chairman. But the Chairman cut him short.

He told him that he had convinced him to become a road contractor to reward him for the services he had provided in his political campaigns. He also explained to him that through him he (the Chairman) could also make some money to recover his campaign costs. He told him that he was already aware of his predicament and disappointed that he was not learning the business quickly enough. He asked him whether he was still serious about doing road construction work. Munaku explained that he had thought about it for some time and realized he had no alternative except to go on with the road construction work. At this juncture the District Chairman revealed to Munaku that he had secured him the second job. He explained to him that now he (Munaku) was on his own, he wanted him to make some money from the two jobs, create a track record and capacity for road construction. He wanted him to start bidding for other jobs so they can make money while he was still the District Chairman. He advised him to go to his bank and start mobilizing funds to complete the first work and to start on the new contract. He told him to separate himself from his business, that they were different persons. He advised him that if they are to continue to work together, Munaku had to build a formidable road construction business. He had secured for him his first two jobs and was not going to risk his political office for Munaku beyond that. He must think of the business as a full time occupation, he must quickly put his house in order.

2.4 Munaku had not been regular at the bank as he preferred to keep his money in the house. Now, he did not have much choice if he was to carry out this lucrative contract. Without delay, he went to see his bank manager.

2.5 At the bank the only thing he had to show was the contract offer. The manager inquired from Munaku the kind of facility he wanted and how much funding but Munaku was not sure. The manager asked him whether he had a business plan but he admitted he had not yet done one. The manager then looked at his banking record and wondered why there were so few transactions. It was not impressive at all. He stared at Munaku, thinking of how best to tell him the bad news. Then it occurred to him that this was master Munaku, the teacher who taught him many years ago. He remembered how teacher Munaku had invited him to get free coaching with the special class of pupils who paid to study in the holiday before the PLE.

He did not know why he chose him; his parents were too poor to afford a coach not even money for porridge at school. But teacher Munaku used to like him because he was good at mathematics. If it was not for teacher Munaku, he recalled, he could not have completed primary education; neither could he have obtained a first grade! He quietly resolved to help teacher Munaku. He gave him a schedule of requirements by the bank to process bank facilities. He even recommended to him an accountant classmate he trusted to advise him about his business needs.

2.6 As he drove home, Munaku realized that indeed the honeymoon was over. He reflected on his past few months and realized he had made mistakes that must be corrected if he was to be a successful contractor. There are so many things he had to learn, and learn them very fast. He had burnt his boat and he had only one way to go; succeed as a road contractor. He wondered where he could start from. He stopped at the road side and bought a set of news papers. As he was meditating on the way forward for his business he saw something that caught his attention immediately. **Crossroads support for the national road construction industry: Training in Financial and Business Management for Road Contractors to be conducted by Multitech Business School.** **Applications are invited from road contractors who would like to improve their financial and business management skills…..**

2.7 Munaku immediately rushed to Multitech Business School, picked and filled the application forms there and then. “God works in mysterious ways” he sighed. He remembered a Chinese saying that “When the student is ready, the teacher arrives”. He resolved to make Munaku Contractors a model road construction business in the District.

2.8 Shortly after, Munaku was invited to submit a bid for a 2 kms stretch of road that needed immediate rehabilitation (detailed in Appendix I). Although his foreman was unavailable, It was an opportunity he could not let go. Meanwhile, the accountant that was recommended to him had tried to ascertain his financial statements from the incomplete records he could find and the narration from Munaku and the foreman. He also tried to assist Munaku to coin together a business plan. Munaku started obtaining bank facilities and to prosper.

2.9 A few years later, Munaku became organized and a better contractor. Occasionally, he would go back to Multitech Business School to get refreshed about financial and business management skills. He also occasionally sought their advice on matters he was not clear about.

3.0 Even now he was puzzled as to why despite his profitable operations he hardly had any peace of mind. There just seemed to be no money he could lay his hands on!! With a sense of resignation he handed his financial statements to the consultant. “What have I done wrong this time?” he asked.

3.1 The consultant studied the statements attached below (Appendix ii-iv) and tried to explain to Munaku about financial concepts of profits, liquidity, investment and position. He advised Munaku to be planning ahead for his business and to establish and monitor key performance indicators for it. Over time he became more enlightened and also his business grew steadily.

He hired the required employees for any road contracting business and also started to identify the key success factors for the sector. He deliberately developed a good relationship with two banks and he often sought for their assistance whenever he had a business opportunity.

3.2 Confident with his success, Munaku then resolved to set up the biggest road construction business in the District capable of doing 24kms of road per annum. This would give him a lead position in the sector. He wanted to become a man of substance his Chairman and former students would be proud of. This required him to have a substantial amount of money but he had no idea how much or where it could come from. From his previous training he realised that this required concerted effort. He discussed this ambition with his managers and they agreed to sit down together and put their ideas in a business plan and later to approach his bankers for funding.

**Appendix I.**

**MUNAKU’S 2KMS WORKS CONTRACT**

4.1 Munaku has been asked to quote to rehabilitate a 2km stretch of road and apply grade two marrum. He recalls that last year he did a similar job for a price of two hundred and ten million shillings. Since his foreman John was not available and he did not have a quantity surveyor, he adjusted this cost by an estimated 30% to adjust for economic factors and submitted a bid. He recalled that they normally added a profit margin of 30% on costs. Based on that, Munaku made a successful bid of shs 355m for the job. He expected to earn at least shs 82million from this work.

4.2 The accountant had recommended to him without success to increase the bid price to shs 404.3m after he has studied the BOQ. He informed Munaku that the only profit he should expect with the intended bid was likely to be only shs. 30m. The accountant had made the following notes about the job:

1. Material required: 5,000 tones grade two gravel at shs 20,000 each delivered at site.
2. Machine time: 400 hours of machine time at a cost of shs. 200,000 per hour. The machine consumes 100 litres of diesel per hour at a price of shs. 3,000 each litre.
3. Labour: 900 man days of labour is anticipate a cost of shs. 10,000 per day. Two supervisors will be engaged on the job for two months at a salary of shs 500,000 per month each.

4.3 Munaku knew that if he worked on the job fast he would increase his profits close to shs. 100million. Munaku completed the job in one and half months, two weeks earlier than expected. However his cash position did not improve at all. He was heard complaining to the accountant that he does not see where his targeted shs. 82m, the expected profit on the job went! He even told him that the District Finance Officer was against him because he paid him less than what he (Munaku) expected. The accountant investigated the job and made the following findings.

1. The gravel used was 10,000 tones at a price of shs 18,000 each.
2. The machine man did the work in only 320 hours.
3. Diesel price had gone up to shs 3,150 per litre and 38,000 litres were recorded as used.
4. Only 1,500 man days of labour were charged at a price of Shs. 15,000 per man day.
5. The District levied a 2% levy on the revenue of every road contractors and withholding tax of 6%.

*Assume you are the accountant:*

1. *Comment on Munaku’s approach to arrive at the bid price of shs. 355m.*
2. *Work out what would have been the ideal bid price based on the available information.*
3. *Using cost variances (total, usage, efficiency and usage), briefly explain why Munaku could not achieve his profit of shs. 82m.*
4. *Apportion responsibility for the variances and advise Munaku on possible action.*

**Appendix II**

Munaku Contractors’ performance statement:

|  |  |
| --- | --- |
|  | **Munaku Contractors income statement for year ended 31st December** |
|  |  | **2006** |  | **2007** |
|  |  |  shs'000  |  shs'000  |  |  shs'000  |  shs'000  |
| Revenue |  |  |  11,500,000  |  |  |  14,000,000  |
| Cost of works: |  |  |  |  |  |  |
| Materials  |  |  5,400,000  |  |  |  6,800,000  |  |
| Labour |  |  2,200,000  |  |  |  2,800,000  |  |
| Overheads |  |  1,600,000  |  |  |  1,900,000  |  |
|  |  |  |  9,200,000  |  |  |  11,500,000  |
| Gross margin |  |  |  2,300,000  |  |  |  2,500,000  |
| Administrative costs: |  |  |  |  |  |
| Rent |  |  60,000  |  |  |  90,000  |  |
| Utilities |  |  90,000  |  |  |  105,000  |  |
| Vehicle running |  |  120,000  |  |  |  122,000  |  |
| Office running |  |  30,000  |  |  |  55,000  |  |
| Security |  |  125,000  |  |  |  130,000  |  |
| Loan interest |  |  234,000  |  |  |  186,000  |  |
| Others |  |  117,000  |  |  |  86,000  |  |
|  |  |  |  776,000  |  |  |  774,000  |
| Net profit |  |  |  **1,524,000**  |  |  |  **1,726,000**  |
|  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |

**Appendix III**

**Munaku Contractors position statement:**

**Munaku Contractors Balance Sheet as at 31st December**

|  |  |  |  |
| --- | --- | --- | --- |
|  | 2006 |  | 2007 |
|  | shs'000 | shs'000 |  | shs'000 | shs'000 |
| Fixed assets: |  |  |  |  |  |
| Land and buildings |  |  -  |  |  |  1,500,000  |
| Plant and machinery |  | 6,000,000  |  |  |  5,800,000  |
|  |  | 6,000,000  |  |  |  7,300,000  |
| Current assets: |  |  |  |  |  |
| Work in progress |  840,000  |  |  |  1,280,000  |  |
| Stocks |  130,000  |  |  |  250,000  |  |
| Trade Debtors |  650,000  |  |  |  840,000  |  |
| Cash and bank |  35,000  |  |  |  (999,000) |  |
|  |  1,655,000  |  |  |  1,371,000  |  |
| Current liabilities: |  |  |  |  |  |
| Trade Creditors |  960,000  |  |  |  650,000  |  |
| Current loan |  200,000  |  |  |  200,000  |  |
|  |  1,160,000  |  |  |  850,000  |  |
| Net working capital |  |  495,000  |  |  |  521,000  |
| Total assets |  | 6,495,000  |  |  |  7,821,000  |
| Financed by: |  |  |  |  |  |
| Share capital |  | 2,000,000  |  |  |  2,000,000  |
| Retained profit /loss |  | 3,545,000  |  |  |  5,071,000  |
| Bank loan |  |  950,000  |  |  |  750,000  |
|  |  | 6,495,000  |  |  |  7,821,000  |

**Appendix IV:**

Munaku Contractors’ Cash Flow Statement:

|  |
| --- |
|  |
|  |
| **Munaku Contractors Cash Flow for the period ended 31st December 2008** |  |  |
|  |  | **shs'000** | **shs'000** |  |  |
|  |  |  |  |  |  |
| Profits from operations |  |  1,726,000  |  |  |  |
| Add back depreciation |  |  200,000  |  |  |  |
| **Funds generated from operations** |  |  1,926,000  |  |  |
| Investment activities: |  |  |  |  |  |
| Dividends/drawings paid |  200,000  |  |  |  |
| Taxes paid |  |  -  |  |  |  |
| Purchase of fixed assets (land) |  |  1,500,000  |  |  |  |
| Loan repayment |  |  200,000  |  |  |  |
|  |  |  |  1,900,000  |  |  |
| Changes in working capital: |  |  26,000  |  |  |
| Increase in work in progress |  |  (440,000) |  |  |
| Increase in stores |  |  |  (120,000) |  |  |
| Increase in debtors |  |  |  (190,000) |  |  |
| Decrease in creditors |  |  |  (310,000) |  |  |
| Decrease in cash and bank |  |  (1,034,000) |  |  |
| Cash and bank at start |  |  |  35,000  |  |  |
| Closing cash and bank |  |  |  (999,000) |  |  |
|  |  |  |  |  |  |

**Appendix V**

**Munaku’s data on the 24kms/year project**

1. New equipment to be purchased Shs 350m. The machinery will be depreciated evenly over seven years.
2. The rest of the equipment will be hired at the rate of shs 12m per kilometre.
3. The pricing policy is to add a margin of 20% on total cost. Competition dictates that the price should not exceed Shs 450m/per km.
4. The machines will consume 9000 litre of fuel per km. The current price of fuel is Shs. 3,500 per litre.
5. The overheads are estimated as follows:

|  |  |  |
| --- | --- | --- |
| Item | Nature of cost | Amount per km in shs’000 |
| 1 | Operational costs | 60,000 |
| 2 | Indirect labour | 15,000 |
| 3 | Staff development | 5,000 |
| 4 | Administrative overheads | 20,000 |
|  | Total per kms | **100,000** |

1. Work will be billed every two months and payment done 30 days after billing.
2. Material required per km is estimated at 8,000 tonnes at a price of shs. 20,000 per tonne (excluding VAT of 20%).
3. Direct Labour cost is estimated at 60m per kms payable monthly in arrears.
4. The company has decided to acquire an additional 5 acres of land at shs 500m. The following structures are to be constructed to be used as the head office.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Item** | **Description** | **Specification** | **Rate Shs’000** | **Cost Shs’000** |
| 1 | Office  | 200sqm | 600 | 120,000 |
| 2 | workshop | 30sqm | 200 | 6,000 |
| 3 | Shades | 80sqm | 150 | 12,000 |
| 4 | Parking and storage | 100sqm | 100 | 10,000 |
| 5 | Other social buildings |  |  | 22,000 |
|  | Total Buildings |  |  | **170,000** |

1. Buildings will be depreciated evenly over 20 years.
2. Excluded from the administrative overheads are top management salaries at the rate of shs. 15m per month. The officers were hired at the beginning of the business for 6 months before business started and categorized as start up costs. They are to be written off over the first three years of commencement of construction work.
3. Taxation of 30% is due on profits and is payable six months after the year end in which the profits were made.
4. The business will pay out a dividend to the owner of shs. 120m per year (payable monthly evenly during the year).
5. Any loan will be repaid evenly over 60 months at an interest rate of 20% per annum

**Assignment:**

1. Make a simple estimate of the capital needs of Munaku (assets and working capital).
2. Ascertain the income statement for a year.
3. Work out a 12 months cash flow and discuss Munaku’s capital needs and how he can structure it.
4. As a person knowledgeable in financial and business management advise Munaku given that raising capital is a problem.
5. Work out a profit forecast for 5 years.
6. Work out a five year cash forecast.
7. Work out suitable performance indicators to be used in the bank loan application.
8. Examine what happens to profits and cash flow when all equipment is hired and land is not bought. (Assume additional rental at 6m per month).
9. Asses what happens if Munaku does not take out the monthly drawings?
10. Examine the income and cash flow when the margin is changed from 20% to 30% on cost.
11. Work out a 12 months’ income and cash flow using new equity of shs 2.520billion.
12. Work out the 12 months income and cash flow assuming an equity debt structure of 2:1 for new capital of 2,520,000,000 (i.e.1,680,000:840,000).
13. Munaku wishes to have an equity debt ratio of 2:1. Assuming that new capital of shs 3,6billion is to be injected, starting with the existing capital structure, recommend the source of the new capital and work out short (12m) and long term(5 years) income and cash flows.