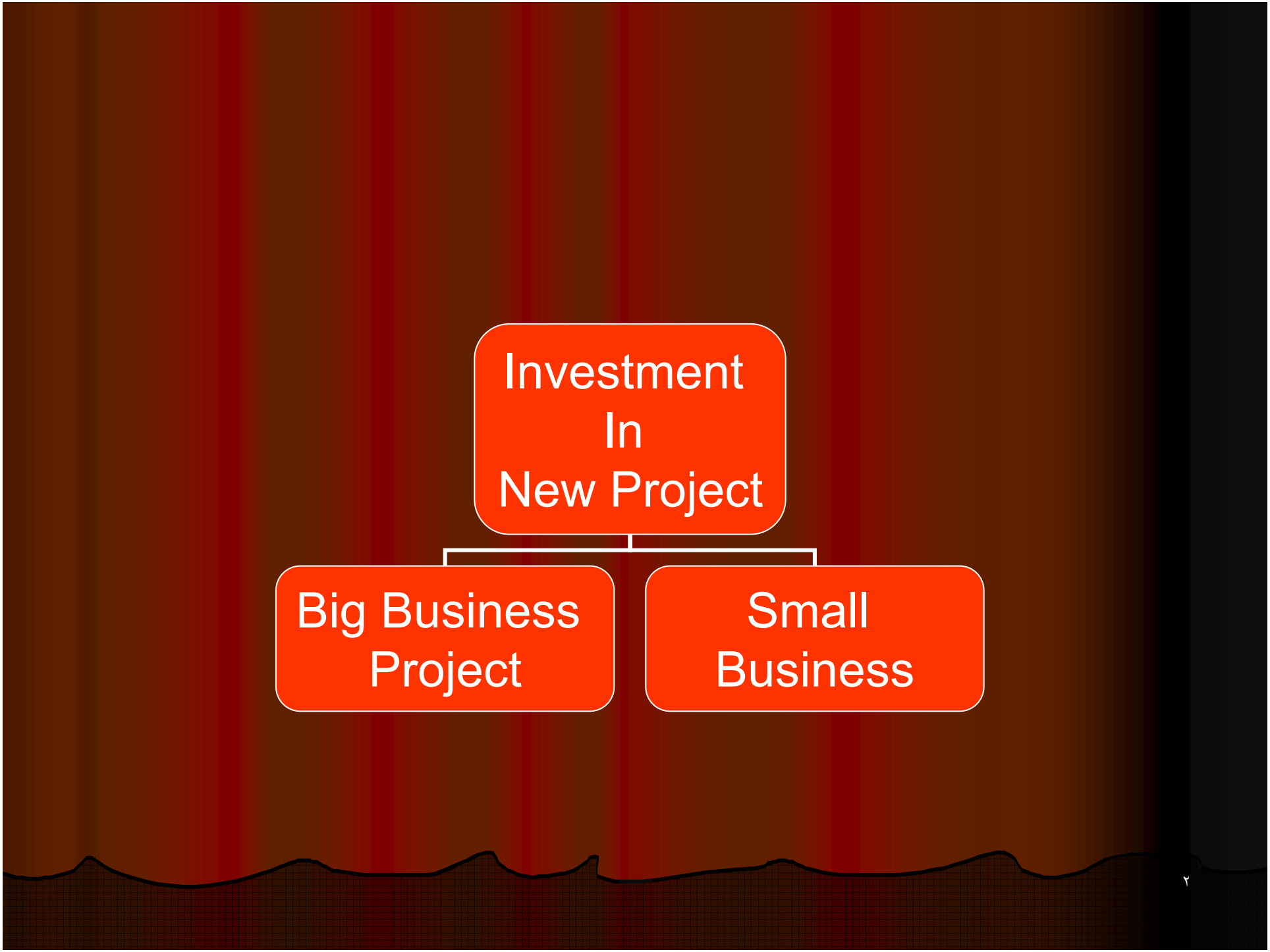
Feasibility Study of Investment In New Project

Prof, Ahmed Farghally
Dean, Faculty of Commerce,
Cairo University


Investment
In
New Project
Big Business
Project
Small
Business

Feasibility Study

- Aims at:

1. Making Sure there is a true market for the project Product or a service (Supply Demand),
2. Estimating the Market share of the project,

Total Market = 5,000 Pcs

Total supply = 3,000 Pcs

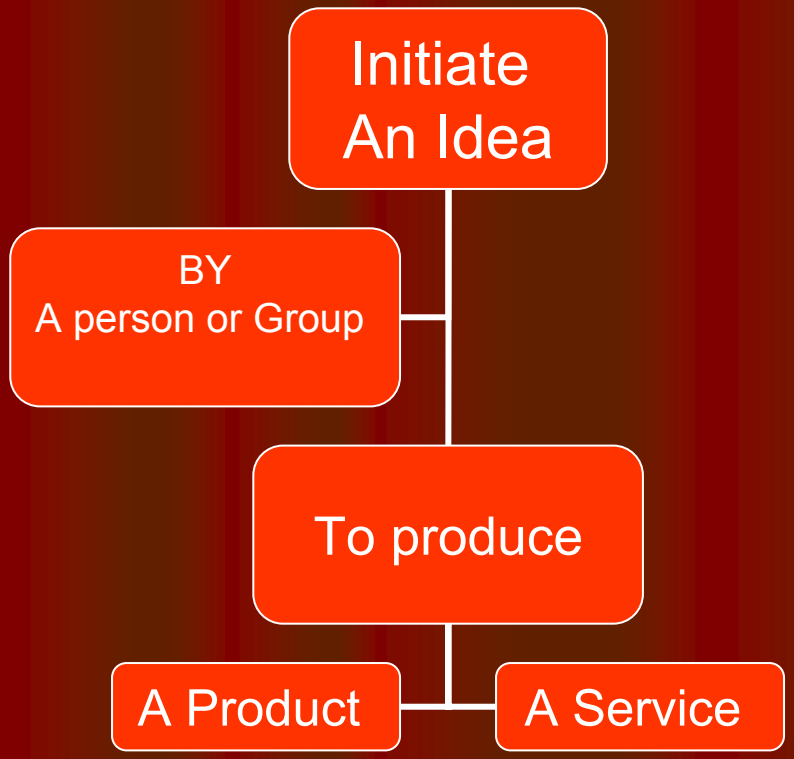
Market Gap = 2,000 Pcs

Project product = 1,000 Pcs

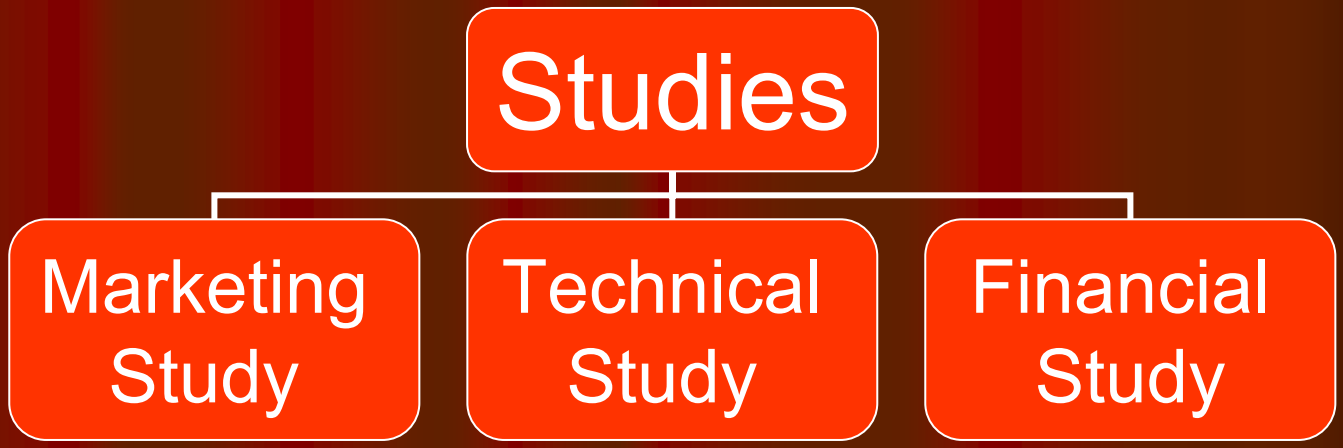
Market Share of the Project = 1,000/2,000= 50%

3. Identifying the project product specifications,
4. Estimating the fixed assets needs (land, Buildings, Machinery,…)
5. Estimating the Fixed Assets Costs,
6. Estimating manpower of the project,
7. Estimating Working capital of the project
8. Estimating the expected net income, rate of return on investment, Internal rate of return, payback period, and break-even sales of the project,
9. Estimate net cash flows of the project,

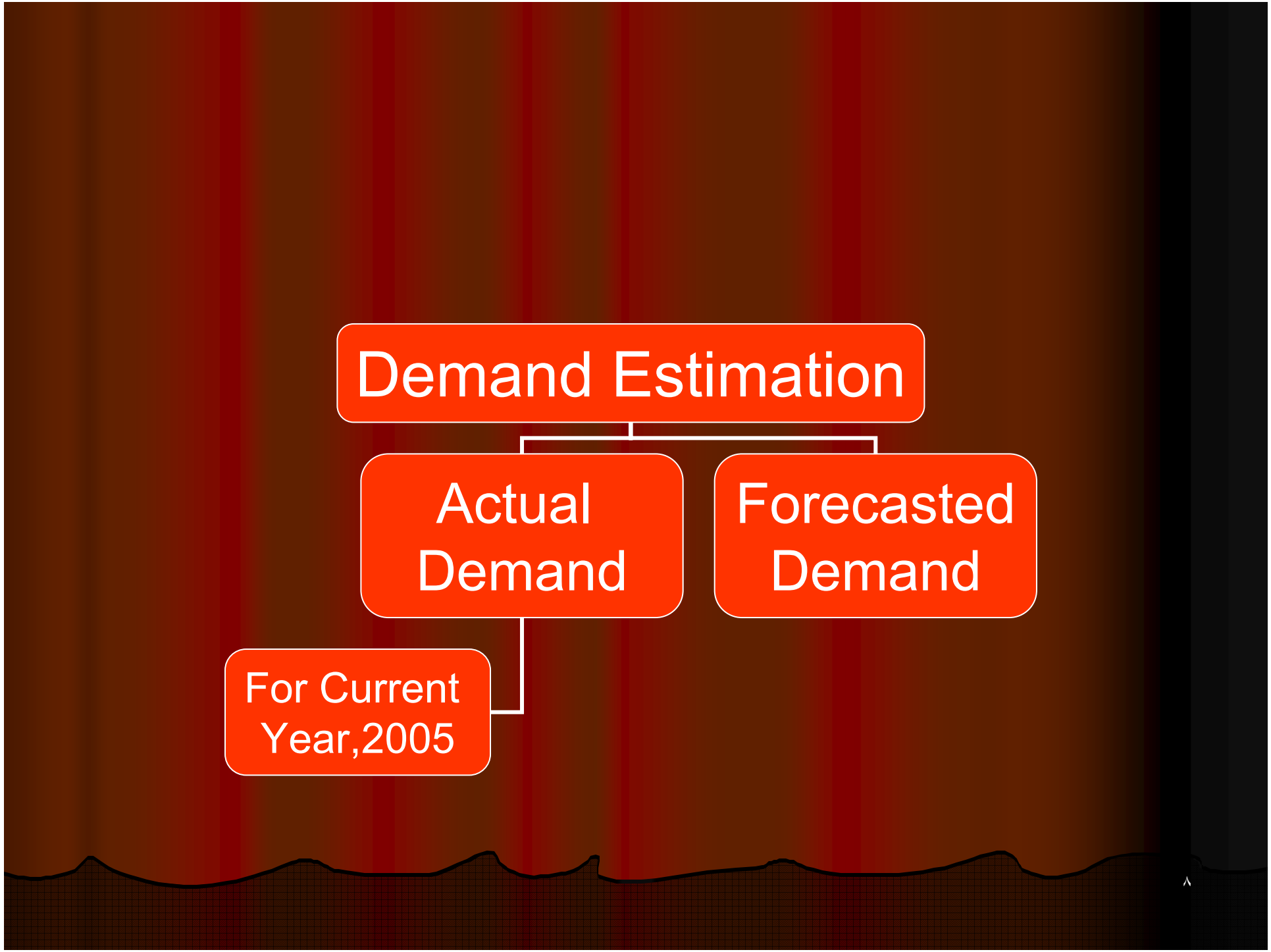
Select A Project To Make Investment In It



Economic Feasibility



Marketing Feasibility study


Demand Estimation
Actual Demand
Forecasted Demand
For Current Year,2005

Demand Estimation (2005-2014)

Increase Rate: 10%

Years	Estimated Demand (Units)
2005	500,000
2006	
2007	
2008	
2009	
2010	
2011	
2012	
2013	
2014	

Supply Estimation (2006-2014)

Increase Rate: 8%

Years	Estimated Supply (Units)
2006	300,000
2007	
2008	
2009	
2010	
2011	
2012	
2013	
2014	

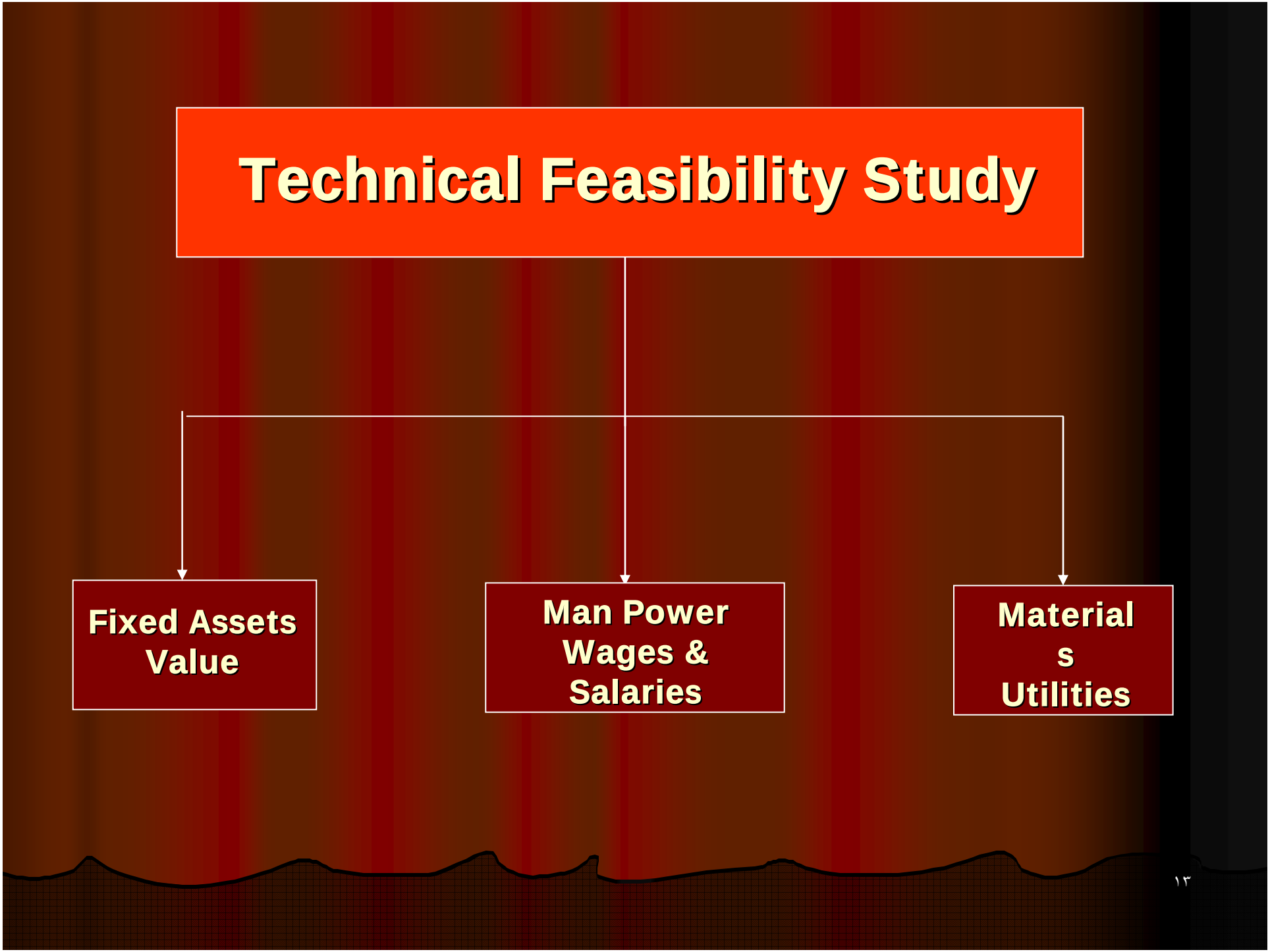
Market Gap (2006 – 2014)

Years	Demand (Units)	Supply (Units)	Gap (Units)
2006	500,000	300,000	200,000
2007			
2008			
2009			
2010			
2011			
2012			
2013			
2014			

Share of the Project of The Market Gap

$$= \frac{\text{Planned Production}}{\text{Total Market Gap}} = \%$$

Planned Production = 50,000 units
Market Gap : 200,000 units
Share of the project


Technical Feasibility Study
Fixed Assets Value
Man Power Wages & Salaries
Materials Utilities

Estimating Of Fixed Assets Cost:

1- Land:

Area : 5,000m2

Price per m2 : LE 200,000

Total Costs of Land : LE 200,000

2- Buildings : 2000 m2

Price per m2 : LE 1,300

Total Costs of Buildings : LE 2,600,000

3- Machinery :

Estimated Costs L LE 10,000,000

4- Other Fixed Assts LE 2,500,000

5- Raw Materials & Parts :

50,000 units (Planned Production)

Raw Materials & Parts Cost per Unit: LE300

Total Costs of Raw Materials & Parts LE 15,000,000

5- Manpower Costs:

Manpower	Member	Salaries Per Month	Salaries Per Year
Chairman	1	LE10,000	LE 12,000
General Manager	1	6,000	72,000
Production Manager	1	5,000	60,000
Marketing Mirage	1	4,000	48,000
Finical Manages	1	4,000	
Engineers	3	1,500	
Accountants	3	1,200	
Salesmen	5	800	
Supervisors	3	1,000	
Operators	25	700	
Secratery	2	500	
Total Salaries			

6- Utilities Costs LE 38,000

(Water Electricity)

7- Marketing & Promotion Costs LE 520,000

8- Administrative Costs LE 280,000

9- Other Posting Expenses LE 90,00

Financial Feasibility

Definition :

It is to estimate the total Investment of the Project, and Compute all Financial Indicators of the project as well,

Financial Feasibility study Continue

1- Compute Capital Investment of the project :

Capital Investment =

Fixed Capital + Working Capital

1/1 Fixed Capital :

Land	LE 1,000,000
Building	2,600,000
Machinery	10,000,000
Other Fixed Assets	2,500,000
	16,100,000

1/2 Working Capital:

Raw Materials & Spare LE 15,000,000
Labor costs (total Salaries)
Utilities Costs 38,000
Marketing & Promotion Cost 520,000
Administrative Costs 280,000
Other Pupating Expends
Working Capital :
= Total Annual Cash Expenses X3/12
=

1/3 Total Investment For the Psoject

- Fixed Capital LE 16,100,000
- Working Capital
- Total Investment

2- Estimated Net Income Of the Project

- 2-1 Sales Revenue :
- = Sold Units O Selling Price per unit
- = 50,000 units X LE 400
- = LE 20,000,000

2-1 Depreciation Expense:

Buildings = 2,600,000 X 5/100

Machinery = 10,000,00O X 10/100

Other Fixed Assts = 2,500,500X 7/100

Estimted Income Statement For the project

Sales Revenue	$20,000,000
Less :	
Cost of Goods sold:	
1- Manufacturing costs :	
Raw Materials & Spare Parts	$ 15,000,000
Utilities costs	38,000
Other Operating	90,000
2- Marketing costs of Goods sold	
Gross Profit	
Less : Administrative Expenes	
Net Income	