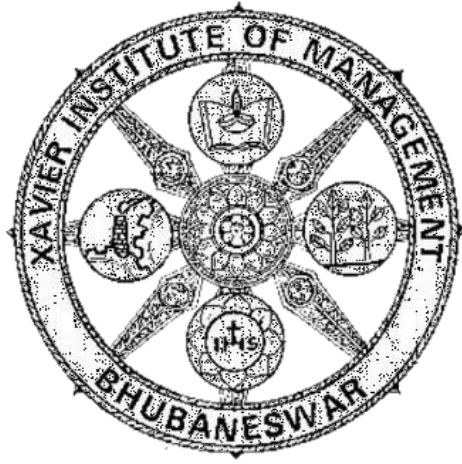




ADM PROJECT

COSTS FOR MINI ENTERPRISES

MUGHLAI

EAT STREET PLAZA

Presented By: Group-06 (SEC – C)

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INTRODUCTION

For this project we identified two running small restaurants namely, **Mughlai and Eat Street Plaza**, Bhubaneswar to examine their costs and revenues in detail. We researched about their business model and their monthly operational activities.

After collecting necessary and available data we attempted to prepare a balance sheet of each enterprise using the equation- $\text{Assets} = \text{Liabilities} + \text{Capital} + \text{Retained Profit}$.

We researched about their sources of revenue, costs and cost classification and inventory management. After ascertaining different cost objects, we arrived at the break even for each entity and concluded our research with decision making.

The aforementioned details are summarized below-

	Mughlai	Eat Street Plaza Plaza
Business Model		
What type of business model does the chosen hotel is running	Ala-carte restaurant	Ala-carte restaurant
Does the hotel have a pre decided menu (where they serve a pre decided meal with little customization)	No	No
Is it a pack and take model (where the restaurant only caters through parcel)	Yes	Yes
Is there a home delivery option (either directly or through third party)	Third Party Home Delivery (Swiggy)	Third Party Home Delivery (Swiggy)
Combination of the above	Yes	Yes
Other things the group finds out during the interaction.	Working hours of the eatery are 12:00 pm - 3:00pm and 6:00pm- 11:00 pm	Working hours of the restaurant are 12:00 pm - 2:00pm and 6:00pm- 10:30 pm
	Restaurant has a policy of credit sales for regular customers.	Restaurant doesn't have any credit sales.
Sources of Revenue - (Food, Beverages, third party food etc.)		

Major source of Revenue: How much does the restaurant earn from their core business, how much is the sales per day?	17366.67	18333.33
	Restraunt has a policy of credit sales for regular customers.	Restraunt doesn't have any credit sales.
Other Sources of revenue: Are there any other sources of revenue such as selling third party merchandises like local snacks, cool drinks etc.	No third-party merchandise is sold, the revenue is entirely generated out of day to day sales out of listed food items(processed).	No third-party merchandise is sold, the revenue is entirely generated out of day to day sales out of listed food items(processed).
Inventory Management - (Where do they buy, how they buy, is it on credit or on cash, do they get bulk discount etc.)		
Daily Items	Vegetable /Chicken stock	Vegetable /Chicken stock
	Paneer	Paneer
	Chicken	Chicken
	Mutton	Mutton
	Fish	Fish
	Spices	Spices
Grocery Items	Rice	Rice
	Besan Floor	Besan Floor
	Dal (Chana, Toor)	Dal (Chana, Toor)
	Maida, Corn flour	Maida, Corn flour
	Salt, Sugar	Salt, Sugar
	Dough	Dough
Most of the Daily Items are procured from the local vendors and wholesalers (Damana Hatta) . This purchase activity allows discounts on bulk purchases.		
Grocery Items are purchased on a weekly basis from wholesalers after forecasting the weekly sales.		

All the purchases are made through cash for which cash in hand is maintained at all times.

Cost Collection - What are the cost they have (Materials, labor, overhead)

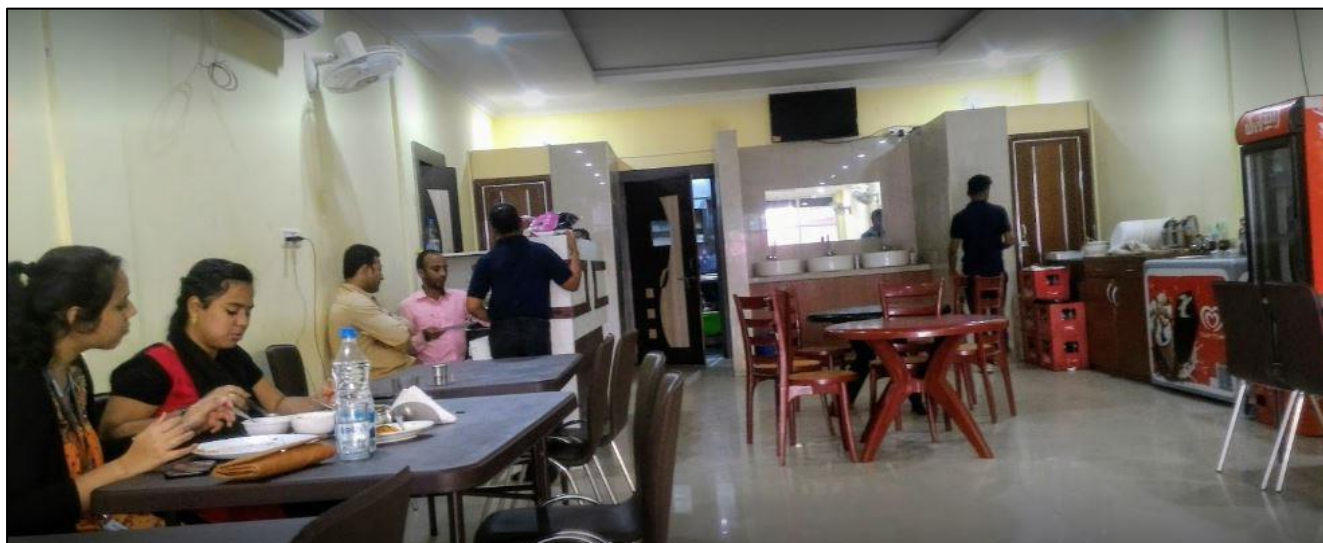
Material		
Raw material	210000	120000
Labor		
Salary paid	79000	112000
Overhead		
Electricity	25000	16500
Gas Bill	4400	4000
Third party charges	104200	110000
Rent	-	40000

Cost Classification - Classify the cost into direct cost, and overhead, product and period costs, fixed and variable etc.

Product Cost Total Manufacturing Cost (Raw material + Salary paid + Electricity + Gas Bill)	318400	252500
Period Cost is SGA	104200	110000
Fixed Cost	79000	152000
Variable Direct	343600	250500

MUGHLAI

The Balance sheet and Income statements with appropriate assumptions have been stated below-



MUGHLAI

<u>Income statement as on 01-09-2019 to 30-09-2019</u>	
Income	
Sales	
Credit sales	20,000
Sales	501000
Total Income	5,21,000
Expenses	
Electricity	25000
Gas Bill	4400
Raw material	210000
Salary paid	79000
Third party charges	104200
Total Expenses	422600
PBT	98,400
Tax @ 5%	4920
PAT	93,480

<u>Balance Sheet for Mughlai</u>	
Liabilities	
Capital	10396400
Accumulated Retained earnings	2,93,480
Total liabilities	10689880
Assets	
Bank	223480
Cash in Hand	50000
Land	6000000
Building	
Value Net of depreciation	3200000
Accumulated Depreciation	800000
Air Conditioner	60000
Tables and chairs	36000
Table fan	8400
Fridge	57000
Gas	200000
Oven	10,000
Automatic Grill machine	25,000
Receivables	20,000
Total assets	10689880

Assumptions	The Business has commenced from 2016 (3 years of Operation)
Retained Earnings	We have assumed that the retained earnings accumulated over the past few years
Total Retain Earnings from past period	350000
Period of Statement	Balance Sheet as on 01-09-2019 to 30-09-2019
Rent Expense	Monthly Rent of about 40000/- is paid to run the restaunt .
Interest	No loan has been raised.
Third party Charges	Since the restaurant carries out food delivery through swiggy, for which it pays 20%
Cash In hand	50000 has been withdrawn from bank (accumulated profits) and has been held as
TAX Rate	As per GST , 5 % tax rate has been levied
Salary Paid	Salary is paid to 9 employees, which includes Cooks-3, Helpers-3, Waiters-3
Gas Bill	The expense that is incurred on preparing food.
Electricity Bill	It includes the total electrical expense of running the restaurant(AC, Fan, Fridge,
Bank	All the income and expenses are deposited or withdrawn from Bank.
Food Preparation time	We estimated an average of 20 min for each item to be prepared
*All the data provided is rounded up to the nearest value, in the absence of exact figures. PAGE 5	

Cost Sheet

Best Selling Food Item	Veg Fried Rice		Chilly panner		Chicken Tikka Roll		Egg Panner Roll		Chicken Hyd		Chicken Manchurian		Chicken Roll		Veg Noodles	
	Qty(gm)	Amt (Rs)	Qty(gm)	Amt (Rs)	Qty(gm)	Amt (Rs)	Qty(gm)	Amt (Rs)	Qty(gm)	Amt (Rs)	Qty(gm)	Amt (Rs)	Qty(gm)	Amt (Rs)	Qty(gm)	Amt (Rs)
Direct Raw Material																
Rice	100	12.5	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Dough	0	0	0	0	30	1.35	30	1.35	0	0	0	0	50	10	0	0
Vegetable /Chicken stock	25	10	20	5	0	0	5	3	25	10	25	15	0	0	0	0
Paneer	15	5	200	40	0	0	50	12	0	0	0	0	0	0	0	0
Chicken	0	0	0	0	50	12	0	0	200	40	200	40	50	10	0	0
Noodles	0	0	0	0	0	0	0	0	0	0	0	0	0	0	250	10
Spices	100	10	50	20	15	15	15	10	100	65	150	50	100	10	50	15
Total	240	37.5	270	65	95	28.35	100	26.35	325	115	375	105	200	30	300	25
Direct Labour (14 Hrs per day and 30 days a Month)	9.9		9.9		9.9		9.9		9.9		9.9		9.9		9.9	
Manufacturing Overheads(Allocation per Unit)																
Electricity	13.1		13.1		13.1		13.1		13.1		13.1		13.1		13.1	
Gas	3.2		3.2		3.2		3.2		3.2		3.2		3.2		3.2	
Total manufacturing Cost	63.6		91.1		54.5		52.5		141.1		131.1		56.1		51.1	
Non Manufacturing Over Head (Electricity)	4.0		4.0		4.0		4.0		4.0		4.0		4.0		4.0	
Selling and General Expenses																
Packaging Cost	0.5		0.5		0.5		0.5		0.5		0.5		0.5		0.5	
Cost Of Goods Sold	67.6		95.1		58.5		56.5		145.1		135.1		60.1		55.1	
Selling Price	70		150		70		60		180		150		65		60	

Break even analysis:

Break Even Analysis

Fixed Cost	4,75,400							
Variable Cost/ Unit	112.1	167.1	137.1	137.1	192.1	217.1	247.1	172.1
Selling Price/ Unit	120.0	180.0	150.0	160.0	200.0	300.0	300.0	220.0
Contribution/ Unit	7.9	12.9	12.9	22.9	7.9	82.9	52.9	47.9
BEP using these best selling Item	1917							
Units sold every month	1500							
BEP Units sold within Months	1.3							

Cost Classification

Direct Cost	Ingredients used
	Labour used to prepare the food
Indirect cost	Stove
	Cylinders
	Non Manufacturing Overheads
Fixed Cost	Salary of Employee
	Wages
	Equipments
Variable Cost	Electricity
	Gas Bill

Break even has been achieved by considering the best-selling products, as the fixed cost burden has been shared by these items. At 1917 units the restaurant earns no profit or loss.

As we can see the restaurant has earned a profit of Rs 93480 which shows that the breakeven has been realized during the initial months of commencement of business.

Remarks for MUGHLAI:

Mughlai, Bhubaneswar was approached by the team for the purpose of extracting necessary information regarding capital, debts, fixed costs and variable costs. Information was obtained in approximate terms about daily inventory requirement and average daily sales of bestselling products. After obtaining a rough draft of information, a thorough income statement, balance sheet and cost sheet was prepared following which cost classification was done to arrive at direct, indirect costs, fixed and variable costs. Breakeven point was calculated and we analyzed that even though the restaurant is earning profits it has an even better opportunity and potential to thrive in the present favorable scenario. The restaurant enjoys a locational advantage and serves a diverse menu to counter the competition. The following are the remarks stating possible improvement:-

REMARKS for MUGHLAI:

Sales Improvement	
1. Visibility	Potential to attract new customers given its locational advantage by establishing a loyal customer base owing to nearby colleges, training centers such as CTTC and offices.
2. Business Model	By encouraging more private parties and special events the restaurant can strengthen its position in future.
3. Operation Timing	By changing the composition of business hours and keeping it open during 4 PM to 6 PM when a lot of employees and Student carve out for fast food nearby could prove profitable.
4. Footfall Improvement	Improving the Interactive experience, a particular customer has with the restaurant.
5. Inventory & Procurement Management	Since the restaurant has a daily procurement strategy, accurate forecasting techniques to predict demand could be employed
6. Costing Management	Comparing actual expenses with planned expenses so as to use purchase discounts and reduce expenses Creating contingency reserves for uncertain events
7. Restructuring of the Menu	Analyzing the monthly sales of each menu item and eliminating those items whose sales have seen a decline for a significant amount of time and also adjusting the procurement strategy according to adjustments in the menu.

EAT STREET PLAZA

The Balance sheet and Income statements with appropriate assumptions have been stated below-



Income statement-01-09-2019 to 30-09-2019	
Income	
Sales	550000
Total Income	5,50,000
Expenses	
Rent	40000
Electricity	16500
Gas Bill	4000
Raw material	120000
Salary paid	112000
Wages	90000
Third Party Charges	110000
Total Expenses	492500
PBT	57,500
Tax @ 5%	2875
PAT	54,625

Balance Sheet	
Liabilities	
Capital	433000
Accumulated Retained earnings	4,04,625
<i>Total liabilities</i>	837625
Assets	
Bank	344625
Cash in Hand	60000
Air Conditioner	40000
Tables and chairs	144000
Table fan	7000
Fridge	17000
Gas	200000
Oven	10,000
Air Cooler	15,000
<i>Total assets</i>	837625

Cost Sheet

Best Selling Food Item	Veg Dum Biryani		Paneer Butter Masala		Panner Malai Tikka		Kadhai Panner		Chicken Biryani		Mutton Biryani		Naan & Chicken Masala		Chicken Curry	
	Qty(gm)	Amt (Rs)	Qty(g m)	Amt (Rs)	Qty(g m)	Amt (Rs)	Qty(g m)	Amt (Rs)	Qty(gm)	Amt (Rs)	Qty(gm)	Amt (Rs)	Qty(gm)	Amt (Rs)	Qty(gm)	Amt (Rs)
Direct Raw Material																
Rice	150	15	0	0	0	0	0	0	150	15	150	15	0	0	0	0
Dough	0	0	0	0	0	0	0	0	0	0	0	0	250	50	0	0
Vegetable /Chicken stock	20	20	20	20	0	0	0	0	20	10	20	10	50	25	0	0
Paneer	10	5	250	60	250	60	250	60	0	0	0	0	0	0	0	0
Chicken	0	0	0	0	0	0	0	0	150	50	0	0	250	80	250	80
Mutton	0	0	0	0	0	0	0	0	0	0	150	75	0	0	0	0
Fish	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Spices	100	20	50	35	15	25	100	25	100	65	150	65	150	40	100	40
Total	280.0		320.0		265.0		350.0		420.0		470.0		700.0		350.0	
Direct Labour (14 Hrs per day and 30 days a Month)	9.0		9.0		9.0		9.0		9.0		9.0		9.0		9.0	
Manufacturing Overheads(Allocation per Unit)																
Electricity	11.9		11.9		11.9		11.9		11.9		11.9		11.9		11.9	
Gas	3.5		3.5		3.5		3.5		3.5		3.5		3.5		3.5	
Total manufacturing Cost	84.4		139.4		109.4		109.4		164.4		189.4		219.4		144.4	
Non Manufacturing Over Head (Electricity)	27.8		27.8		27.8		27.8		27.8		27.8		27.8		27.8	
Selling and General Expenses																
Packaging Cost	0.5		0.5		0.5		0.5		0.5		0.5		0.5		0.5	
Cost Of Goods Sold	112.13		167.13		137.13		137.13		192.13		217.13		247.13		172.13	
Selling Price	120		180		150		160		200		300		300		220	

Break even analysis:

Break Even Analysis								
Fixed Cost	6,75,000							
Variable Cost/ Unit	67.6	95.1	58.5	56.5	145.1	135.1	60.1	55.1
Selling Price/ Unit	70.0	150.0	70.0	60.0	180.0	150.0	65.0	60.0
Contribution/ Unit	2.4	54.9	11.5	3.5	34.9	14.9	4.9	4.9
BEP using these best selling Item	5118							
Units sold every month	1100							

Cost Classification	
Direct Cost	Ingredients used
	Labour used to prepare the food
Indirect cost	Stove
	Cylinders
	Non Manufacturing Overheads
Fixed Cost	Salary of Employee
	Equipments
Variable Cost	Electricity
	Gas Bill

Break even has been achieved by considering the best-selling products, as the fixed cost burden has been shared by these items. At 5118 units the restaurant earns no profit or loss.

As we can see the restaurant has earned a profit of Rs 54625 which shows that the breakeven has been realized during the initial months of commencement of business.

Remarks for EAT STREET PLAZA:

The Eat street, Bhubaneswar was approached by the team for the purpose of extracting necessary information regarding capital, debts, fixed costs and variable costs. Information was obtained in approximate terms about daily inventory requirement and average daily sales of bestselling products. After obtaining a rough draft of information, a thorough income statement, balance sheet and cost sheet was prepared following which cost classification was done to arrive at direct, indirect costs, fixed and variable costs. Break even point was calculated and we analyzed that even though the restaurant is earning profits it has an even better opportunity and potential to thrive in the present favorable scenario. The restaurant enjoys a locational advantage and serves a diverse menu to counter the competition. The following are the remarks stating possible improvement :-

Sales Improvement	
1. Operation Timing	Incorporating slight adjustments in the operation timing so such as changing the evening timings from 6:30 PM to 4:30 PM so as to include the footfall which arises from the snack breaks of nearby educational institutions and offices.
2. Footfall Improvement	Adjusting the timings to incorporate better footfall. Improving the visual appearance of the hotel so as to attract passing customers.
3. Inventory & Procurement Management	Introducing a proper and organized record keeping unit to efficiently monitor stock levels and provide accurate forecasts. Implementing good forecasting techniques to better estimate demand.
4. Costing Management	Introducing an efficient budgeting system which takes into consideration the historical sales and provide a good conceptual estimate.
5. Restructuring of the Menu	Identifying the bestselling items and readjusting the menu to exclude items which absorb unnecessary costs and result in very few sales across subsequent periods.