

Czech University of Life Sciences Prague

Faculty of Economics and Management

Department of Economics



Bachelor Thesis

Financial Plan for a Chosen Business

Kristýna Roubalová

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CZECH UNIVERSITY OF LIFE SCIENCES PRAGUE

Faculty of Economics and Management

BACHELOR THESIS ASSIGNMENT

Kristýna Roubalová

Economics and Management

Thesis title

Financial Plan for a Chosen Business

Objectives of thesis

The aim of this Bachelor Thesis is a creation of a financial plan for opening a new cafe established in Prague. It is mainly focused on financial calculations, economic feasibility of the whole project and further development.

Methodology

The theoretical part is based on data collected from specialized publications and other written or online sources using the methods of analysis, synthesis, extraction, abstraction and deduction. The practical part consists of economic-mathematical methods used for creating a financial plan, including revenues, expenses, investments, cash flow, sales forecasts and profitability measures.

The proposed extent of the thesis

40 – 60

Keywords

Financial plan, business, budget, café

Recommended information sources

ALHABEEB, M. J. Entrepreneurial Finance : Fundamentals of Financial Planning and Management for Small Business. Hoboken: John Wiley & Sons, 2015. ISBN 978-1-118-69151-9.

MCKEEVER, M. P. How to Write a Business Plan. 13th edition. Berkeley: Nolo, 2016. ISBN 978-1413323191.

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SYNEK, M. Manažerská ekonomika. 5th edition. Prague: Grada, 2011. ISBN 978-80-247-3494-1.

VEBER, J., SRPOVA, J., A KOL. Podnikání malé a střední firmy. 3rd edition. Prague: Grada, 2012. ISBN: 978-80-247-4520-6.

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The Bachelor Thesis Supervisor

Ing. Karel Malec, Ph.D.

Supervising department

Department of Economics

Electronic approval: 25. 2. 2019

prof. Ing. Miroslav Svatoš, CSc.

Head of department

Electronic approval: 26. 2. 2019

Ing. Martin Pelikán, Ph.D.

Dean

Prague on 12. 03. 2019

Declaration

I declare that I have worked on my bachelor thesis titled "Financial Plan for a Chosen Business" by myself and I have used only the sources mentioned at the end of the thesis. As the author of the bachelor thesis, I declare that the thesis does not break copyrights of any their person.

In Prague on 15th of March 2019

Acknowledgement

I would like to thank to my supervisor Ing. Karel Malec, Ph.D. for his expert advice, time and help during my work on this thesis.

Financial Plan for a Chosen Business

Abstract

The aim of the bachelor thesis is to determine economic feasibility and create a founding financial project of a new café which will be established in Prague. The financial plan is an essential section of a business plan needed to establish a new company. The thesis is divided into two main parts – theoretical and practical. Theoretical part contains basics concepts, definitions and terms which are related to business in general and financial planning within entrepreneurship.

The practical part aims to present the business, specifically café and the financial plan itself. This part is mainly focused on financial calculations, economic feasibility of the whole project and further development.

Keywords: Financial plan, business, business plan, entrepreneur, expenses, sales, company, budget, money, coffee, café.

Finanční plán pro vybraný podnik

Abstrakt

Cílem této bakalářské práce je určení realizovatelnosti a vytvoření zakládajícího finančního projektu pro novou kavárnu, která bude založena v Praze. Finanční plán je důležitou součástí podnikatelského plánu potřebného pro založení nové společnosti. Práce je rozdělena na dvě hlavní části – teoretickou a praktickou. Teoretická část obsahuje základní pojmy, definice a termíny, které se obecně týkají podnikání a finančního plánování.

Cílem praktická části je představení společnosti, konkrétně kavárny a samotné zpracování finančního plánu. Tato část je především zaměřena na finanční výpočty, ekonomické proveditelnosti celého projektu a na budoucím vývoji.

Klíčová slova: Finanční plán, podnikání, podnikatelský plán, podnikatel, výdaje, tržby, společnost, rozpočet, peníze, káva, kavárna.

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1 Introduction

Business is a creative and competitive activity, which plays a major role within our society. A lot of people want to start their own business to satisfy their needs and wants. However, it is important to realize that starting a new business venture is time-consuming process. It is a way to provide goods and services to consumers, and at the same time in case of successful business, make a profit, improve a quality of life and create a higher standard of living. However, an entrepreneur cannot be everyone. Some qualities can be gained from experiences during the life, such as economic knowledge, but with some must be born. The entrepreneur is seen as an innovator and is born with skills necessary to run a business. Nowadays, run a business is not a hard thing. The difficulty resides in bringing new ideas to market. The competition is huge, but the individual can gain a success. The preparation is the key ingredient, which is based on well-prepared a business plan. A lot of people underestimate writing a business plan, but it is inseparable part of whole process.

Nowadays, the entrepreneur can start the business based on literally everything. People are living in the world full of various opportunities and modern technologies. People tend to be busier than few years ago. However, they often cannot imagine waking up without a cup of coffee and having break without this hot drink. The consumption of coffee is increasing, and people tend to search for better quality. In general, people are willing to spend more money on a cup of high-quality coffee than for a regular one. The bachelor thesis is based on opening of a new café in Prague which will offer Italian high-quality coffee.

As already mentioned, the business plan contains a lot of important sections. One of the key sections is financial part. Even though business does not guarantee success, entrepreneurs still underestimate importance of financial plan, because they do not know how to prepare it, and they are afraid of complicated calculations. The well-prepared and developed project can return invested time and energy in the benefits that business promises – the possibility of self-realization, time flexibility and financial independence.

2 Objectives and Methodology

2.1 Objectives

Main Objective

The main aim of the thesis is to determine economic feasibility of a start-up company with a focus on financial planning.

Secondary Objectives

Secondary objectives of the thesis are stated as follows:

- Define basic terms related to business in general
- Draw up the financial plan based on financial calculations, which is widely considered to be one of the most important parts of the business plan
- Estimate further development of operation of café and identify factors affecting the development
- Clarify the reason why is the financial plan essential part of a business plan

2.2 Methodology

The bachelor thesis is divided into two parts. In the first section – **the literature overview**, theoretical background is presented. Definitions, basic concepts and terms are based on data collection from relevant specialized publications and other written or online sources. Specialized publications as the first source of information were collected in Municipal Library of Prague, university library and from the author's own sources. As the secondary source of information was used the internet. Web pages related to the topic are listed in the section References and were searched during work on the thesis. The literature section gives a brief overview of definitions related to business and business plan in general; what is business, who is entrepreneur, types of business entities and components of business plan. In the end of the literature overview, basic concepts of financial planning process are defined, such as financial sources. The methods of analysis, synthesis, comparison and deduction will be used to prepare the practical part and to formulate the results and conclusion of the thesis.

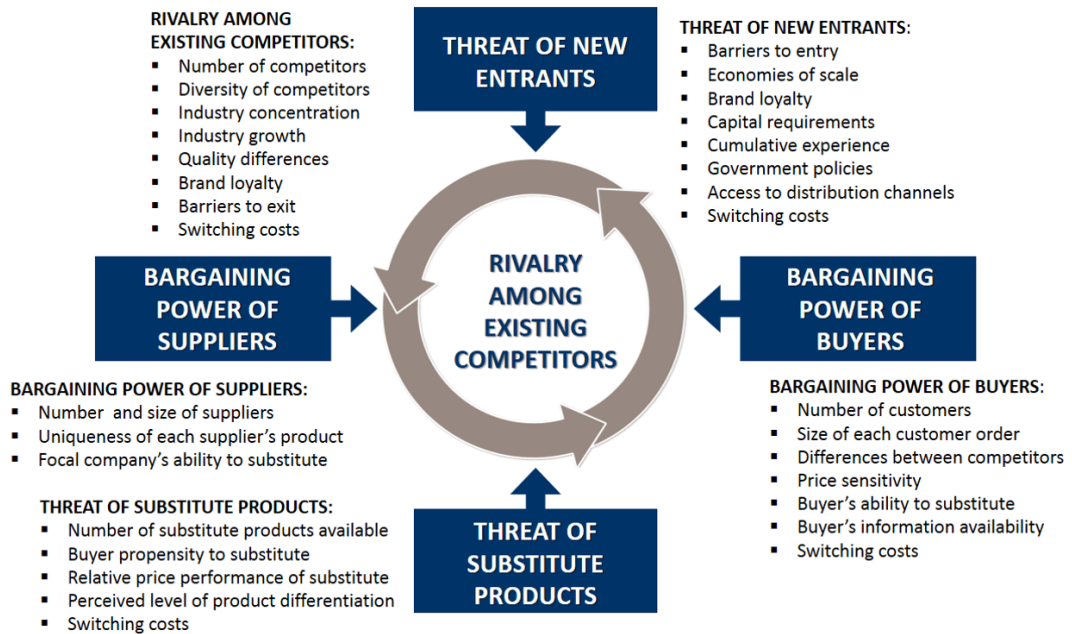
In the second section, both specialized and other sources were used. **The practical part** concerns with an introduction of café and specific financial plan, where knowledge gained from the theoretical part was applied.

PEST analysis should be included in every business plan as a part of risk management and strategy design. This analysis discovers and quantifies factors in the external environment of a company, which can affect its activities and performance. PEST is an acronym for political, economic, social and technological factors. *Political factors* cover political stability, trade regulations, tax policy, import restrictions, tariffs, competition regulations, local and federal power structure, environmental policy, employment laws and safety regulations. The *economic factors* examine outside economic issues that can play a role in a company's success. Among these factors belong growth rates, gross domestic product, inflation rate, interest rates, exchange rates, unemployment, labour costs, monetary and fiscal policies, credit availability, rise and fall of the middle class, and so on. With *socio-cultural factors*, a business can understand how consumer needs are shaped and what brings them to the market for a purchase. Among the factors below demographics, health consciousness, education level, population growth rates, social classes, lifestyle, age distribution, religion and beliefs, attitudes toward work and job market trends. Technology can impact the business either negatively or positively. *Technological factors* include basic infrastructure level, rate of technological change, legislation regarding technology, internet infrastructure and access to newest technology. (Jurevicius, 2013)

Porter's Five Forces is a model that identifies and analyses five competitive forces that helps to explain why different industries are able to sustain different levels of profitability. Porter's model can be applied to any segment of the economy to search for profitability and attractiveness. Michael Porter identified five undeniable forces that play a part in shaping every market and industry in the world. The forces are frequently used to measure competition intensity, attractiveness and profitability of an industry or market. These forces are: Competitive Rivalry, Power of Suppliers, Power of Buyers, Threat of Substitution and Threat of New Entry. (Kenton, 2019)

Each force is explained in detail in Figure 1 below.

Figure 1 Porter's Five Forces



Source: Kenton, 2019

The **Marketing mix** refers to the set of actions, or tactics, that a company uses to promote its brand or product in the market. The typical structure of marketing mix is defined as 4Ps – Product, Price, Place and Promotion. However, nowadays, the marketing mix can include several other Ps like Packaging, Positioning, People and Politics. *Product* refers to the goods and services that are offered to the customers for sale in order to satisfy their needs and wants. Strategic decisions are based on the product variety, quality, design, features, brand name, packaging, size, returns, after-sales services, etc. *Price* is described as the amount which a customer pays to get the desired product or service. This P also includes terms of sale, competitive price, and discounts. While creating the price strategy, the costs of production, and the value and utility of the product or service to its customers should be considered. *Place* refers to the easy availability of the product in the target market. Choosing the right location may make the business successful. *Promotion* refers to marketing activities in order to promote the product and to reach the target audience. Promotional activity includes advertising, direct marketing, sales promotion, personal selling, public relations, and so on. (Business Jargons, 2017)

A **budget** is an estimation of revenues and expenses over a specified period of time which gives information about future financial conditions and goals. There are various types of budgets, it can be made for a person, a family, a group of people, a business, a government, a country, a multinational organization or just about anything else that makes and spends money. One of the most important types of budget is *Start-Up Budget*. The budget determines amount of money needed to establish a new company. It covers purchase of equipment, start-up expenses, money reserve, reconstruction, or value of initial stocks. Another common type of budget is *Estimated Monthly Expenses*. It is estimated amount of money needed every month to run a business. The budget includes rent, utilities, wages, rent, loan payment and other fixed expenses, which must be paid regularly. (Kagan, 2018)

Sales Forecasting is the process of estimating what the business's sales are going to be in the future. A sales forecast period can be monthly, quarterly, half-annually, or annually. The purpose of sales forecasting is to provide information about the level of sales and entrepreneur expects to achieve. Well-constructed sales plan combined with accurate sales forecasting, can help the entrepreneur to avoid unforeseen cash flow problems and manage the production, staff and financing needs more effectively. According to adequate knowledge, an entrepreneur can rapidly identify problems and opportunities. A sales forecast is an estimate of the quantity of goods and services you can realistically sell over the forecast period, the cost of the goods and services, and the estimated profit. (Ward, 2018)

Thanks to expert advice given by Ing. Dušan Klimeš, Msc., the expected sales were compiled based on experiences from practice as follows:

First step is to estimated occupancy rate for three options – realistic, optimistic, and pessimistic. To estimate the number of occupied seats, it is used general formula:

$$\text{Maximum Number of Seats} \times \text{Occupancy Rate} = \text{Occupancy} \quad (1)$$

The number of customers is based on multiplication of the occupancy and the busiest hours of the operation of café.

$$\text{Occupancy} \times \text{Hours} = \text{Number of Customers per Day} \quad (2)$$

Afterwards, it is estimated average spending per one person for each option – realistic, optimistic, and pessimistic. In final step are calculated sales per day based on multiplication of the number of customers and spending per one person. From these sales are derived sales per month and year.

$$\text{Number of Customers} \times \text{Average Spending per Person} = \text{Sales per Day} \quad (3)$$

Balance Sheet (Statement of Financial Position) shows the financial position of the business at a specific time. In other words, the balance sheet presents what the firm owns versus what it owes at any point in time. The statement consists of total assets, equity and total liabilities which is usually issued the last day of the accounting period (the end of the calendar year 31 December). The balance sheet provides information about financial position of an entity, entity's economic resources, claims against those assets by the owners and creditors, investing and financing amounts. (Stárová, 2019)

The balance sheet into two sides. The left side of the balance sheet lists fixed and current assets, the right side shows how these assets have been financed. It can be done from own sources – equity (capital) or from sources of somebody else – liabilities. The basic accounting equation express the total sum of assets equals the total sum of equity and liabilities. (Stárová, 2019)

$$\text{Assets} = \text{Liabilities} + \text{Equity} \quad (4)$$

Assets are resources with economic value that an individual, corporation owns or controls with the expectation that it will provide a future benefit. In general, assets can be categorized into fixed assets (non-current assets) and current assets (short-term assets).

Fixed assets are typically expected to be used for more than one financial year. These assets are purchased and retained by company to help carry on the business. Fixed assets are divided into three groups: intangible assets, tangible assets and financial assets. *Intangible assets* cannot be physically seen or touched, such as valuable rights, patents, copyrights and know-how. *Tangible assets* have physical existence, such as equipment, machinery, land, investment property and art collections. *Financial assets* represent investments in the assets and securities of other institutions. Fixed financial assets include securities, shares, stocks, bonds and investments. (Stárová, 2019)

Current assets are defined as short-term assets that are cash or will be converted into cash during twelve months of the date of the balance sheet. Current assets are divided into three groups: inventories, receivables and financial assets. *Inventories* include material, merchandise, products or work in progress. *Receivables* represent the money due to a company for goods or services delivered or used but not yet paid for by customers, employees or state. *Financial assets* include cash, bank accounts, stocks, bonds, bank deposits, and others. (Stárová, 2019)

Equity represents the initial amount of money invested in the business by one or more owners. The value of equity increases when the firm makes profits and decreases the firm incurs losses. In order for the balance sheet to balance, total assets on one side have to equal total liabilities plus shareholders' equity/registered capital on the other side. (Investopedia Staff, 2019)

Liabilities represent financial obligations owed to creditors for a past transaction. They usually have the word "payable" in their account title. Along with owner's equity, liabilities can be thought of as a source of the company's assets. Like assets, liabilities can be divided into two categories: short-term (current) liabilities and long-term liabilities. Short-term liabilities are debts payable within one year. These liabilities include accounts payable, short-term debts, monthly utilities, and similar expenses. Long-term liabilities are debts and other non-debt financial obligations, which are payable over a longer period. Among these liabilities belong bank loans, mortgages and pension obligations. (Investopedia Staff, 2019)

For a new or growing business, the **Cash Flow (Statement of Cash Flow)** can make the difference between success and failure. For an ongoing business, it can make the difference between growth and stagnation. The cash flow utilizes information from a company's balance sheet and income statement. The purpose of the statement is to provide information about the cash needs of a business and shows how cash will flow in and out of the business over a stated period of time. (Bangs, 2001)

Cash flow shows cash inflows and outflows from three activities: operating, investing, and financing. *Operating cash flows* are related to the principal revenue producing activities. Cash inflows include cash receipts from sale of goods, fees from services, interest and dividends. Among cash outflows belong cash payments to suppliers and employees, cash payments for taxes, and interest on debt. *Investing cash flows* are achieved from investing

activities, it means expenditures for resources generating future income and cash flows. Cash inflow examples are cash receipts from the sale of property, plant, equipment and intangible assets. Cash outflows include cash payments to acquire property, plant, and equipment; intangible assets; equity and debt investments in other entities; cash advances; and loans made to other parties. *Financing cash flows* involve issuance, settlement, or reacquisition of the entity's debt and equity investments. Cash inflows are for examples proceeds from issuing common stock or preferred stock, borrowing on a loan, issuing notes, and bonds. Cash outflows include repayments of loans, payment of cash dividends, cash payments to acquire treasury stock, and cash payments on a capital lease. (Griffin, 2014)

Income statement (Profit and Loss Account) summarizes the firm's financial position through the comparison between sales revenues (in-resources) and expenses (out-resources). It is reported for a period of time, usually one year. (Alhabeeb, 2014)

Kenton (2018) explains that by income statement, it can be answered a question whether a business made profit or suffered a loss and how much. The income statement focuses on the four key items - revenue, expenses, gains and losses. In general, profit or loss is calculated as revenue(s) (income) minus expenses. If the total amount of revenue(s) exceeds total amount of expenses, a company gains profit. When the total amount of revenue(s) is less than total amount of expenses, a company suffer a loss. Mathematically, the net income or net loss is calculated as following:

$$\text{Net Income} = (\text{Revenue} + \text{Gains}) - (\text{Expenses} + \text{Losses}) \quad (5)$$

Revenue is the amount of money that a company actually receives during a specific period, resulting from sales of goods or services provided by the entity. Gross income figure from which costs are subtracted to determine net income. Revenue is calculated by multiplying the price at which goods or services are sold by the number of units or amount sold. Revenues are divided into two categories: operating revenue and non-operating revenue. *Operating revenue* from primary activities refers to the revenue achieved from sale of the product or fees earned in exchange of offering services. *Non-operating revenues* are sourced from the earnings which are outside of purchase and sale of goods and services, and may include income from interest earned on business capital lying in the bank, rental income

from business property, income from strategic partnerships like royalty payment receipts or income from an advertisement display placed on business property. (Kenton, 2018)

Most **expenses** represent cost of activities that produce revenues. Expenses are measured in terms of cost of goods and services sold to customer or consumed. Expense linked to non-core business activities is for example interest paid on loan money. (Kenton, 2018)

Gains indicate the amount of money made from other activities, such as fixed assets sale and lawsuits results. (Kenton, 2018)

Losses are defined as expenses that go towards loss-making sale of fixed assets, one-time or any other unusual costs, or expenses towards lawsuits. (Kenton, 2018)

Pro Forma Statements are financial statements projecting values based on a specific economic forecasting method, and a certain set of assumptions. The pro forma analysis helps to predict the feasibility and worth of a company in the near future. (Alhabeeb, 2014)

In the thesis are presented projected balance sheet, cash flow and income statement. The final results of statements are based on expert advice and experiences, given by Ing. Dušan Klimeš, Msc., and predicted values in the hospitality business gained from Czech Statistical Office.

SWOT analysis is a framework used to evaluate a company's competitive position by identifying its internal and external factors. Strengths and weaknesses address the internal factors while opportunities and threats address the external factors. Strengths describe an organization excels at and separates it from the competition. They include a strong brand, innovative business idea, product uniqueness, loyal customer base, unique technology, location, and so on. Weaknesses include some disadvantages or areas where the firm needs some improvement. Among these factors belong inadequate funding, old equipment, lack of training, lack of capital, and so on. Opportunities refer to favourable external factors that an organization can use to give it a competitive advantage. They cover factors, such as industrial trend, expansion opportunity, consumer's income, their tastes, and so on. Threats refer to factors that have the potential to harm an organization. They include rising costs for inputs and increasing competition. (Kenton, 2019)

3 Literature Review

3.1 Business

The concept of business has several interpretations and can be understood differently by various disciplines. Business itself is considered a self-employed activity of taking on financial risks in the hope of profit.

The legal definition was defined in the former Commercial Code as follows: "Entrepreneurship is a systematic activity which is independently carried out by the entrepreneur in his own name and on his own responsibility for the purpose of achieving profit." (Act No. 513/1991 Coll, Commercial Code in the current version, § 2).

From the economic point of view, business is a way of involving economic resources and other activities in order to increase their original value and create added value. In psychology, business is an activity motivated by the need to try, gain or accomplish something. In these terms, entrepreneurship is seen as a means of achieving self-realization, deprivation of/release from dependence and standing on entrepreneur's own feet. In sociological terms, business is taken as a means of creating wealth, or as a way to find better use of resources or create new jobs and opportunities. (Veber, Srpova, 2012)

3.2 Types of Business Entities

In the Czech Republic, there are several types of business entities. The choice of type is very important, usually it is almost impossible to change the legal form during the business, or it is at least very administratively demanding, which in addition to the time costs us money. According to the Czech legislation, there are two main types – a sole proprietor (natural person) and a legal entity.

3.2.1 Sole Proprietor

A sole proprietor (natural entity) is considered an individual who obtains a trade licence and fulfils other conditions for business arising from the Trade Act, tax laws, pension, social and health insurance laws. The entrepreneur acts under his name and is responsible for his business activities with all his property. The physical entity acts as an entrepreneur and worker at the same time. (Synek, 2011)

3.2.2 Legal Entity

According to Business Corporations Act (Act No. 90/2012 Coll, a legal entity is defined as a business corporation. The Czech legislation specifies five business corporation types - s.r.o., a.s., v.o.s., k.s. and družstvo. In the Czech Republic, the most common forms of business are Limited Liability Company and Joint Stock Company. Choosing the right type of company requires knowledge of the Czech business forms. The legal entity acts as an entrepreneur and brings initial capital. However, the individual is not obligated to work in a company, it is voluntary.

Limited Liability Company – s.r.o.

The Limited Liability Company can be formed of one to fifty members. The company does not have a board of directors. One person can be both the sole owner and executive. The minimum registered capital is CZK 1. However, it is often higher for the company to be presented as a solid firm. Each of the contributors has the right to make decisions independently if the partnership agreement does not state otherwise. For its liabilities the company guarantees its entire assets, but the partner only up to the amount of the deposit, the share is determined according to the amount of the shareholder's contribution, unless otherwise determined in the social contract.

Join-Stock Company – a.s.

The company can be founded by one or more founders. The registered capital is allocated to a certain number of shares of a certain nominal value. The minimal capital is CZK 20 000 000 for a public company¹ and CZK 2 000 000 for a non-public company. Shareholders are liable up to the amount of their investment.

General Commercial Partnership – v.o.s.

General Commercial Partnership must be founded by at least two founders. The minimal registered capital is not set. Therefore the initial investment is not needed. All partners are liable with all their property (collectively and without any differences). (Business Entities, 2003-2019)

¹ A public company is a company founded through a public offer in shares.

Limited Partnership – k.s.

The company is formed by two or more partners. The registered capital is CZK 5 000 and must be invested by a limited partner. Partners are liable up to the amount of the initial investment.

Cooperative

Cooperative is a company which is founded by at least five sole proprietors or at least two legal entities. A community of unlimited number of people is established for the purpose of entrepreneurship or securing the economic, social or other needs of its members. The cooperative guarantees its entire property, members are not liable for the cooperative's obligations. (iPodnikatel, 2014)

3.3 Introduction to a Business Plan

Before starting a business, it should be considered several factors. Writing a business plan is seen by many people as something they do not have to pay too much attention. Once entrepreneur decides to start a new business venture, he or she should take an idea and turn it into a business by writing a well-organized plan before any realization. A fully assembled business plan helps to determine the reality of the project. Another prerequisite for a successful start is the knowledge of the legislation related to the entrepreneurial business and the decision about the legal form of the company.

A business plan is a written document that defines and analyses entrepreneur's business, identifies goals and gives detailed projections about its future. Basically, the business plan represents a comprehensive description of the overall activities of a company. Writing of a business plan can be a time-consuming process that covers collecting needed information and relevant numbers. The value of a business plan should not be underestimated. (McKeever, 2016)

3.3.1 Structure and Contents of a Business Plan

A content and structure of a business plan is not binding and not limited by any specific law regulation. However, it should be modified according to the nature of the business, the purpose of the plan, and availability and importance of information. A quality processed and a convincing business plan is the key element to get a bank or investors on an entrepreneur's side. It is in entrepreneur's interest to present the ideas in the best way. There are several types of business plan, but each shares a common framework. The structure can be wide, but the content is very similar in all cases. A business plan is usually divided into sections which provide necessary information related to different business fields. (Koráb, Režňáková, Peterka, 2007)

According to Alhabeeb (2015), the business plan should include the following common and important components:

- Title Page
- Table of Contents
- Executive Summary
- Business Description
- Products and Services
- Analysis of the Market
- Marketing Plan
- Management Plan
- Financial Plan
- Risk Evaluation
- Appendix.

1. Title Page

A title page shortly identifies the document and business in general. This page should include necessary information about the company and person responsible for the business plan - the title of the business project, name and logo of the company, contact information of the company, contact information of any contact person with whom all the communication would occur, to where the plan is submitted, date of submission. For a financing proposal it is advised to use a separate cover sheet for each capital source. (Alhabeeb, 2015)

2. Table of Contents

It is essential for the business plan to contain a table of contents serving as a guide to organizing entrepreneur's business plan. The table of content is ordered according to the standard way of listing the major sections and subsections. It should follow entrepreneur's statement of purpose, which is supported in the remainder of the business plan. (Alhabeeb, 2015)

3. Executive Summary

An executive summary is a short overview of a business plan presented separately to prospective investors. The purpose of a resume is to present business idea and goals in a clear, simple way. Although the executive summary is one of the first sections of a business plan, it is usually written as a separate document following the completion of other sections. The summary includes name of founder or manager, product portfolio, market description, strategy, key financial data and needed sources. (Shelters, 2012)

4. Business Description

The description of the company gives an overall information about the company itself. To decide what kind of entrepreneur's business is and what it will be in the net years is the most important decision entrepreneur has to make. An individual has to present the goals of the business, location of the company, the way of achieving profit or how the business will be run. (McKeever, 2016)

5. Products and Services

In this section of the business plan is description of products and/or services which will be offered. The section should simple, prospective investors only need to know the list of products, their key unique features, and how disruptive it will be. No less important are services, it is important mention how the product will be processed and customers satisfied. (Shelters, 2012)

6. Analysis of the Market

The analysis shows if the proposed product or service is able to capture its own market and stand well against the competition. The section provides information about major competitors, strengths and weakness of a business, future customers and how they are going to be reached. (Alhabeeb, 2015)

7. Operational Plan

The plan provides information of the type of facilities needed, space requirements, labour force, technological capacity and capital equipment. It also presents storage and inventory control, purchasing plan, work shifts and legal requirements for licensing and permits. (Alhabeeb, 2015)

8. Management Plan

The purpose of this section is to reveal who will manage and lead the business. The organizational structure, quality of the management team, its experiences and qualifications must be defined. The management section covers specific areas, such as personal history of principals, related work experiences, duties and responsibilities and salaries. In general, the business stand or fall on the strength of personnel. (McKeever, 2016)

9. Marketing Plan

The marketing plan provides information of how the proposed business will succeed in terms of competition. It is important to service the market better than competition. The plan basically identifies who are the customers, what they like, and what are they willing to buy. It is also essential define a marketing strategy to attract customers into buying a specific product. (Alhabeeb, 2015)

10. Financial Plan

According to many experts, investors, and bankers, the financial plan is one of the most important sections of the business plan. The major purpose of the financial plan is to show the potential of the new business and prove its economic viability. The section presents projected financial statements and prediction of a usual period of 3 years in future. (Alhabeeb, 2015)

Detailed financial plan is described in the chapter 3.4 Financial Planning Process.

11. Risk Evaluation

The risk evaluation is a helpful section to identify risks, and to find solutions to reduce the impact of risks. Types of risk vary from business to business, the section should define a strategy for dealing with risks specific to particular business. This step is important to show that entrepreneur is aware of risks and prepare to face them. (Bangs, 2002)

12. Appendix

Appendix is a last section of the business plan and contains all the supporting materials and documents which were not contained but referred to the main text. It makes the business plan real and gives the impression that an individual is doing the right thing. The appendix usually includes a lot of various documents, such as resume of entrepreneur, loan application, business license or business registration, photos of product or service, logos, etc. (Alhabeeb, 2015)

3.4 Financial Planning Process

The key part of any successful business is an accounting system. Before an entrepreneur starts the business, it is essential to realize that accounting is not a simple process. A forthcoming problem is when the entrepreneur cannot afford a competent or do not understand the accounting itself. According to (McKeever, 2016) the financial planning process includes:

- estimating the founding budget and needed amount of initial capital,
- formulating the policies, programmes and procedures to deal with financial activities,
- formulating the effective utilisation of funds.

The financial plan is one of the most important sections of a business plan to estimate a firm's financial requirements and control financial activities in the most effective and efficient manner in order to achieve stated goals. It demonstrates how the business plan is real and viable and determines the volume of needed investments. The financial situation of a business is analysed in order to coordinate and control the firm's actions to achieve its objectives. The plan numerically displays firm's potential financial success. (McKeever, 2016)

3.4.1 Financial Statements

Financial statements summarize business activities over a period time. The statements are compilations of standardized reports designed to review and indicate the business financial performance. Financial statements also compare end of the year with beginning of the year in an entity and common year with previous years of an entity. Annual financial statements are compiled for a period of 12 months. Interim financial statements cover one, three, or six months of an activity. Between financial statements belong Balance Sheet (Statement of Financial Position), Income Statement (Profit and Loss Account) and Cash Flow (Statement of Cash Flow). (Stárová, 2019)

Detailed financial statements are analysed in section 2.2 Methodology.

3.5 Sources of Finance

To start a business, an entity needs to identify amount of money gained from financial resources. There are several criteria that are used to classify various financing alternatives, two main types of funding a business are mentioned below and shown Figure 1. The division is based on the criterion of the origin of the funds, it is distinguished the internal financing and external financing. (Synek, 2015)

3.5.1 Internal Financing

Internal finance is money that comes from within a company. One advantage to using internal finance for investments is that the company does not incur transaction costs such as fees and interest, since the money comes from the inside. (Synek, 2015)

3.5.1.1 Owner's investment

When starting a business, the first investor should be an entrepreneur himself. The money comes from the owner(s) own savings and it may be in form of own cash or of collateral on entrepreneur's assets. This is a long-term source of finance and it means a long-term commitment. Therefore, it proves to investors and bankers that an entrepreneur is ready to take risks. (Synek, 2015)

3.5.1.2 Funding From Family and Friends

One of the less formal means of financing could be funding from family and friends. Family or friends can offer simple and advantageous repayment terms. Investors and bankers consider this as money, which will be repaid later as the business profits increase. When borrowing money from family or friends, an entrepreneur should be aware that relatives rarely have much capital, they may want to have equity in the business and a business relationship with family or friends should never be underestimated. (Business Development Bank of Canada)

3.5.1.3 Retained Earnings

Retained earnings refers to net profit that is reinvested into the business. One of advantages is that they does not have to be repaid and no interest is payable. Retained earnings are considered as a medium² or long-term³ source of finance. (Business Development Bank of Canada)

3.5.1.4 Sale of Stock and Fixed Assets

A short-term⁴ source of finance gained from sale of stock comes from selling off unsold stock. This is what happens for example in the January sales, it is when the profits made are ploughed back into business.

Sale of fixed assets represents money which comes in from selling off no longer needed fixed assets. However, business do not always have surplus fixed assets which they can sell off. This source of finance is considered as medium-term. (Business Development Bank of Canada)

3.5.2 External Financing

External financing refers to description of funds that firms obtain from outside of the firm. External financing is generally thought to be more expensive than internal financing, because the firm often has to pay a transaction cost to obtain it. (Alhabeeb, 2015)

² Medium-term sources are the sources where the funds are required for a period of more than one year but less than five years.

³ Long-term sources of finance are sources from where the funds are raised for a longer period of time, usually more than a year

⁴ Short-term source finance refers to the additional money a business requires for doing its business for a maximum period of one year

3.5.2.1 Bank Loan and Bank Overdraft

Bank loan refers to money borrowed at an agreed rate of interest over a set period of time. This is a medium or long-term source of finance. One of the advantages of bank loans are set repayments are spread over a period of time which is good for budgeting. However, loan can be expensive due to interest payments and bank may require security on the loan.

Bank overdraft is an agreement between the bank and the business that allows the business to overdraw their account up to an agreed limit and for a specified time, to help overcome a temporary cash shortfall. Bank loan and bank overdraft are included in debt finance. (Alhabeeb, 2014)

3.5.2.2 Mortgage

Mortgage is a loan secured by the property of the borrower (business). Payments are spread over period of a time which is good for budgeting. However, it is usually repaid 25 years. The business loses ownership of the secured assets and will own the property once the final payment has been repaid. Mortgage is a long-term source of finance. (Alhabeeb, 2014)

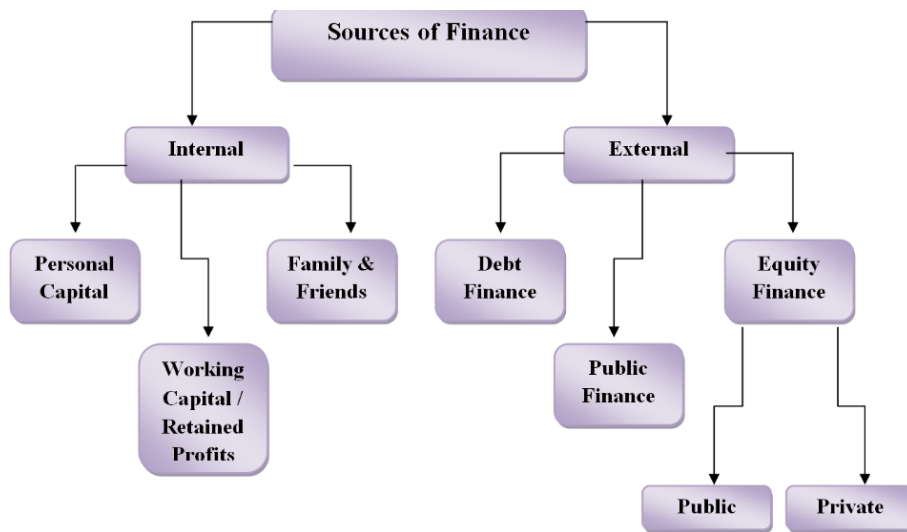
3.5.2.3 Government Grants

Government organisations offer several programs or grants to businesses, both established and new. These grants do not have to be repaid. However, not all businesses may be eligible for a grant and usually certain conditions apply, such as location. Government grants are covered in public finance. (Bangs, 2002)

3.5.2.4 Investors

Investors invest directly in small firms owned by others. They are often leaders in their own field who not only contribute their experience and network of contacts but also their technical and/or management knowledge. In exchange for risking their money, they reserve the right to supervise the company's management practices, require a share in the business or depending on the type of agreement, they will profit certain percentage of total sales. External investment is considered as equity finance. (Bangs, 2002)

Figure 2 Sources of Finance



Source: POWER, 2010

4 Practical Part

4.1 Title Page of a Business Proposal

Name of the Company: Café Corona

Logo:

Figure 3 Company's Logo



Source: Author, 2018

Company Address: Korunní 859/18, 120 00 Praha 2 – Vinohrady

Company Phone Number: +420 774 289 653

Company Website: www.cafecorona.cz

E-mail: info@cafecorona.cz

Owned by: KR Start-ups s.r.o

4.2 Executive Summary

Café Corona is a concept of café with an exclusive coffee, pleasant space and great atmosphere inspired by Italian café. Café Corona will also offer desserts and light and fresh meals prepared by Italian chief. Not only quality coffee is offered, but also a wide range of wines to make customer's days and evenings more enjoyable.

Café Corona will be situated in the locality Královské Vinohrady, located between two city parts Náměstí Míru and Jiřího z Poděbrad. Due to busy location with accessibility to tram and underground, the café will attract workers, students and also tourists.

Café Corona will be established by limited liability corporation – KR Start-ups s.r.o. Kristýna Roubalová, the founder of KR Start-ups s.r.o. is the owner and executive director of the company at the same time. According to the Czech legislation about legal entities, the registered capital of the café will be CZK 1 000. Café Corona will be mainly financed by external sources, specifically loans.

4.3 Business Description

The concept of Café Corona is focused on an exclusive coffee and pleasant space inspired by country of south-central Europe Italy. Italy is one of the world's most important centres of religion, visual arts, literature, music, philosophy, culinary arts and sciences. Italian food is more than just pizza and spaghetti. There's a wide range of ingredients, flavours, and dishes to experiment with. Italian coffee culture has a long history and tradition, it was firstly introduced in the 1500s. Therefore, the Italian coffee is high-quality and loved by a lot of people around the world. Coffee, which will be served in Café Corona, comes from a small Italian roasting plant, which is located near to Genoa. Café Corona will also serve excellent desserts or light and fresh meals. Due to all these factors, Café Corona could soon get into people's awareness.

The name of Café Corona is inspired by the location in Korunní Street. 'Corona' comes from Italian word and, in English it means crown.

4.3.1 Location

Café Corona will be located in the heart of Královské Vinohrady, which is very frequented area with 50 782 residents situated between two city parts Náměstí Míru and Jiřího z Poděbrad. It is popular residential area with good accessibility of city transportation (underground, tram and bus). Due to busy location, Café Corona will be attractive not only for students and working people, who want to meet, have a lunch or study there, but also for tourists. Near to the café is located famous Czech sightseeing, neo-Gothic Roman Catholic church, The Church of St. Ludmila, built in 19th century.

4.3.2 Commercial Premises

Finding a commercial premises for a new café was based on certain requirements:

- Location in Prague (preference to Prague 2)
- Accessibility
- Not overpriced rent (because of limit founding budget)
- Area approx. 150 m²

Table 1 shows a shortlist of offers provided by company Gastroreality. After a long search and careful consideration, KR Start-ups s.r.o. has decided for the option A (a total of four options). The option A offers a location in Prague 2 and has the best price of rent per m² in comparison to other options. The rent in option B is expensive according to size of premises per m². The total sum of rent is the cheapest in the option C. However, the space is located in Prague 7. The option D offers nice place, but the total sum of rent is very high.

Utility monthly fees, such as electricity, heat, water and sewer charges and house maintenance fee are already in the price of rent.

Table 1 Price Comparison per m²

Option	Size	Price of Rent (CZK/m ²)	Price of Rent without Fee	Fee	Total Sum of Rent with Fees (in CZK)
Option A	150 m²	283	42 450	10 000	52 450
Option B	135 m ²	304	41 040	9 200	50 240
Option C	140 m ²	286	40 040	9 500	49 540
Option D	170 m ²	296	50 320	10 000	60 320

Source: Author, 2019. Data from Gastroreality.cz

4.4 Products and Services

4.4.1 Products

Café Corona will offer mainly high-quality Italian coffee. Nowadays, people tend to search for better quality and they are willing to spend more money on a cup of high-quality coffee than for a regular one. The coffee will be milled in the café and served fresh. Besides offering various types of coffee, the product portfolio consists of hot chocolate, tea,

homemade lemonades, non-alcoholic beverages, alcoholic beverages, desserts, light and fresh meals. The sample menu is enclosed in Appendix 1.

4.4.2 Services

In the café will be provided various services to satisfy future customers.

Coffee To Go

Nowadays, a lot of people do not have the leisurely time to sit back, relax, have a conversation or read a novel in the beautiful café. This services is very popular and saves time. Customers can get not only coffee in a paper cup but also Panini and other products to go.

Wi-Fi Access

As a modern café, it will be provided access to internet free of charge. It is important to keep our customers satisfied and offered them a comfortable space, where they can also work and study.

Private Events

In the Café Corona will be possible to rent the space for private events based on a reservation. The price of this service will be set according to customer's requirements.

Reservations

Customer can make a reservation by phone or e-mail. All contact details will be accessible on official website. Using an e-mail, the confirmation will be send back.

Payment Method

In the café, there will be possibility to pay with cash or credit/debit cards. A lot of people are used to not carrying cash with them all the time.

4.5 PEST Analysis

PEST analysis discovers and quantifies factors in the external environment of a company, which can affect its activities and performance. The abbreviation PEST stand for Political, Economic, Social and Technological factors. Café Corona will be located in Prague, therefore the external environment of Prague and the Czech Republic will be analysed. PEST analysis will help to show some opportunities and threats.

Political Factors

The political situation affects all aspects of life in the country and therefore also states the business environment in general. The influence of the state determines the quality of the business environment. In 2004, the Czech Republic joined the European Union. This entry has brought major changes for Czech entrepreneurs. The tariffs and quotas for the movement of goods were abolished, but also various legislative decrees concerning the hospitality business were issued.

The Civil Code of the Czech Republic was changed 1st January 2014, therefore the Business Corporations Act was created and Commercial Code was narrowed. These changes are not often in the Czech Republic, but people should pay more attention to political development at least in the next few years.

What is important for entrepreneurs is the change of rate of income tax of legal entities, which has remained at 19% for several years (from previous 21%). The net profit resulting from business activities is based on this tax. Another political factor affecting entrepreneurs are changes in tax laws. Significant changes occurred mainly in 2008, when the government enacted the implementation of so-called super-gross wage.

For the establishment of a café and other operations, an entrepreneur must follow certain hygienic regulations according to the Czech legislation and EU directives.

- Decree No. 602/2006 Coll. – Hygiene Requirements for Catering Services
 - Regulations of certain hygienic conditions for preparing and serving meals
 - HACCP (Hazard Analysis and Critical Control Point) – a preventative food safety system in which every step in the manufacture, storage and distribution of a food product is scientifically analysed for microbiological, physical and chemical hazards (Chamber of Deputies Parliament of the Czech Republic)
- Occupational Safety and Health (OSH)
 - In Czech – Bezpečnost a ochrana zdraví při práci (BOZP)
 - Legal rules and regulations which state the requirements for ensuring safety at work and safety of technical equipment used for work including the requirements for professional knowledge and the general health of employees in the given profession. (Chamber of Deputies Parliament of the Czech Republic)

- Decree No. 240/2015 Coll.
 - Decree created by The Ministry of Health addresses the conditions for job categories, limit values of biological exposure tests, sampling conditions of biological materials for biological exposure tests, and the reporting work with asbestos and biological agents. (Chamber of Deputies Parliament of the Czech Republic)

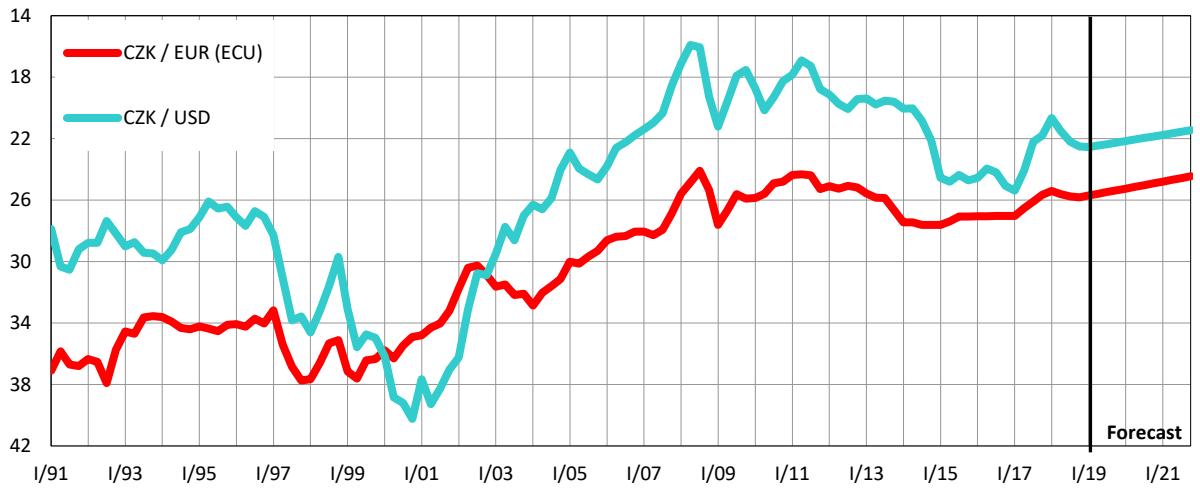
Economic Factors

The Czech economy continues to grow due to strong domestic demand, sustained job creation and growing tax revenues and exports. The economy had already grown above initial expectations of the IMF⁵ in 2017 at 4.3%. Growth is expected to remain robust at 3% in 2019, but moving forward it could be exposed to a risk of labour shortage and trade disruptions.

In May 2004 the Czech Republic joined the European Union. However, the country has not yet adopted the common monetary unit and uses the Czech koruna, which was one of the strongest currencies in the world in 2017, as its currency regulated by the Czech National Bank. The differences between Czech koruna and Euro must be taken into consideration. According to Figure 3 Exchange rates, the koruna initially weakened to just above CZK 26.0/EUR during Q4 2018, but then started to strengthen. The average exchange rate of the koruna against the euro in 2018 was 2.7% stronger than in the previous year – on average the koruna traded at CZK 25.6/EUR (versus CZK 25.5/EUR).

⁵ International Monetary Fund - an international organization working to supervise global monetary cooperation, secure financial stability, facilitate international trade, promote high employment and sustainable economic growth, and reduce poverty around the world

Figure 4 Exchange Rates

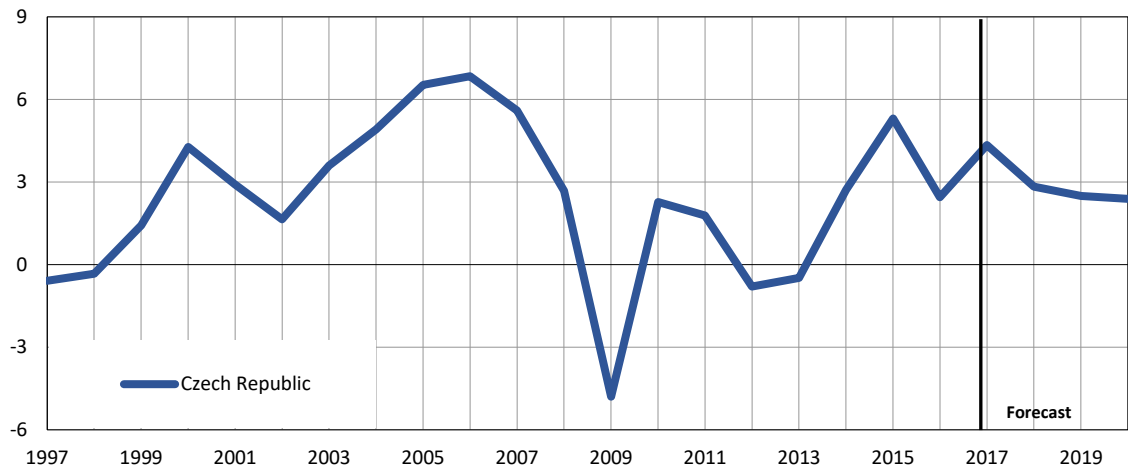


Source: Czech National Bank, 2019. Calculations of the Ministry of Finance.

Unemployment rate in the Czech Republic has generally declined in recent years. Prague is one of the regions with low unemployment, currently the rate is quite low – about 2.16% in 2018. Due to decline at the end of 2018 to 2.1% and the continued growth of the economy, it is expected the unemployment rate to be 2.2% in 2019 and 2020.

Figure 4 shows Gross Domestic Product of Czech Republic which grew 0.7% in the second quarter of 2018 compared to the previous quarter and the year-on-year increase in GDP was 2.4%. The main factors of growth of the Czech economy were investment expenditures and household consumption.

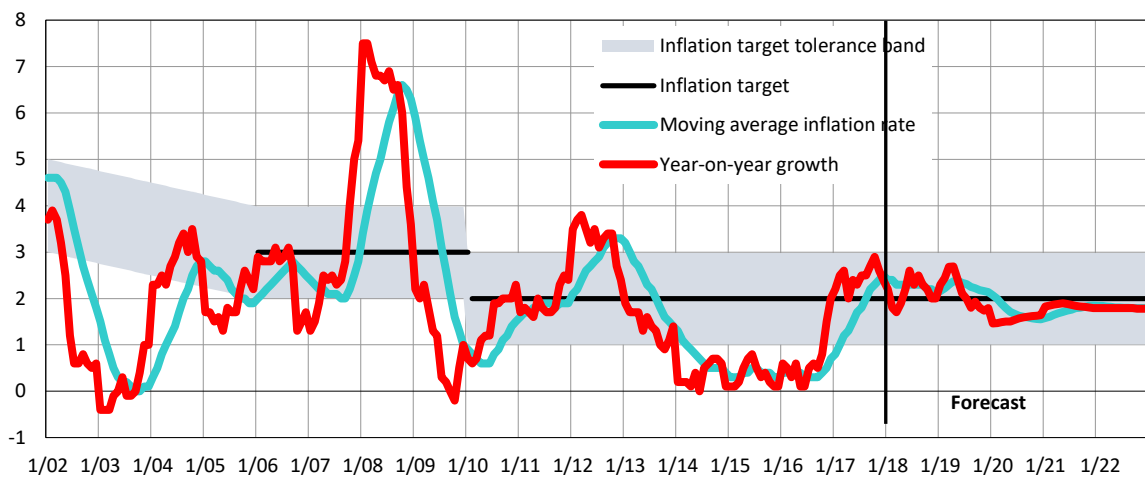
Figure 5 Gross Domestic Product



Source: Czech National Bank, 2019. Calculations of the Ministry of Finance.

Inflation may have an impact on business that would push the product prices up. From the beginning of 2017, the year-on-year consumer price growth, with exceptions, ranks in the upper half of the 2% tolerance band of the Czech National Bank's inflation target. The average inflation rate in 2018 was 2.1%. The forecast for 2019 is decrease from 2.3% to 2.1%, and the inflation in 2020 is expected at 1.6%.

Figure 6 Inflation Rate



Source: Czech National Bank, 2019. Calculations of the Ministry of Finance.

A good economic situation should remain in 2019, although it seems to be slowing down. Economic growth should continue to be driven by household consumption, reflecting strong wage dynamics at an extremely low rate of unemployment, increasing participation rates and a very high number of vacancies. Investments should be stimulated not only by means of the European Structural and Investment Funds, the need for the private sector to innovate technological equipment in the labour market imbalances, but also by the decreasing relative cost of capital against the labour cost at low real interest rates. Rising uncertainties outside the Czech economy should negatively affect the balance of foreign trade.

Social and Cultural Factors

Prague is capital and the largest city in the Czech Republic. The area is about 496 square kilometres and has about 1 301 132 inhabitants. Prague called the "city of a thousand spires" is a popular tourist destination, drawing about 4 million visitors each year. The city offers variety of touristic attractions and because of its historical and cultural heritage, foreign travel to Prague is on the increase. There are also scores of palaces, churches, parks and squares in Prague, delicious local Czech beer and food for reasonable prices. The living standards of inhabitants in Prague are at a relatively high level and people stop saving as much as during the crisis. According to the factors, there is a great chance to create a sufficient customer base.

Technological Factors

If a company wants to keep up with the latest trends in the technology, such as computer, software, air conditioning, cashier, etc., it will mean a lot of things the company will have to purchase and renew. An important can also be played by constant demands for lowering energy consumption, coupled with the purchase of new appliances - mostly white appliances, such as a refrigerator, a glacier, a freezer, etc.

4.6 Porter's Five Forces Analysis

Competitive Rivalry

Existing competition is represented by companies supplying goods or services of the same kind to the market. There are hundreds of currently operating cafés in Prague, hence there is a high competitive rivalry within the hospitality industry. Nowadays, it is difficult to differentiate a significant product, which will make Café Corona popular. It mainly depends on quality of coffee, services and the way of promotion.

Bargaining Power of Suppliers

In the Czech Republic, there are a lot of supplying food and beverage companies but only few official importers of high-quality coffee imported directly from Italy. The selection of suppliers was based on the price level, the delivery and payment conditions and the reputation of suppliers. The main importers for Café Corona will be companies Fine Coffee

s.r.o. and RATIO s.r.o. The bargaining power is low, therefore Café Corona will cooperate with Fine Coffee s.r.o. and RATIO s.r.o. under Standard Supply Agreement⁶.

Bargaining Power of Buyers

Café Corona will be presented as a place where people can relax, meet and have a cup of quality coffee. It is expected that the customers of café will consist mainly of people who prefer quality coffee, entrepreneurs and employees, students and tourists. The bargaining power of buyers is high, Café Corona must be opened to changing customers' preferences.

Threat of New Entrants

Threat of new entrants analyses external factors, such as cost of doing business, supply chain cost and cost of brand development. In case of Café Corona, the threat of new entrants is high. The cost of establishing and operating will be lower compared to the cost of operating a café chain. In relation, the café will also have lower supply needs and corresponding supply chain costs. However, brand development of Café Corona may be time-consuming and expensive. In the Czech Republic, barriers to entry the hospitality business are low but the competition is large. One of the advantages of new established Café Corona could be customers' curiousness about new companies.

Threat of Substitute Products

Substitutes have strong potential to negatively impact the café. The high availability of substitutes makes it easy for customers to choose different products instead of Café Corona products. Food and drinks can be purchased from different sources, such as fast foods, restaurants, vending machines, supermarkets and grocery stores. However, an individual cannot survive without any food and water and it is impossible to find any substantial substitutes to food. The main threats of substitutes are considered the atmosphere and style of café and the coffee selection. People may choose different styled café and staying at home instead of visiting Café Corona. In case of Café Corona, the threat of substitutes is considered as medium.

⁶ A supply agreement states the terms and conditions under which one company will manufacture and supply goods to another.

4.6.1 Outcome of Porter's Five Forces Analysis

- Competitive Rivalry – high force
- Bargaining Power of Suppliers – low force
- Bargaining Power of Buyers – high force
- Threat of New Entrants – high force
- Threat of Substitute Products – medium force

According to analysis, the coffee house industry very competitive and it may be difficult for a café to differentiate itself from its competitors. However, it is not impossible to success in this field of industry.

4.7 Marketing

The goal of the marketing strategy is to get into the customer's awareness with the new concept of the café, capture it and then maintain customer's loyalty.

4.7.1 Marketing Mix

The marketing mix is important to promote company's brand, product or service in the market. For the marketing plan will be used the Marketing Mix 4Ps – Product, Price, Place and Promotion. All the elements of the marketing mix influence each other.

Product

The product refers to the goods and services that will be offered to the customers in Café Corona. The main product of café will several types of coffee. Café Corona will also offer other various products, such as hot drinks, cold drinks, homemade drinks and alcoholic drinks. The food will include pastry, desserts, soup (according to daily offer), and light and fresh meals. Café Corona will offer also small meals which costumers can ordered as a breakfast. Café Corona will also provide various services to satisfy customers' needs and wants, such as coffee and food to go, Wi-Fi access, the possibility to rent the place for private events, the possibility to make reservations and the possibility to pay with credit card. In the future, the café will extend the range of offered products. Café Corona will put emphasis on

high-quality products, all raw ingredients will be purchased from certified suppliers and the preparation of products will be directly done in the café.

Price

The price strategy will be based on many factors – costs, competitive prices, volume of demand and location. The price for the high-quality products will be set higher because of low availability surroundings. However, the products cannot be overpriced and have to be adaptable according to customer's purchasing power. Café Corona believes that it is mainly important to deliver the best coffee and food taste and to its customers. To attract the attention of new customers, Café Corona will use some promotions (discounts, favourable menu and other special offers).

Place

Café Corona will be located in the heart of Královské Vinohrady near to The Church of St. Ludmila, built in the 19th century. Good accessibility of tram and underground provides advantageous opportunity to attract potential customers – students, working people, tourists, who want to meet, relax, have a lunch or study. Because of location in Prague, full of opportunities, there will be possibility of inside distribution.

Promotion

Every new established company needs to focus on marketing activities in order to promote the product and to reach before and during first months of operation. One of the forms of promotion will be fliers placed in the vicinity of the café. Well-arranged fliers will inform customers about the address, contact details, opening hours and brief description of offered products and services.

Another important promotion form will be official website displaying all important necessary information about the café, such as contact details, menu, photographs, opening hours, events and others.

Nowadays, social media marketing has a strong position, especially Facebook. Many people use Facebook daily. Therefore, official Facebook page will help to get into potential customer's awareness.

Café Corona will also rely on word-of-mouth marketing which is based on a consumer's experiences and interest for a company's product or service reflected in their daily dialogs.

4.7.2 Marketing Costs

In Table 2 Marketing Costs are calculated all initial expenses which will be spent on marketing. Because of limited founding budget, it is necessary to make a compromise between good quality and low price. The company Onlineprinters enables an individual to design the fliers, then fliers are printed and delivered by company. For Café Corona will be printed 2 500 fliers. The creation of official website will be more expensive than fliers. It is needed to make quality website with help of professionals. In the beginning of the business, it will be enough pay for basic offer provided by company Suitu. The total sum of marketing costs will be CZK 20 740.

Table 2 Marketing Costs

Form of Promotion	Expense (in CZK)
Fliers	840
Website	19 900
Total	20 740

Source: Author, 2018. Data from Onlineprinters.cz and Suitu.cz

4.8 Personnel Costs

4.8.1 Personnel

In the beginning of the business will work the owner and four employees divided into two teams. Two baristas will work on a full-time basis and two workers will as part-time job. In the future, if it will be necessary, it will be recruited more workers. Two main baristas will be required to undergo a basic course certificated by the SCAE⁷, which will be provided free of charge. The price of one course is CZK 3 900.

Due to busy location full of workers, students and tourists, it is expected sale of coffee to go in the morning. Opening hours are adjusted to this fact and the operation of the café will start at 8:00. Table 3 shows opening hours of Café Corona.

⁷ The SCA Coffee Diploma System is the most comprehensive coffee education system which is available and the most awarded coffee certification in the world.

Table 3 Opening Hours

Opening Hours	
Monday - Friday	8:00 - 20:00
Saturday - Sunday	9:00 - 21:00

Source: Author, 2018

In the opening hours is not included opening/closing process and cleaning of the café. Therefore, the employees will start already at 7:30 and finish at 20:30 in working week. At the weekend employees will start at 8:30 and finish at 21:30.

4.8.2 Shift Operation

According to the time possibility of the employees, they will work in shifts. Shift operation will be split between two teams changing for short and long week. Short week covers two working days (12 hours per working day) and five days off. Long week is the opposite of short week, it includes five working days (12 hours per working day) and two days off. According to Labour Code § 88, employer is obliged to provide the employees a break after six hours of continuous work. Therefore, in working hours is included a break for 30 minutes. Shift operations of all four employees are defined in Table 4. Part-time workers will work only few hours during the day – the busiest hours.

Table 4 Shift Operation

Employee - Week 1	Mon	Tue	Wed	Thu	Fri	Sat	Sun
Barista 1							
Part-time worker 1							
Barista 2							
Part-time worker 2							
Employee - Week 2	Mon	Tue	Wed	Thu	Fri	Sat	Sun
Barista 1							
Part-time worker 1							
Barista 2							
Part-time worker 2							

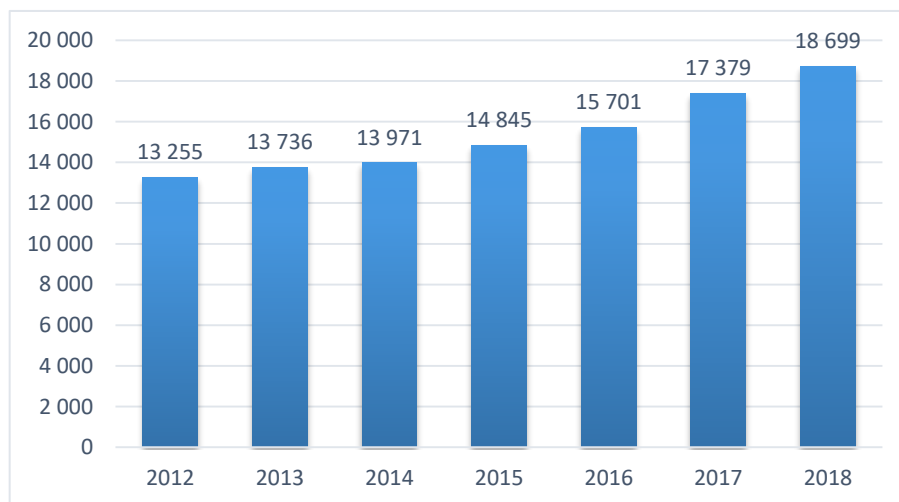
Source: Author, 2018

4.8.3 Employees Payroll

Employees payroll represents total amount of money which is paid by a company to its employees over a set period of time. According to the Czech legislation, employees and self-employed people must pay for mandatory social security contributions. These contributions cover health insurance and social insurance consisting of occupational disability insurance, pension insurance and unemployment insurance. The social security contributions must be also paid by the employers. All contribution calculations are based on the employee's gross income.

In Figure 3 are shown average gross salaries in the course of years in the hospitality business. According to an average gross salary of barista on full time basis, one barista will be paid CZK 26 000 as starting salary. The salary is higher than average salary shown in Figure 3, therefore after all calculations employees would be paid low net salary. Part-time workers will be paid CZK 100 per hour. All employees will also get certain percentage of the customer's tip.

Figure 7 Average Salary in Hospitality Business



Source: Czech Statistical Office, 2019.

Social insurance is calculated as 25% (for employer) of gross wage, health insurance is 9% (for employer) of gross wage. The total personnel costs per month are calculated in Table 5 Wage Levies.

Table 5 Wage Levies

Job Title	Net Salary (in CZK)	Gross Salary (in CZK)	Wage Costs (in CZK)
Barista 1	19 295	25 000	33 500
Social Insurance (25%)		6 250	
Health Insurance (9%)		2 250	
Barista 2	19 295	25 000	33 500
Part-time worker 1	9 600	9 600	9 600
Part-time worker 2	9 600	9 600	9 600
Total			86 200

Source: Author, 2019

According to Table 5, after all levied mandatory fees and taxes, baristas will be paid CZK 19 295 of net salary. Part-time workers will be students, who will work only few hours per week, in total 96 hours per month. As was mentioned they will be paid CZK 100 per hour, it means they will be paid CZK 9 600 per month. According to the Czech legislation, employer does not have to pay mandatory social security contributions for part-time worker, who is paid less than CZK 10 000 per month. However, it is limited only by 300 hours per year. This condition is fulfilled for the first three months, after it the owner will decide if part-time workers will be kept.

4.9 Start-up Expenses

Before the establishment of the company itself, it is important to assess all the necessary start-up costs. Table 6 Start-up Costs presents expenses covering three months deposit of rent, reconstruction, equipment, initial stocks, marketing, basic course for two baristas, money reserve and company formation. The estimated sum the technical improvement of the space is CZK 200 000 and it will be provided by company Komplet Reko, s.r.o. Within the reconstruction main technical processes will be done, such as painting the space, construction works (of the space, social facilities, and kitchen), realization of new bar and new light and power distribution. One of the biggest expense is represented by purchase of new equipment, which is described below in Table 7 Basic Equipment. All equipment is worth CZK 383 922. No less important item in start-up costs are initial stocks. The total sum of stocks purchased for Café Corona is CZK 300 000. The marketing strategy will be focused on basic promotion with the least amount of money. All marketing materials

and their costs are described in the chapter 4.7 Marketing Costs. Start-up expenses also cover basic courses certificated by the SCAE, which will be provided for two baristas free of charge. The price of one course is CZK 3 900. In the beginning of business, I must reckon with money reserve in case of no customers in the first three months of operation. Reserve includes wages for employees and rent of premises. Last item in start-up costs is company formation. Company Profi-kancelář s.r.o. will provide a complete service needed for the establishment of Café Corona. The service includes personal consultation, preparation of all documents, Foundation Deed, trade license, registration in the Commercial Register and registration at the Financial Office.

Table 6 Start-up Costs

Item	Price (in CZK)
Premises (3 months deposit)	157 350
Reconstruction	200 000
Equipment	383 922
Initial stocks	300 000
Marketing	20 740
Basic Course for Baristas	7 800
Money Reserve	415 950
Company Formation	15 000
Total	1 500 762

Source: Author, 2018.

The capacity of café with area 150 m² is planned around 40 places. The maximum capacity could be more, but in Café Corona is put a big emphasis on a customers' comfort and privacy. In Table 7 is described purchased basic equipment needed in the beginning of business. The total sum of equipment is CZK 383 922. Kitchen equipment include small appliances, such as soup heater, griddles, oven, kettle, juicer, and smoothie and frappe maker. All appliances cost CZK 40 000. Purchased cash register will fulfil requirements for EET (Electronic Registration of Sales) system. Other expenses include small items, such as soap, towels and detergents. It is necessary to add purchase of small equipment consisting of bowls, plates, cups, mugs, cutlery, glasses, plastic cups, paper boxes, and so on. The sum of small equipment is estimated in the total CZK 50 000. All equipment will be purchased on official websites of two companies – Dublino Praha and Nosreti s.r.o.

Table 7 Basic Equipment

Item	Price per Piece	Quantity	Total Sum (in CZK)
Table BD TURKISH OAK	3 262	15	48 930
Chair EX AMERICAN	1 485	40	51 975
Lights DL AMSTERDAM LAMP	1 998	10	19 980
Cooling Display Case RTW 120 L-5	17 424	1	17 424
Small Refrigerator BC 145	6 200	2	12 400
Dishwasher GS62115X	7 199	2	14 398
Coffee Machine EC 2P/W/D/C	67 964	1	67 964
Kitchen Equipment			40 000
Coffee Grinder DEDICA KG520M	2 999	1	2 999
Ice Machine EWB 3526	2 999	1	2 999
Cash Register SmartPOS SMP-02	6 853	1	6 853
Other Expenses			15 000
Small Equipment			50 000
Decoration			15 000
Aprons for Employees	1 0000	6	6 000
Audio Equipment			12 000
Total			383 922

Source: Author, 2018. Data from Dublino Praha and Nosreti s.r.o.

4.9.1 Depreciation of Assets

Table 8 Depreciation Schedule shows allocated costs of long-term assets over its useful life and it is used for both tax and accounting purposes. In the table is used straight-line depreciation method which is appropriate where economic benefits from an asset are expected to be realized evenly over its useful life.

Expenses lower than CZK 40 000 are added to expenses of the first year of the operation, it means they are not covered in depreciation.

According to the table, depreciation is based on the rule that accounting depreciation equals tax depreciation.

Table 8 Depreciation Schedule

Description of Asset	Purchase Value	Life (years)	Annual Depreciation	Monthly Depreciation	Net Asset Value
Reconstruction	200 000	10	20 000	1 667	180 000
Furniture	120 885	4	30 221	2 518	90 664
Coffee Machine	67 964	4	16 991	1 416	50 973
Kitchen Equipment	40 000	4	10 000	833	30 000
Total	428 849		77 212	6 434	351 637

Source: Author, 2019

4.10 Estimated Monthly Expenses

It is necessary to calculate and pay monthly operating expenses, which are needed for the business activity and operation of the café. The estimated amount and total sum for the first year operation of Café Corona is shown in the table below (see Table 9).

Table 9 Estimated Monthly Expenses

Expense	Expense per Month (in CZK)	Annually (in CZK)
Rent	42 450	509 400
Utilities	10 000	120 000
Commercial Premises Insurance	700	8 400
Wages	86 200	1 034 400
Cell Phone	1 299	15 588
Internet	600	7 200
Radio Licence	592	7 104
Stocks	118 800	1 425 600
Loan Payment	21 667	260 000
Interest	3 286	39 438
Total	285 594	3 427 130

Source: Author, 2019

Rent (of commercial premises) and utility fees (electricity costs, heating costs, water and sewer charges, etc.) constitute one of the biggest operating expenses calculated in the table. No less important monthly expense is commercial premises insurance, which will be paid once a year in the total sum CZK 8 400. Insurance will cover insurance against theft and destruction of equipment, flooding, fire, vandalism and will be provided by Czech insurance company called Kooperativa pojišťovna, a.s. For wages and levies it will be appropriated CZK 86 200, calculations are described in detail in the chapter 4.7.3 Employees Payroll. In Café Corona will be available two cell phones, one will be used mainly for reservations and the second one will be used by the owner. The best deal is offered by mobile network operator T-Mobile. Mobile tariff called “Tariff for Entrepreneurs XL” offers unlimited calls, SMS and 20 GB of Data for CZK 1 299. According to a modern café, free Wi-Fi access will be available for customers free of charge. For this service will be chosen tariff Aktiv from T-Mobile with Wi-Fi router, founding fee is not charged, charged is regular monthly fee CZK 600. The estimated sum of stocks is usually calculated as one third from expected sales. Calculation of stock expenses in Cash Flow is based on this fact. In Café Corona will be played music on background, but the company is obligated to pay regular fee for radio license.

4.10.1 Bank Loan – Annuity Instalment

The bank loan provided by Komerční banka will be repaid over five years through a monthly principal repayment. Total sum of loan without interests will be CZK 1 300 000. Monthly expense for the loan comprise of loan payment and interest. The total repaid amount for the loan with interests will be CZK 1 497 188.

Table 10 Annuity Instalment

Bank Loan and Annuity Instalment					
Loan	1 300 000				
Interest Rate	4.9%				
Number of Annual Payments	5				
Annuity	299 438				
Year	Remaining Principle (beginning)	Interest	Principal Repayment	Payment	Remaining Principle (end)
1	1 300 000	63 700	235 738	299 438	1 064 262
2	1 064 262	52 149	247 289	299 438	816 973
3	816 973	40 032	259 406	299 438	557 567
4	557 567	27 321	272 117	299 438	285 451
5	285 451	13 987	285 451	299 438	0
Total Sum		197 188	1 300 000	1 497 188	

Source: Author, 2018

4.11 Expected Sales

The company's main revenue will be sales for the products sold. The calculation of the expected sales includes three options – optimistic, realistic and pessimistic. For each variant it was estimated and calculated the occupancy rate, number of seats in total, occupancy (number of occupied seats), hours (the busiest hours), number of customers (per day), spending per one person and sales per day, month and year. Thanks to expert advice, the expected sales based on experiences from practice were compiled. For calculations were used steps and formulas mentioned the chapter 2.2 Methodology.

First step is to estimated occupancy rate – realistic option 30%, optimistic option 60% and pessimistic option 20%. The maximum number of seats in Café Corona is multiplied by the occupancy rate, the result represents the occupancy – number of occupied seats. Number of customers is based on multiplication of the occupancy and the busiest hours of the

operation of Café Corona. Afterwards, it is estimated average spending per one person for each option. The realistic option calculates with CZK 110 per one customer. In final step are calculated sales per day based on multiplication of number of customers and spending per one person. From these sales are derived sales per month and year. The final results are shown in table below (see Table 11 Expected Sales). Sales per month will be around CZK 396 000, which should cover estimated monthly expenses in the total sum CZK 285 594.

Table 11 Expected Sales

Option	Realistic	Optimistic	Pessimistic
Occupancy Rate	0.3	0.6	0.2
Number of Seats	40	40	40
Occupancy	12	24	8
Hours	10	12	6
Number of Customers	120	288	48
Spending per 1 Person	110	130	90
Sales per Day	13 200	37 440	4 320
Sales per Month	396 000	1 123 200	129 600
Sales per Year	4 752 000	13 478 400	1 555 200

Source: Author, 2018

4.12 Balance Sheet

Table 12 shows the balance sheet compiled at the date of opening the café. Provided registered capital is only CZK 1 000. Since it is invested big amount of money as a registered capital, money is strongly bound and regulated by legislation. It is more advantageous to borrow money (for example, from business partner), then decreasing and increasing of amount of money is operative and flexible. The owner's profit can be gained in form of share of profit or of loan. In case of increasing of initial capital, it is complicated and time-consuming process (notarial deed, convening the general meeting, and so on).

Total sum of actives and passives CZK 1 402 387. Fixed assets include technical improvement of premises and purchase of basic equipment which will be depreciated. Undepreciated equipment is included in expenses and loss of current period. Item loss also include company formation, first marketing activities, and courses for employees.

Table 12 Balance Sheet at the Date of Opening Café Corona

Balance Sheet			
Assets		Equity and Liabilities	
	in CZK		in CZK
Fixed Assets	428 849	Registered Capital	1 000
Reconstruction	200 000	Loss - current period	-198 613
Equipment	228 849		
Current Assets	973 538	Liabilities	
Deposit for premises	157 350	Bank Loan	1 300 000
Stocks	300 000	Personal Loan	300 000
Bank Account	465 188		
Cash	51 000		
Total Assets	1 402 387	Total Equity and Liabilities	1 402 387

Source: Author, 2019

4.13 Cash Flow

The cash flow situation is shown in Table 13. In the beginning of operation, cash flow is negative because of big start-up expenses. Due to same expected operating results, the table shows first six months and last 12th month. Sales are expected to be different in the three first months. Café Corona will earn one third from estimated sales (CZK 396 000) in the first month of operation. Because of increasing interest of customers, sales will increase and the café will earn around two thirds from estimated sales. In the third month, sales will increase again and will cover all monthly expenses needed for successful operation of Café Corona.

Table 13 Cash Flow Statement

Cash Flow	1st Month	2nd	3rd	4th	5th	6th	12th
Beginning Balance	1 601 000	545 247	588 906	724 965	861 024	997 083	1 813 437
Net Sales	132 000	264 000	396 000	396 000	396 000	396000	396 000
Start-up Expenses	700 890						
Purchase of Equipment	383 922						
Rent incl. Fees	52 450	52 450	52 450	52 450	52 450	52450	52 450
Wages incl. Levies	0	86 200	86 200	86 200	86 200	86200	86 200
Premises Insurance	8 400						
Purchase of Stocks	39 600	79 200	118 800	118 800	118 800	118800	118 800
Loan Payment incl. Interest							299 437
Other Operating Costs	2 491	2 491	2 491	2 491	2 491	2491	2 491
Total Sum of Expenses	1 187 753	220 341	259 941	259 941	259 941	259 941	559 377
Cash Flow	-1 055 753	43 659	136 059	136 059	136 059	136 059	-163 377
Ending Balance	545 247	588 906	724 965	861 024	997 083	1 133 142	1 650 058

Source: Author, 2019

4.14 Income Statement

Table 14 shows Income Statement at the end of the first year of the operation of café. Sales of Café Corona cover several product groups, such as coffee, hot drinks, cold drinks, alcoholic beverages, desserts and meals. The amount of estimated sales is calculated in the chapter 4.10 Expected Sales and projected in the chapter 4.12 Cash Flow. Net sales exceed costs, therefore the result of gross profit is positive. After application of income tax, which is 19% for legal entity, total sum of net profit is calculated. The resulting income after the first year of operation is CZK 816 142.

Table 14 Income Statement - Year 1

Income Statement	Year 1
Sales	4 356 000
Cost of Goods Sold	1 306 800
Gross Profit	3 049 200
Personal Expenses	1 034 400
Depr. Of Equipment	77 212
Purch. Of Equipment	155 073
Start-up Expenses	43 540
Other Operating Expenses	667 692
Operating Income	1 071 283
Interest Expenses	63 700
Earnings Before Taxes	1 007 583
Income Taxes (19%)	191 441
Net Income After Taxes	816 142
Dividends	0
Retained Earnings	0

Source: Author, 2019

4.15 Balance Sheet after the First Year

Ending balance sheet after the first year of operation is based sales calculated for realistic option that is similar to reality of operating of café. Fixed assets are reduced by depreciation value calculated by straight-line method in the chapter 4.9.1 Depreciation of Assets. At the end of the year, net asset value will be CZK 351 637. The amount of bank account plus cash is increased by ending balance in cash flow. Bank loan is sequential decreased by loan payment. The profit for the first year is CZK 816 142.

Table 15 Balance Sheet after the 1st Year

Ending Balance Sheet			
Assets		Equity and Liabilities	
	in CZK		in CZK
Fixed Assets	351 637	Registered Capital	1 000
Tangible Assets	351 637	Profit - current period	816 142
Current Assets	2 107 410	Liabilities	1 641 903
Stocks	300 000	Bank Loan	1 064 262
Bank Account	1 600 058	Personal Loan	300 000
Cash	50 000	Payables to Employees	86 200
Deposit for premises	157 350	Other Payables	191 441
Total Assets	2 459 045	Total Equity and Liabilities	2 459 045

Source: Author, 2019

4.16 Financial Prognosis

In the chapter Financial Prognosis are compiled three pro forma statements – balance sheet, cash flow and income statement. The prediction is made for next three years.

For a prediction to be made, it had to be compiled expected sales data and expected expenses data. The sources of this data were expert advice and data from the Czech Statistical Office. The data from CZSO are based on the hospitality industry.

4.16.1 Projected Balance Sheet

The Table 16 summarizes the projected balance sheets for the first three years of operation.

Table 16 Projected Balance Sheet

Balance Sheet	Start-up Balance	End of Year 1	End of Year 2	End of Year 3
Assets				
	in CZK			
Fixed Assets	428 849	351 637	274 425	197 213
Tangible Assets	428 849	351 637	274 425	197 213
Current Assets	973 538	2 107 408	3 229 399	4 284 195
Stocks	300 000	300 000	300 000	300 000
Bank Account	465 188	1 650 058	2 772 049	3 826 845
Cash	51 000	-		
Deposit for premises	157 350	157 350	157 350	157 350
Total Assets	1 402 387	2 459 047	3 503 824	4 481 407
Equity and Liabilities				
		in CZK		
Registered Capital	1 000	1 000	1 000	1 000
Profit/Loss	- 198 613	816 142	2 013 849	2 836 419
Liabilities	1 600 000	1 641 903	1 488 975	1 241 218
Bank Loan	1 300 000	1 064 262	816 973	557 567
Personal Loan	300 000	300 000	300 000	300 000
Payables to Employees		86 200	91 058	96 225
Other Payables		191 441	280 944	287 425
Total Equity and Liabilities	1 402 387	2 459 045	3 503 824	4 481 407

Source: Author, 2019

4.16.2 Projected Cash Flow

The Table 17 shows a forecast of future financial activities, such as cash receipts and payments. In the future, the business must generate a positive cash flow to survive. In the first year are calculated start-up expenses and purchase of equipment needed for opening of the café. As the table below presents, the expenses for the second and third year are smaller than in the first year because there is no needed expenses for establishment the café. In the fourth year, the new equipment was purchased in total amount CZK 100 000. Based on the contract with bank, loan including interests should be paid in the fifth year of the operation.

Table 17 Projected Cash Flow

Cash Flow	Year 1	Year 2	Year 3	Year 4
Beginning Balance	1 601 000	1 650 060	2 772 049	3 826 845
Net Sales	4 356 000	4 812 000	4 932 000	5 022 000
Start-up Expenses	700 890			
Equipment	383 922			100 000
Rent incl. Fees	629 400	629 400	629 400	673 397
Wages incl. Levies	948 200	1 001 642	1 058 475	1 117 444
Premises Insurance	8 400	8 400	8 400	8 400
Purchase of Stocks	1 306 800	1 443 600	1 479 600	1 506 600
Loan Payment	299 436	299 436	299 436	299 436
Other Operating Costs	29 892	29 892	29 892	29 892
Wages for December		86 200	91 058	96 225
Taxes		191 441	280 944	287 425
Total Sum of Expenses	4 306 940	3 690 011	3 877 205	4 118 819
Cash Flow	49 060	1 121 989	1 054 795	903 181
Ending Balance	1 650 060	2 772 049	3 826 845	4 730 025

Source: Author, 2019

4.16.3 Projected Income Statement

According to the Table 17, net income after taxes is smaller than amounts in following three years. The sales consists of several product groups. Coffee and drinks are purchased in certain quantity in order to create an optimal inventory stock. Fresh food is purchased and sold on daily basis. The first year sale are expected to amount to CZK 4 356 000. After reducing this amount by all expenses and taxes, it is expected to earn CZK 816 142. According to the Czech legislation, the income tax for a legal entity is 19% and it is calculated from earnings before taxes.

In the first year, there will not be paid any dividends. From the second year of the operation, dividends will be paid as 20% of the net profit.

Table 18 Projected Income Statement

Income Statement	Year 1	Year 2	Year 3	Year 4
Net Sales	4 356 000	4 812 000	4 932 000	5 022 000
Cost of Goods Sold	1 306 800	1 443 600	1 479 600	1 506 600
Gross Profit	3 049 200	3 368 400	3 452 400	3 515 400
Personal Expenses	1 034 400	1 092 696	1 154 700	1 219 032
Depr. Of Equipment	77 212	77 212	77 212	77 212
Purch. Of Equipment	155 073			100 000
Start-up Expenses	43 540			
Other Operating Expenses	667 692	667 692	667 692	711 689
Operating Income	1 071 283	1 530 800	1 552 796	1 407 467
Interest Expenses	63 700	52 149	40 032	27 321
Earnings Before Taxes	1 007 583	1 478 651	1 512 764	1 380 146
Income Taxes (19%)	191 441	280 944	287 425	262 228
Net Income After Taxes	816 142	2 013 849	2 836 419	3 551 568
Dividends	-	402 769	402 769	402 769
Retained Earnings	816 142	1 611 080	2 433 650	3 148 799

Source: Author, 2019

4.17 SWOT Analysis of Café Corona

By SWOT analysis will identified strengths a weakness of the café and its opportunities and threats.

Strengths

- High-quality products
- High-quality services
- Pleasant atmosphere in the café
- Modern equipment
- Good accessibility and location of the café
- Possibility to take coffee and other products to go

- Nice and professional personnel
- Access to Wi-Fi
- Possibility to rent the space for private events, workshops and meetings
- Possibility to make a reservation
- Opening hours from Monday to Sunday
- Well-arranged website

Weaknesses

- New established café
- Limited parking
- Lack of financial resources
- Limited space
- Opening hours only till 8 p.m.

Opportunities

- Good location of the café
- Growth of people's interest
- Close to underground, tram and bus stations

Threats

- Strong competition among cafés
- Low interest in the Café Corona
- Lack of customers
- Creation of a new similar company with the same business idea (Italian style)
- Possible problems with suppliers

5 Results and Discussion

In the practical part of the bachelor thesis, the economic feasibility of a new company was realized and the financial plan was created. The beginning of the practical section gives a brief overview of company description in order to introduce the project. Café Corona is planned to be located in Prague, the capital city of the Czech Republic. The concept of Café Corona is focused on an exclusive coffee and pleasant space inspired by Italian café. In café will be mainly offered Italian coffee, soft drinks, alcoholic drinks, desserts and light and fresh meals. Big emphasis is also put on the services provided by Café Corona in order to satisfy customer's needs and wants.

Based on PEST analysis, the external environment is analysed and identify. Based on the outcome of the analysis, Prague is suitable to build a potential customer base. However, the competition is huge and it will be hard to success.

According to Porter's Five Forces Analysis, the coffee industry is very competitive and it may be difficult for a café to differentiate itself from its competitors. However, it is not impossible to success in this field of industry.

One of the key parts of successful business is the promotion in order to get into customers' awareness. Marketing strategy will be based on activities provided before the opening of café and in the first months of operation. As marketing communication will be used fliers, official website, social media and world-of-mouth marketing. Café Corona will be the place, where people can relax, meet and enjoy a cup of coffee. Therefore, the main target groups will be people, who prefer high-quality coffee, entrepreneurs and employees, students and also tourists.

Café Corona will employ two full-time works and two part-time works, the owner will be responsible for the whole organization. The owner will put emphasis on nice, friendly and professional personnel.

Financial plan is widely considered to be one of the most important parts of a business plan. The estimated start-up expenses will be approx. CZK 1 500 762. To establish the café, it will be needed to borrow money from bank and family. If the sales will not be as high as predicted and some externalities will occur, the owner will not be able to repay the loan. The loan including interests is planned to be repaid within five years. The predictions are based on expert advices from the hospitality industry and on data gained from the Czech Statistical Office. The predicted sales are based on customers' daily attendance. According to realistic

option, the estimated number of customers per day 120. In the future, the number can increase, if the café will be successful. In case of Café Corona's financial statements, net income will be low value in the first year in comparison to following years of the operation. From the second year, net profit will slightly increasing because of continual increase in the visit rate and sales. Before and during the opening café, the balance sheet and cash flow are influenced by the amount of start-up expenses including technical improvement of space and purchase of equipment. In case of Café Corona, financial forecasts were compiled as the most realistic one in order to determine the economic feasibility of the whole project.

SWOT analysis formulates strengths, weaknesses, opportunities and threats of the company, which may occur.

According to values resulting from the analysis and financial calculations in the practical part, Café Corona has a huge potential to be successful and feasible.

6 Conclusion

The main aim of the bachelor thesis was to form a comprehensive founding financial project and verify feasibility of a new café, which will be established in Prague, the capital city of the Czech Republic. In general, a business plan is used as tool for an official business presentation not only for investors and financial institutions, but also for entrepreneurs themselves. A business plan does not guarantee a success of the business but the preparation of the plan increases the chances for success and decreases potential risks of failure. The plan consists of many parts and the thesis is focused on one of them – the financial plan. The financial plan is an essential part of a business plan to determine feasibility and advantage or disadvantage of the whole project. Well prepared plan can help the owner to start business itself and focus on further development. Financial plan based on financial calculations should not be underestimated.

The first part of the thesis was focused on basic concepts and aspects related to business and business plan in general. The rest of the part covered the structure of financial plan. The practical part was based on knowledge gained from specialized written and online sources. In the practical section, the company was introduced and the market and competition were analysed.

The proposed financial plan of Café Corona is the concept focused on an exclusive coffee and pleasant space inspired by country of south-central Europe Italy. Italy is one of the world's most important centres of religion, visual arts, literature, music, philosophy, culinary arts and sciences. Italian coffee culture has a long history and tradition, it was firstly introduced in the 1500s. Therefore, the Italian coffee is high-quality and loved by a lot of people around the world. Coffee, which will be served in Café Corona, comes from a small Italian roasting plant, which is located near to Genoa. Café Corona will also serve excellent desserts or light and fresh meals. The café will become place with pleasant atmosphere, where people can relax, meet and enjoy a cup of high-quality coffee.

Although the financial part was compiled as the realistic one, there are several things to be taken in consideration. The calculations of expected sales were set with the assumptions of a constant number of customers, professional personnel and quality products and services.

In conclusion, the plan for the establishment of Café Corona was determined as feasible and economically viable.

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8 Appendix

Appendix 1: Menu

MENU

CAFFÉ ITALIANO

Espresso Italiano	35 CZK
-classic espresso	
Ristretto	35 CZK
-stronger espresso	
Double Espresso	60 CZK
-espresso with double portion of coffee	
Caffé Americano	35 CZK
-espresso with added amount of water	
Macchiato	40 CZK
-espresso, milk foam	
Cappuccino	45 CZK
-espresso, milk foam	
Cappuccino Aroma	48 CZK
-amaretto/chocolate/hazelnut/caramel	
Caffé Latté Macchiato	50 CZK
-espresso, milk, milk foam	
Flat White	55 CZK
-cappuccino with double espresso	
Marocchino	55 CZK
-espresso with chocolate dip and milk foam	
Afogatto	55 CZK
-espresso, vanilla ice cream	
Ice coffee	75 CZK
-double espresso, ice, vanilla ice cream	

HOT DRINKS

Tea	35 CZK
-black/green/fruit	
Tea with Fresh Ginger	50 CZK
Tea with Fresh Mint	50 CZK
Hot Chocolate	60 CZK

HOMEMADE DRINKS

Lemonade from Oranges 0,4l	60 CZK
Lemonade from Raspberries 0,4l	60 CZK
Ice Tea with Lemon 0,4l	55 CZK
Mint Ice Tea with Limes 0,4l	55 CZK

COLD DRINKS

Bonaqua 0,25l	35 CZK
-still/sparkling water	
Coca-Cola 0,25l	35 CZK
Kofola 0,33l	45 CZK
-draft	
Orangina Original 0,25l	35 CZK
Vinea Classic 0,25l	35 CZK
Rauch 100% Juice 0,2l	35 CZK
-apple/orange/multivitamin/strawberry/pineapple	
Nestea 0,25l	40 CZK
-lemon/peach/green tea	



Café Corona

BOTTLED BEER

Pilsner Urquell 0,5l -alcoholic	39 CZK
Birell 0,5l -nonalcoholic	35 CZK

WINE LIST

White Wine 0,1l/0,5l -Chardonnay/Riesling/Sauvignon Blanc	45/150 CZK
Red Wine 0,1l/0,5l -Pinot Noir/Merlot Umbri	45/150 CZK
Rosé Wine -Rose des Balmes/Frankovka Trkmanska	60/300 CZK

PASTRY

Butter Croissant	35 CZK
Sweet Croissant -with chocolate/marmalade	55 CZK
Salty Croissant	55 CZK

SMALL MEALS

Selection of Salami 100g -with olives, dried tomatoes and homemade bread	110 CZK
Selection of Cheese 100g -with olives, dried tomatoes and homemade bread	110 CZK
Cheese and Salami Mix 200g -with dried tomatoes, olives, capers and homemade bread	210 CZK
Panini -according to daily offer	from 90 CZK
Soup -according to daily offer	45 CZK
Homemade Italian Bread	35 CZK

APERITIVES

Prosecco 0,1l -Valdobbiadene Veneto area	60 CZK
Aperol Spritz Original -Chardonnay, red spritz, slice of orange	90 CZK

LIQUERS / SPIRITS

Grappa 0,04l	100 CZK
Sambuca 0,04l	70 CZK
Armagnac 0,04l -Trois Etoiles Cordellier (3 years)a	90 CZK
Brandy 0,04l -French Marguis de Villiard	80 CZK

DESSERTS

Tiramisu Originale	80 CZK
Homemade Desserts from -dessert/cake/pie	50 CZK
Dessert -according to daily offer	from 80 CZK



Café Corona