

BUSINESS PLAN FOR PIZZA AND PASTA

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ABSTRACT

The purpose of this business plan is to estimate the amount of capital needed to establish and successfully operate Pizza n Pasta, an Italian foods restaurant. This project would be used to approximate the amount of required sales, best time for investment, the expenses incurred during the first two years and the expected net income.

ABOUT PIZZA N PASTA

Pizza n Pasta is a seven-day operating Italian foods restaurant located in Pittsburgh. Italian foods especially Pizza and Pasta and delicacies such as Lasagna and Italian Spaghetti are among our menu. If you should ever find yourself in the Steel City, Pizza n Pasta is at your service. Being located in one of the most industrial areas; it caters to the locals and visitors alike. With its authentic Italian cuisines, adept wine selection and serving and warm environment, Pizza n Pasta is a dream dining destination.

SUMMARY:

Pizza n Pasta would be required to invest a capital of \$125,000 at the beginning of the first year. This would include \$48,000 from long-term borrowings and the remaining \$77,000 being paid by the owner.



Exhibit 1: Sales and Net Income for Two Years:

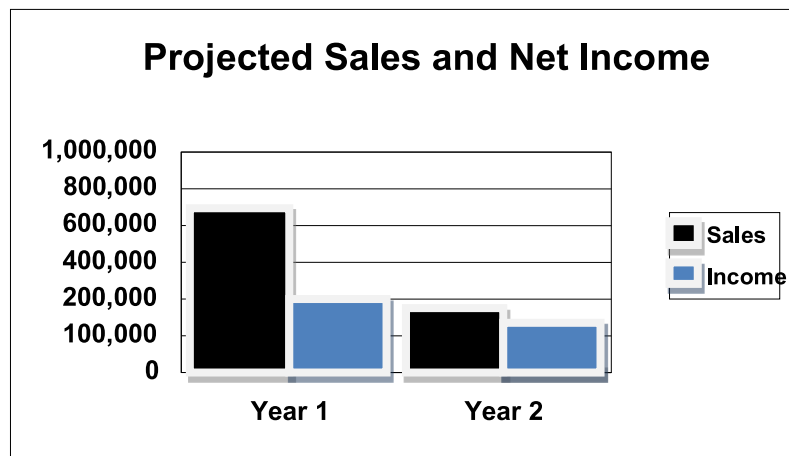
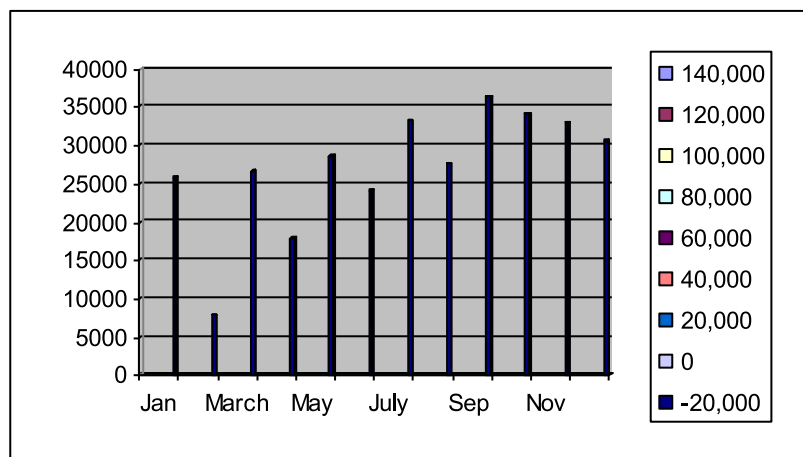


Exhibit 2: Cash Investments for First Year



BASIS FOR FINANCIAL PROJECTIONS

Sales Projections:

Pizza and Pasta would remain open during lunch and dinner hours. Lunch hours would normally range from 12 pm till 3 pm. Dinner hours are from 6 pm till 9 pm. The expected amount of sales is based upon four customers on average during lunch hours and five customers on average during dinner hours.

On the basis of average guests per day during lunch and dinner hours, total number of meals per day was estimated. This was done by multiplying the revenue per meal with the number of occupied seats on each table. Meal charges are \$10 per lunch and \$20 per dinner per person.

Cost of Goods Sold:

Cost of goods sold was estimated by measuring the cost of food and beverages according to the rates set by the National Restaurant Association Operating Percentages.

Food and Beverage Turnover Rate:

The estimated turnover rate for Pizza n Pasta was observed to be 59.5 for the first year of the business year and 92.4 for the second year. This ratio was calculated by dividing the Cost of Goods Sold by the Inventory. The overall average turnover rate, as calculated by MSN Money, is observed to be 92.4

Payroll Charges:

A semi-monthly payroll service will be provided by PayChex, the charges of which would be \$200. The owner also serves as a cook hence draws an amount of \$4,000 per month for personal expenditure, half of which would be accounted for as an officer salary and the rest for serving as a cook. \$200 per month would be paid to the niece of the owner who would be responsible for



keep computer record of daily deposits and disbursements. Salaries of restaurant admin and other staff would be decided by the owner on the basis of his previous experience in human resource management and administration.

Rent Expenses (Occupancy Cost):

Monthly rental for the restaurant space has been decided to be \$2,000 plus an additional 3% of net income. This contract would carry on for a term of five years.

Advertising Expenses:

The primary source of advertisement for Pizza n Pasta would be the word of mouth. Additionally, other strategies such as banners and internet ads would be used, for which an amount of \$5000 has been reserved by the owner.

Depreciation Expenses:

All restaurant equipment and furniture is considered to have a useful life of 5 years. Thus according to this bracket, 20% annual depreciation according to the straight-line method would be used.

Other Operating Expenses:

Operating expenses include the delivery service, uniforms for the crew, flowers and decorations, kitchen utensils (small wares), menus, telephone bills and PayChex dues. Other than these, insurance rate is estimated to be \$165 for liability and \$220 for casualty insurance.

CONCLUSION

Breakeven analysis

Break-even point occurs when a state of no profit and no loss is attained, and



the invested capital has received the expected return.

$$\text{Break even sales} = \text{Fixed cost} + \text{variable cost.}$$

And,

$$\text{Profit} = (\text{Sales} - \text{Variable expenses}) - \text{Fixed expenses}$$

$$\text{Sales} = \text{Variable expenses} + \text{Fixed expenses} + \text{Profit}$$

The break even point for the first year is \$402, \$390. For the second year, the break even point is \$350, \$144. In the first year, it is expected that Pizza n Pasta would attain the break even point.

The margin of safety is the profit that is attained after the break even point. At the end of the first year, a break even point is attained so at the end of the second year, it is expected that the margin of safety would be attained.

