Erasmus+

'Exploring Cultural Heritage for Entrepreneurial Development'

IMPLEMENTATION OF A TOURISM ENTERPRISE

3rd Report

(March-April)

This report will be divided in two section: SWOT ANALYSIS and FINANCIAL PART OF THE BUSINESS PLAN

SWOT ANALYSIS

Internal factors	**Strengths** High tourist attractiveness of the territory	**Weaknesses** Need to adapt the availability of human resources to seasonality
External factors	**Opportunities** In the area there are no tourist agencies specialized in Root Tourism	**Threats** Seasonality of tourist attendance

FINANCIAL PART OF THE BUSINESS PLAN

<u>Fixed assets plan</u>

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Software	8.000		5	20	1600
Forniture	12.000		16	6,25	750
Office equipment	12.000		8	12,5	1500
Technological plant	10.000		10	10	1000
Total	42.000				4.850

Financing plan

Assets	***" n" year***	**Equity and liabilities**	***" n" year***
Fixed assets	42.000	Equity	20.000
Current assets	8.000	LT liabilities	30.000
-	-		
Total assets	50.000	-	50.000

Economic plan

-	***"n"***	***"n + 1"***	***"n + 2"***
REVENUES	**140.800**	**211.200**	**281.600**
COSTS	**121.985**	**173.017**	**223.080**
Depreciation	4.850	4.850	4.850
Utilities, commissions, advertising	117.135	168.167	218.230
EARNINGS BEFORE INTERESTS AND TAXES (EBIT)	**18.815**	**38.183**	**58.520**
Net interest expenses	-2.240	-2.016	-1.792
EARNINGS BEFORE TAXES (EBT)	**16.575**	**36.167**	**56.728**
Taxes	6.630	14.467	22.691
NET INCOME	**9.945**	**21.700**	**34.037**

Expected revenues increase of 50% in "n+1" and 33% in "n+2".

Estimated balance sheet

Assets	n	n+1	n+2	Equity and liabilities	n	n+1	n+2
Fixed assets	42.000	42.000	42.000	Owners' equity	20.000	20.000	20.000
Current assets	25.445	36.634	48.218	Net income	9.945	21.700	34.037
				Reserves	-	434	681
				Equity	**29.945**	**42.134**	**54.718**
				Long Time liabilities	**30.000**	**27.000**	**24.000**
				Short Time liabilities	**7.500**	**9.500**	**11.500**
Total assets	**67.445**	**78.634**	**90.218**	**Total equity and debt**	**67.445**	**78.634**	**90.218**

REPORT

Capital adequacy

Fixed assets coverage ratio =Equity +LT liabilities
Fixed assets

Notably, during the forecasted period the numerator of the ratio is always larger than the denominator, meaning that fixed assets are adequately covered by long-term sources of funds such as equity and long-term debt. For instance in year "n" the Fixed assets coverage ratio is equal to

(29.945+30.000)/42.000)=**1,43>1**

Autonomy ratio=Equity *100
Total assets

It appears that the company has a good balance between debt and equity financing, except for the first year of operations, as it was reasonably expectable. Indeed, in year "n" the autonomy ratio is equal to

29.945 *100 =**44%<50%**
67.445

while in the later years it is always larger than 50%.

Liquidity

Quick ratio=Current assets – ST liabilities

Since during the analyzed timespan such difference is always larger than zero, the company is financially sound as it is able to cover its short-term obligations with its most liquid assets.

<u>Profitability</u>

ROI (Return On Investment)= $\dfrac{\textit{Operating profit*100}}{\textit{Equity +Debt}}$

In “Come to us” limited company the operating profit coincides with EBIT. In the first year ROI is equal to 28% (18.815/67.445), in the second 48% and in the third 65%, assuming that in this case study all debt is financial debt.

This means that every €100 invested during three years in the company generate respectively 28, 48 and 65% from operating activities.

Notably, ROI values increase over the years.

ROE – Return On Equity = $\dfrac{\textit{Net Income*100}}{\textit{Equity}}$

In this specific case, ROE increases over the years: 33% (9.945*100/29.945), 52%(21.700*100/42.134) and 62%(34.037*100/54.718), meaning that the company is growing.

Unfortunately, the ongoing pandemic of coronavirus disease 2019 (COVID-19) makes, at the moment, the outlined project unfeasible. As a matter of fact, the above mentioned pandemic has provoked large economic damage to the Italian economy and in particular to the tourism, accommodation and food services sectors which are among the hardest hit by foreign countries' limitations to travel to Italy and by the nationwide lockdown imposed by the government on 8th March.

At the moment our government, with the help of a board of scientists who are attentively analyzing the data related to the spread of coronavirus cases in Italy and its recent relative decline, is projecting a gradual relaxation of the strict nationwide lockdown measures so far implemented. In the next future our newborn company, will be, in all probability, allowed to operate only as an “online travel agency” leveraging on local tourism therefore postponing its full operational on the homecoming tourism sector on a later date, namely, when it will be permitted by national and international authorities.

Here are the students attending the last year of the Tourist Services Branch of our School working on the report from home...