

Implementing accounting tools for a start-up importing company in Finland

David Tate

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<p>Author David Tate</p>	<p>Year of entry 2011</p>
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<p>Teacher(s) or supervisor(s) Mika Mustikainen, Heli Korttesalmi</p>	
<p>The object of this product based thesis is to plan and implement accounting tools for a start-up company which meet the internal requirements of the company. Along with the tools a user guide will also be created for the commissioning company.</p> <p>The commissioning company for this thesis is Heritage Wines Finland which is a privately owned start-up wine importing company founded in November 2014 but it was not yet operating at the time this was written. The commissioning company does not have any accounting methods or tools implemented, their accounting experience is low and due to the costs involved with a start-up company they are trying to cut down costs. The commissioning company would like to get some form of customizable accounting practices in place with low cost and user friendly manner.</p> <p>The theoretical framework of this thesis is divided into four sections; Financial accounting, management accounting, taxes and duties and project management. The financial accounting section provides a brief overview of the purpose of financial accounting and focuses mainly on the financial statements including the balance sheet, income statement and cash flow statement. The management accounting section provides and a brief overview of management accounting practices including budgeting, breakeven calculations and specific cost methods. The taxes and duties section covers the types of importation taxes and duties. The project management section covers the project lifecycle and how to manage project by using the 4D model.</p> <p>The project can be defined as a successful project since the objectives set at the beginning of the project were met, the scope remained as defined initially and the project was completed on schedule due to careful planning. Also the commissioning company was happy for the results and will use them in their operations.</p>	
<p>Keywords Accounting Tools, Financial Accounting, Managerial Accounting, Budgeting,</p>	

Table of contents

1	Introduction.....	1
1.1	Introduction of the commissioning party.....	1
1.2	Business problem	2
1.3	Project objectives (PO) and project tasks (PTs).....	2
1.4	Demarcation, scope and limitations	4
1.5	Product design and development	4
2	Theoretical framework.....	5
2.1	Accounting in general.....	5
2.2	Financial accounting	5
2.2.1	Balance Sheet	6
2.2.2	Income statement.....	8
2.2.3	Cash Flow Statement	11
2.3	Management accounting	12
2.3.1	Costs.....	13
2.3.2	Selling price and profitability ratios	14
2.3.3	Specific cost method.....	14
2.3.4	Budget and Budgeting	15
2.3.4.1	Types of budget and budgeting methods	15
2.3.4.1	Budgeting process	17
2.3.5	Breakeven point analysis	18
2.4	Taxes and duties	20
2.4.1	Country of Origin.....	20
2.4.2	Customs Classifications.....	20
2.4.3	Import Duties	21
2.4.4	VAT in Finland.....	21
2.5	Project management	21
2.5.1	What is a project?	21
2.5.2	Project lifecycle and the 4-D model.....	22
3	The accounting tools	25
3.1	Phases of the project.....	25
3.1.1	Define it: Defining the scope of the accounting tools.....	25
3.1.2	Design it: Planning of the accounting tools	25

3.1.3	Do it: Implementation of the accounting tools	26
3.1.4	Introduction of the accounting tools	26
3.2	Structure and contents of “HWF - Budgeted figures” workbook.....	27
3.2.1	Sales & Costs tool (Worksheets 1-13).....	27
3.2.2	Breakeven point analysis tool (Worksheet 14).....	30
3.2.3	Budgets (Worksheet 15)	31
3.2.4	Income Statement (Worksheet 16).....	32
3.2.5	Cash Flow Statement (Worksheet 17).....	33
3.2.6	Balance Sheet (Worksheets 18-19).....	34
3.3	Structure and contents of “HWF - Actual figures” workbook:	36
3.3.1	Sales & Costs tool (Worksheets 1-13).....	37
3.3.2	Budgeted vs Actual tool (worksheet 14).....	37
3.3.3	Breakeven Point (Worksheet 15)	38
3.3.4	Income Statement (Worksheet 16).....	38
3.3.5	Cash Flow Statement (Worksheet 17).....	39
3.3.6	Balance Sheets (Worksheet 18-19).....	39
3.3.7	Specific Order Cost Tool (Worksheet 20).....	39
4	Summary.....	41
4.1	Conclusion & Results	41
4.2	Validity & reliability	41
4.3	Assessment & Discussion	41
5	References.....	43

ABBREVIATIONS, TERMS AND DEFINITIONS

HWF

Heritage Wines Finland

Free on board (FOB)

Costs of the products plus transportation to the port of the home country

Landed

The cost of goods when they have arrived at the final destination but before any taxes or duties are imposed on the goods

Relabeling

The European Union (EU) has strict rules when it comes to what can and cannot be on any wine labels, therefore the wines from Australia might have to be relabelled for sale and consumption within the EU

EBIT

Earnings before interest and Taxes

Contribution Margin

Total revenues minus total variable costs

Contribution Margin per unit

Selling price minus the variable cost per unit

1 Introduction

Without accounting a company cannot accurately measure how it is performing, hence the need for gathering and displaying the information in a useable format is essential for any company's success. Accounting not only provides information but it also has tax and legal aspects which all companies must adhere to.

For a start-up business the idea of sorting, analysing and understanding financial documents can be a daunting task even though accounting often provides entrepreneurs a clear picture of their success. Accounting provides essential understandable data not only for profit and loss, it can also be used to provide information on where things can be done better, where the company is operating well, the levels of stock, performance and sales to name a few benefits of a good accounting infrastructure in any company or organization.

This thesis has been commissioned for Heritage Wines Finland which is a start-up wine importing company. The main focus of this thesis is to develop and implement accounting tools which meet the internal requirements of the company. The tools will be used by the company for both the pre-operational phase and also as everyday tools for their daily operations, transactions, recordings and measurements.

1.1 Introduction of the commissioning party

Heritage Wines Finland is a privately owned start-up company specialised in the importation and distribution of wines in Finland. The main focus is in Australian wines but the company will also be importing wines from all over the world. Heritage Wines Finland target customers are bars, restaurants, hotels, clubs and event companies located in Southern Finland. The company plans to also supply wines to Alko which is the national alcoholic beverage retailing monopoly in Finland.

Heritage wines Finland was founded in Helsinki by an Australian private entrepreneur living in Finland in November 2013. The company is not yet operating at the time this thesis is written however the company will begin its operations at the beginning of the 3rd quarter of 2014. Currently the company is privately owned by two entrepreneurs and they are also the only employees of the company.

1.2 Business problem

Not having a way in which to make budgets, forecasts or calculate costs will be detrimental to a company's success. The company will not be able to make any predictions on profit, when to allocate money, when to save money and not even how much to charge to cover their costs. If a company does not know how the costs of making or importing the company's products, they cannot decide on the selling price. Without knowing their costs, or sales price a company cannot create any form of budget or plan for the years to come resulting in a company that cannot begin its operations. (Hussey & Hussey 1999, 171-172.)

Heritage Wines Finland currently do not have any accounting methods or tools implemented, their accounting experience is low and due to the costs involved with a start-up company they are trying to cut down costs. The company would like to get some form of customizable accounting practices in place with low cost and user friendly manner. Because the company does not have any accounting practices in place it will not be able to calculate costs and help with the set-up of the company. Once they are operational recording the everyday costs and sales are not possible resulting in the company not being able to measure its performance.

This thesis will help to fix this problem by providing the company with accounting tools which meet the internal requirements of the company. With these tools the company will be able to make forecasts on sales and cost, prepare the budgets, calculate their costs, breakeven point, measure sales, costs and be able to measure their performance and financial status at given points throughout the year.

1.3 Project objectives (PO) and project tasks (PTs)

The project objective of this product based thesis is to develop and implement accounting tools for Heritage Wines Finland to be able to start their operations from the accounting perspective and become a profitable fully operational company. The project steps have been carefully chosen and planned together with the commissioning company. The project timeline is presented in Appendix 1.

To help reach the project objective and ensure that it is met, five project tasks were created. These project tasks are designed to help the project throughout the implementation from the initial start to the completion. The first task in the thesis process is to gather the requirements

from the commissioning company. The purpose of the first task is to establish the scope of the accounting tools required. The second task is to collect the relevant literature and information to draft the theory framework. The purpose of the second project task is to find out the correct approach to create the accounting tools on the scope. The third task is to design and to implement the tools by utilizing the theory and implement the theory into practice. The outcome of the third task is to get the test version of the accounting tools based on the scope. The fourth task is to test the tools. The purpose of the fourth task is to find out possible errors and receive feedback for improving the tool. The fifth task is also the final step, involving the evaluation of the results and closure of the project. The outcome after all the project tasks are completed is that the accounting tools are ready and cover the requirements for the company. The project tasks are presented in the table below (Table 1):

Table 1: Project objectives (PO) and project tasks (PTs)

Project Objective (PO)	Project Tasks	Purpose	Output
To develop and implement accounting tools for Heritage Wines Finland	PT1. Gather requirements from the commissioning company	Establish the scope of tools	Establish the scope of tools
	PT2. Theory framework	Find the correct approach to the accounting tools	Theoretical framework for the tools
	PT3. Designing and building the tools	Implement theory into practice	Comments for developing the tool
	PT4. Testing the tools	Find out possible errors	Comments for developing the tool
	PT5. Result and Evaluation	Validity and reliability	Accounting tools ready
Self evaluation			

1.4 Demarcation, scope and limitations

The outcome of this thesis is a product which is a set of accounting tools created with Excel and a user guide for the tools. The scope of the project was made in collaboration with Heritage Wines Finland and it was agreed that the scope includes the following financial statements and accounting tools: balance sheet, income statement, cash flow statement, sales & costs tool, breakeven analysis tool, specific order cost calculator, budgeting tool and Budgeted vs. Actual tool.

These tools are targeted for a small wine importing company operating as a private trader in Finland. The tools are created in English for internal use of the company. This thesis is focusing on introducing the tools created and therefore will not describe the planning, implementation, and testing phases on a detailed level. Any new requirements arising after the define it phase will not be covered in this thesis.

1.5 Product design and development

This thesis is consisting of four main sections. The first section is the introduction which is introducing the background of the thesis, the commissioning company, business problem and the methods to resolve it. The second is the theoretical framework which is exploring the relevant theory from financial accounting, management accounting, taxes and duties, cost flow methods and project management. The third section is the empirical part which is presenting and describing what was done in each phase of the project and the actual product of the thesis, the accounting tools. The fourth part is the summary which includes feedback conclusion & results, validity & reliability and assessment and discussion.

2 Theoretical framework

2.1 Accounting in general

Accounting is a key activity in any company regardless of the size or the field in which it operates. In its broadest form, it can be described as identifying, measuring, recording and communicating the economic transactions of organisations. Accounting provides information on the financial performance of a business for its owners, managers and directors for management purposes whilst it also provides information for external stakeholders such as customers, suppliers, creditors and tax authorities. (Hussey & Hussey 1999, 3.)

Because of its crucial importance in an organisation, and its complexity, accounting can be divided into two main streams: financial accounting and management accounting. Financial accounting and management accounting both use the same data sources, but in different ways. Financial accounting operates around the financial reports and is strictly regulated. Management accounting uses the same information but it is not bound by any strict regulations hence the information and the way in which this information is shown can be decided by the manager or person creating the reports. Although accounting can be divided into these two main streams, there are some overlapping parts between management accounting and financial accounting particularly in the recording, interpreting and communicating aspects. (Hussey & Hussey 1999, 3, 10.)

2.2 Financial accounting

Financial Accounting is the day-to-day recording of an organizations financial transactions and the summarizing of those transactions to provide an accurate picture of the company's financial position and performance. The primary objective of financial accounting is the preparation of financial statements including the balance sheet, income statement and cash flow statement for the use of the company's external stakeholders. The balance sheet focuses on the financial picture as of a given date which is the last day of the measured period whereas the income statement and cash flow statement focus on the performance over a given period of time. The frequency of these statements depends on the company, country and its accounting standards but generally these reports are done monthly, quarterly, biannually or annually. Even though the primary objective is to prepare them for external stakeholders they are also useful internally. (Elliot , Horngren, Philbrick & Sundem. 2012, 21-22.)

The financial statements are drawn up within a regulatory framework meaning that the company must prepare the financial statements according to legislation and other regulations set by the International Financial reporting standards (IFRS). In addition, the financial statements use a number of accounting assumptions which have been established as general principles. Privately held companies generally have fewer or less comprehensive reporting requirements and obligations for transparency than publicly traded companies do. (Hussey & Hussey 1999, 3, 5; Elliot et al. 2012, 45.)

2.2.1 Balance Sheet

The balance sheet, also known as the Statement of Financial Position, is a financial statement that shows the financial condition of a business at a particular point in time i.e. a particular date. It is essentially a “snapshot” of a company’s financial condition at a given date. It summarizes the company’s assets, liabilities and owner’s equity and shows the amount of cash a company holds at the close of business on the balance sheet day. These three segments provide information about a company’s ability to meet its short term operating and debt needs. The Balance sheet is the only financial statement which applies to a single point in time. (Couto & Nelson 2002,4; Elliot et al. 2012, 22-24, 198.)

The Balance sheet has two counterbalancing sections; one section lists the resources of the company i.e. everything what the company owns and controls, the other sections lists the claims against the resources. The resources and claims form the balance sheet equation which is typically following: Assets (left hand side normally) should equal Liabilities and Owners’ equity (together on the right hand side normally). (Elliot et al. 2012, 22.)

Assets = Liabilities + Owners’ equity (Elliot et al. 2012, 22.)

Assets: An asset is an economic resource which the company owns or controls and expects to generate economic benefits from its use, i.e. future cash inflows or to reduce or prevent further cash outflows (Elliot et al. 2012, 22). Assets must be classified in the balance sheet as current or non-current (long-term) depending on the duration over which the company expects to derive economic benefit from its use. Assets that are expected to be realized within one year from the reporting date are classified as current assets whereas assets which will de-

liver economic benefits to the company over the long term (more than one year beyond the balance sheet date) are classified as non-current assets. (Elliot et al. 2012, 166, 345.)

Assets are classified in the balance sheet on the basis of their nature. Current assets can be for example cash, short term investments, inventories and accounts receivables. Non-current assets can be either tangible or intangible. Tangible assets are assets with physical substance e.g. furniture, equipment or property whereas intangible assets have no physical substance or material value, e.g. a copyright, trademark, patent of goodwill. (Elliot et al. 2012, 166-167, 345-348, 364.)

Liabilities: A liability is an economic obligation which the company owes to others outside the company and its settlement involves the transfer of cash or other resources from the company (Elliot et al. 2012, 22). Liabilities are classified in the balance sheet as current or non-current (long-term) depending on the duration over which the company intends to settle the liability. Liabilities which are expected to be settled within one year from the reporting date are classified as current liabilities whereas liabilities which will be settled over the long term (more than one year beyond the balance sheet date) are classified as non-current liabilities. (Elliot et al. 2012, 166, 392.)

Liabilities are classified in the balance sheet on the basis of their nature. Current liabilities can be for example accounts payable, accrued taxes, notes payable and current portion of long term debt (one year worth of loan payments). Long-term liabilities are for example bank loans which are to be repaid over a period that exceeds one year. (Elliot et al. 2012, 392-393.)

Owners' equity: The owners' equity is what the owners have invested in forms of profit and can claim from the company's assets. The residual nature of owners' equity can be emphasized by deducting total liabilities from the total assets. (Elliot et al. 2012, 22, 24.)

There are two common formats for the balance sheet: the Account format and the Report format. The actual line items appearing in both formats are the same; the only difference is the way in which the information on the page is formatted. Account format lists the assets on the left and liabilities on the right, whereas the report format lists the assets on top and the liabilities below. (Elliot et al. 2012, 167.) The figure below (Figure 1) is demonstrating the different components of the balance sheet in the account format.

Assets (Owned and Used by company)	Liabilities (Amounts owed & Find sources)
Current assets (Short-term in nature) Cash Accounts receivables Inventory Prepaid expenses Short term investments	Current liabilities (Short-term in nature) Accounts payable Accrued wages Accrued taxes Notes payable Current portion of long-term loan
Non-current assets (Long-term in nature) Tangible assets Intangible assets Other assets	Non-current assets (Long-term in nature) Bank loan Owners' equity Paid in capital

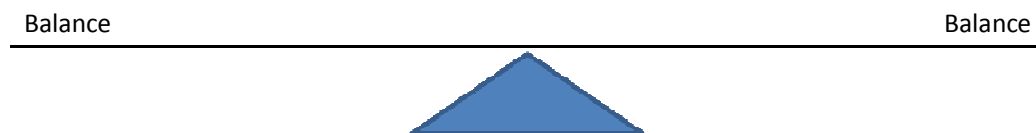


Figure 1. Components of the Balance sheet

Every financial transaction affects the balance sheet. The most commonly used method to keep record of the transactions in a systematic manner is to use a double-entry system. In double-entry system every transaction involves a debit entry and a credit entry; therefore at least two different accounts are affected. The other account will be debited because it receives value and the other account will be credited because it has given value. Every account has two sides, a right side and a left side. A debit refers to an entry on the left side of an account, and a credit refers to an entry on the right side of an account. The balance sheet equation format illustrates the basic concepts of the double entry system by showing at least two entries for each transaction and it also emphasizes equation must stay in balance. (Elliot et al. 2012, 24, 104-107.)

2.2.2 Income statement

The income statement, also known as the Profit & Loss statement (P&L), is a financial statement that measures the company's performance in income over a period of time – usually a month, a fiscal quarter or a year. It is a report of all revenues, expenses and income of the company pertaining to a specific time period. The outcome of the income statement is commonly referred to as the “bottom line” which is the net income (or net earnings) and is the

amount the company has lost or made during the selected period of time. Therefore the main purpose of the income statement is to show whether the company made or lost money during the period being reported. The income statement is also the major link between two balance sheets because it helps to explain the changes between one balance sheet and another. (Elliot et al. 2012, 69-70.)

There are two commonly used income statement formats, the single-step income statement and the multiple-step income statement. The single-step income statement groups all revenues and then lists and deducts all expenses without reporting any intermediate subtotals. The multiple-step income statement contains one or more subtotals that highlight significant relationships. Regardless of the presentation format, the net income number is the same. The multiple-step income statement is generally more commonly used than the single-step income statement (Elliot et al. 2012, 171-172.)

In a multiple-step income statement there are three commonly used subtotals, gross profit, total operating expenses and the operating profit. The multiple-step income statement starts with the separate computation and disclosure of gross profit (also called gross margin), which is the excess of sales revenue over the cost of inventory that was sold. The next section usually contains the operating expenses, which is a group of recurring expenses that pertain to the company's routine, ongoing operations. After that the operating expenses are being deducted from the gross profit to obtain operating income (also called operating profit). (Elliot et al. 2012, 173.)

Below are examples of single-step income statement (Figure 2) and multiple-step income statement (Figure 3). As mentioned earlier, the net income number is the same in both formats.

Sales		160000 €
Rent revenue		500
Interest revenue		300
Total sales and other revenues		<u>160800 €</u>
Expenses		
Cost of goods sold	100000 €	
Wages	31750	
Depreciation	1000	
Rent	5000	
Interest revenue	500	
Income taxes	9020	
Total expenses		<u>147270 €</u>
Net income		<u><u>13530 €</u></u>

Figure 2. Single-step income statement (Elliot et al. 2012, 173)

Sales		160000 €
Cost of goods sold		<u>100000</u>
Gross profit		60000 €
Operating expenses		
Wages	31750 €	
Depreciation	1000	
Rent	<u>5000</u>	<u>37750</u>
Operating income		22250 €
Other revenues and expenses		
Rent revenue	500 €	
Interest revenue	<u>300</u>	
Total other revenue	800 €	
Deduct: interest expense	<u>500</u>	<u>300</u>
Income before income taxes		22550 €
Income taxes		9020
Net income		<u><u>13530 €</u></u>

Figure 3. Multiple-step income statement (Elliot et al. 2012, 173)

Apart from showing how much money the company made or lost, the income statement is a good way of showing for companies of any size if the sales are going up or down, gross profit – how much money is left for the rest of the business after deducting what it cost to purchase a product, all expenses for the time period it covers, increases and decreases in net income, how much money is left to grow the business, how much money is left for the owners and how much is left for to pay debt. The income statement can also be used to review how a company has performed over different parts of the year, for example although they may have made a profit over the year they could have lost money some of the months. (Couto & Nelson 2002, 6; Elliot et al. 2012, 70.)

2.2.3 Cash Flow Statement

The cash flow statement, also known as the Statement of cash flows, is a financial statement that shows where the amount of cash a company holds was generated from and where it has been spent over a period of time - usually a month, a fiscal quarter or a year. The cash flow statement records all cash receipts and cash payments and classifies them as financing, investing, and operating cash flows. The cash flow statement also helps to explain why the balance sheet items have changed by showing the detailed changes in the cash account. (Elliot et al. 2012, 198.)

The cash flow statement is divided into three main sections: operating, financing and investing cash flows. The first section is cash flows from operating activities which are major day-to-day activities that generate revenues and expenses such as making sales, purchases and paying accounts payable. The second section is cash flows from financing activities which helps to understand managements financing decisions, such as whether to borrow money from a bank to repay previous borrowings. Third section is cash flows from investing activities which are transactions from acquire or dispose of long-term assets, such as purchase or sale of a property or acquire or dispose of long-term securities that are not cash equivalent, such as provide or collect cash as a lender or as an owner of securities. (Elliot et al. 2012, 198-199.)

Collecting figures for the cash flow statement can sometimes be a bit problematic. There are two different approaches when presenting the cash flows arising from operations; the direct method and the indirect method. The direct method presents cash inflows from customer and cash outflows to suppliers, employees and other aspects of operations. This information is contained in the cash book or in the cash receipts and cash payment records used as input to the bookkeeping records to the general ledger. The indirect method starts with the operating profit and makes a series of adjustments to arrive at cash flow from operations. Creating the cash flow statement with the direct method needs more work to identify all the operating flows from the cash records whereas the cash flow statement created with indirect method can be created from the opening and closing balance of the balance sheet and the income statement. Both methods are acceptable and both have their pros and cons. (Weetman 2011, 401-405.)

The figure below (Figure 4) is showing typical operating, investing and financing activities reported on cash flow statement and the structure of a basic cash flow statement.

Cash inflows		Cash outflows	
Operating activities			
Collections from customers		Cash payments to suppliers	
Interest and dividends collected		Cash payments to employees	
Other operating receipts		Interest and tax paid	
		Other operating cash payments	
Investing activities			
Sale of property, plant, and equipment		Purchase of property, plant, and equipment	
Sale of securities that are not cash equivalents		Purchase of securities that are not cash equivalents	
Receipt of loan repayments		Making loans	
Financing activities			
Borrowing cash from creditors		Repayment of accounts borrowed	

Operating activities	
Cash inflows	minus
Cash outflows	plus
Investing activities	
Cash inflows	minus
Cash outflows	plus
Financing activities	
Cash inflows	minus
Cash outflows	equals
Change in cash assets	

Figure 4. Activities (left) and the basic structure (right) of the cash flow statement

The cash flow statement is important for companies of any size as it can for example help them to understand the relationship of net income to changes in cash balances - companies can produce a profit, but still not have a positive cash flow and vice versa. It shows if the company has enough money to cover day-to-day activities, pay debts on time, need for additional working capital due to increased sales, it can help predict future cash flows and to understand how the money is being generated and used on a daily basis. The importance of the cash flow statement is accentuated with a start-up company because costs will accrue before the company starts making any income, hence the company needs to be prepared on how to finance the negative cash flow before the company starts operating. (Couto & Nelson 2002, 8; Elliot et al. 2012, 198.)

2.3 Management accounting

Management accounting is designed to help managers with planning, analysing, controlling and decision making to maximize the profit whilst also helping a company to meet their internal accounting needs. Management accounting supports the decision making process through planning and controlling operations. Planning primarily includes participating in the planning process at both strategic and operational level based on existing information from history and an analysis of the upcoming future. This involves the formulation of plans and budgets which will subsequently be expressed in the financial terms. Planning activities can be for example planning for the prices of a product, number of employees needed or the quantity of each product to be sold to make a desired profit. Controlling primarily includes contributing to the monitoring and controlling of performance through the provision of reports on organizational

performance. This involves comparison of actual with planned or budgeted performance, their analysis, and interpretation and then act upon differences that appear significant and measuring the costs. (Black 2009, 243-244; Datar, Horngren, Rajan 2012, 25-26.)

Management accounting is not subject to any regulatory framework hence the format in which the information is prepared is entirely at the discretion of the users of the information. It is however important that the users of this information understand the nature and explore the nature of costs. Since management accounting is not bound by any regulations, the reports can be prepared when required by the manager, though typically on a daily weekly, monthly, or yearly basis. (Black 2009, 244; Datar et al. 2012, 25-26).

2.3.1 Costs

In order to run a business successfully a company needs to know the cost of supplying the goods or services. There are many forms of costs but generally there are two major classifications of costs: direct/indirect and variable/fixed. Direct costs are related to a particular cost object and can be traced to it in an economically feasible way whereas indirect costs are related to a particular cost object but cannot be traced to it in an economically feasible way. Fixed costs are costs which do not change and are always the same regardless of the activity levels whereas variable costs are costs which will change depending on the level of sales or activity. Cost may be simultaneously direct and variable, direct and fixed, indirect and variable or indirect and fixed. The figure below (Figure 5) is showing examples of the costs in each of these cost classifications. (Hussey & Hussey 1999, 171; Datar et al. 2012, 50-56)

		Asignement of Costs to Cost Object	
		Direct Cost	Indirect Cost
Cost behavior pattern	Variable Cost	- Cost object: Case of Wine Example: Wine bottle lables according to EU standards	- Cost object: Case of Wine Example: Sales commission
	Fixed Cost	- Cost object: Case of Wine Example: Wine representative's salary	- Cost object: Case of Wine Example: Storage space rent

Figure 5. Example costs in combinations of the Direct/Indirect and Variable/Fixed Cost classification for a wine distributor

2.3.2 Selling price and profitability ratios

When a company is calculating their selling prices it is important to look at three figures, the gross margin, mark-up and net margin. The gross margin is the amount of sales revenue earned which has led to the gross profit of the company. The amount of gross profit will depend on two things, sales and costs. The closer the costs are to the sales price the less gross margin and therefore gross profit the company will earn. The mark-up, also called price margin, is the percentage added to the cost price to calculate the sales price. The net margin is the profit earned after all overheads have been deducted. To know the variable and fixed costs is the key for creating a strategic pricing policy which is both competitive in the market whilst also covering costs. (Black 2009, 213.)

A company defining a mark-up has to take many things into consideration. A price that is too high will generate more profit per sale but might result in lower sales as it will be too expensive. On the other hand a company might have the reverse where sales are good but the margin is too low per sale to keep any profit. Therefore an analysis of the market should be done to understand what the desired consumers are willing to pay for the product and the company should also to understand the costs so that they can be covered. (Black 2009, 213.)

2.3.3 Specific cost method

If product prices, services, inventory levels and costs are always constant then the costs are easy to track. This is not always the case and product prices change due to fluctuation in currencies, inventory levels change for multiple products and other associated costs change then it can be difficult to measure the actual costs. Cost flow method is a way to measure costs of goods sold for specific products or services. There are several cost flow methods for assigning costs such as specific cost, average cost, first-in first-out and last-in last-out. The specific cost method can only be used when the cost of each unit in inventory is identifiable. If a company knows when it has purchased a given item it can track the costs which were associated with that order. Many companies can use this for different reasons such as calculating a new price or to measure if the current pricing is correct. (Houghton, 2013)

Table 2 shown below is an example of how the specific cost method measures the actual costs. The example also shows how using other methods such as the average price method do

not relate accurately to the actual costs as the average cost does not take into consideration the quantity of units ordered. $9800\text{€} - 9500\text{€} = 300\text{€}$.

Table 2. Specific Cost Method

	Units		Per Unit Cost		Total Cost
Purchase 1st March	200	X	16	=	3200
Purchases 15th March	300	X	15	=	4500
Purchase 30th March	100	X	18	=	1800
Specific Cost Method Total	600				9500
Average Total	600	X	16,3	=	9800

The specific order method can also be used for calculating the difference in the price when converting from a foreign currency. The exchange rate between two countries will change daily meaning the costs for an order will change each time. As shown in Table 3 a small change in the conversion rate can result in a large difference in the costs, both positively and negatively.

Table 3. Currency Conversion example

Budgeted for 600 units	
Cost of goods	\$600,00
Transportation	\$1 000,00
Budgeted Exchange rate	0,61
	2 622,95 €
Actual costs	
Actual costs of goods	\$600,00
Transport	\$1 000,00
Actual Exchange rate	0,68
	2 352,94 €

2.3.4 Budget and Budgeting

2.3.4.1 Types of budget and budgeting methods

In a company of any size good management involves reviewing not only past and current performance but also the evaluation of what might happen to the business in the future. To plan where the company wants to be in the future and how to get there a company should have some kind of budgetary system which includes setting different levels of plans and budgets. A

budget is a plan of operations and activities for a defined period of time, stated in monetary value – in its broadest form, allocation of money for some purpose. It is a plan for action and can be used to control and plan the company’s activities. It estimates both the revenue and expenses for a particular period of time and shows how to plan to allocate the resources of the company in the future. A budget may include planned sales volumes and revenues, resources quantities, costs and expenses, assets, liabilities and cash flows. At the end of the budget period, the plan is evaluated and performance evaluated against the agreed objectives. (Black 2009, 295; Hussey & Hussey, 274-275.)

Budgets are usually long-term or short term plans. The long-term plan is usually covering at least five years and it sets out the strategic objectives of the company taking into consideration the general market growth, competition, anticipated profit levels and general economic factors such as global trends in interest rates. The short-term plan is usually covering the next 12 months and it is more detailed and it focuses on the organisational objectives which are compatible with the achievements of the long-term plan. Because the short term plan is 1 year it can coincide with the financial year and is commonly referred to as “The Budget”. To have a useable budget companies will normally create several budgets which focus on different areas to combine the information at the end to either a master budget or operating expenses budget. This is however depending on the nature of the company and how they operate. (Black 2009, 295-296.)

There are many types of budgets but the main forms are fixed and flexible budgets. A fixed budget is a budget which is not changed once it has been established regardless to any changes which may occur in the company’s level of activity. A flexible budget changes in accordance to the activity levels and can reflect the different behaviours of fixed and variable costs. A flexible budget can be used during the planning stage to illustrate the impact of achieving different activity levels. (Hussey & Hussey 1999, 283-284.).

In essence there are three main reasons for using a budget; tracking income, tracking expenses and calculating the “bottom line”. The bottom line refers to the final figure, the net income, which represents if the company has made a profit, broke even or a loss over the measured period. When all the information has been gathered the budget can also be used to become more efficient for example by seeing where costs could be cut and expenses can be avoided.

This however depends on how accurate the companies budgets and forecasts are and how accurately they are measuring the costs whilst they are operating. (Proctor 2012, 341- 350)

2.3.4.1 Budgeting process

When creating a budget first the limiting factors need to be taken into consideration. A limiting factor is something that will limit and cause constraints on an area for growth. For a small business with the limiting factor being sales, the process of creating a budget starts with the creation of a sales budget followed by costs budget, inventory purchase budget, cash budget and finally ending with the creation of the master budget. The sales budget is created by estimating the sales for the year. After the estimation of the sales a company can work back from this figure to estimate the associated costs and inventory levels for the cost budget and inventory purchase budget. The cash budget combines all cash related transactions for the sales, cost and inventory purchase budget to one budget which is important for forecasting the cash flow. When all the individual budgets have been completed, the master budget can be prepared. This is the compilation of the agreed subsidiary budgets and it also includes budgeted balance, income statement and cash flow statement. (Black 2009, 297-300.)

The figure below (Figure 6) shows the relationship between the different budgets and the master budget. A change in one budget will automatically have an effect on another budget and the final Master Budget.

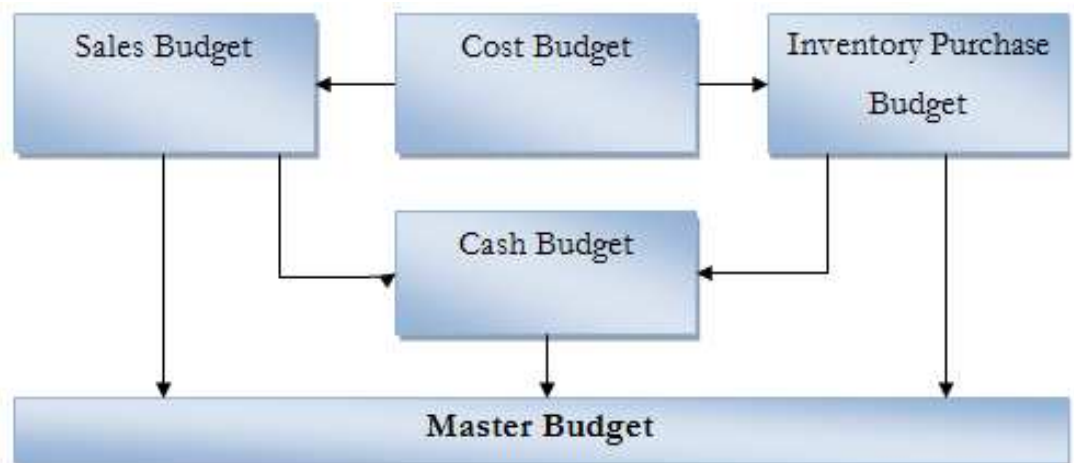


Figure 6. Budgeting process

2.3.5 Breakeven point analysis

The breakeven point is that quantity of output sold at which the operations of a company turn from a loss to a profit. The breakeven point is the point where sales exactly cover the costs i.e. the company makes neither a profit nor a loss. It will help the company to understand what kind of sales they need in order to cover the costs to make a profit. The breakeven point is a useful concept for planning and control purposes. It can be used for example for allocating financial resources in the initial stages when starting a company or in future years when the operations grow significantly. (Datar et al 2012, 90-91; Proctor, 2012, 106-107.)

For a single product company the breakeven point is shown in terms of sales units and is calculated by dividing fixed costs by contribution margin. To calculate the break even point in terms of sales revenue, fixed costs are divided by contribution margin percentage, where contribution margin percentage is calculated by dividing contribution margin per unit with selling price. (Datar et al. 2012, 91).

The breakeven point equation for a single product company in terms of number of units is following:

$$\text{Breakeven number of units} = \frac{\text{Fixed costs}}{\text{Contribution margin per unit}}$$

The breakeven point equation for a single product company in terms of revenue is following:

$$\text{Breakeven revenues} = \frac{\text{Fixed costs}}{\text{Contribution margin \%}}$$

The relationship between cost and revenues can be illustrated graphically for breakeven point in terms of sales units in a breakeven chart. Break even chart is the combination of the three following graphs:

- Fixed Costs (Figure 7)
- Total Costs (Figure 10) (= fixed costs (Figure 7) + variable costs (Figure 8))
- Sales revenue (Figure 9)

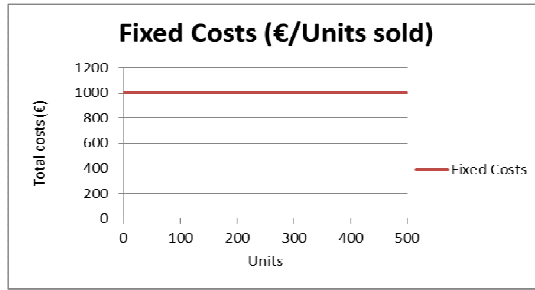


Figure 7: Fixed costs

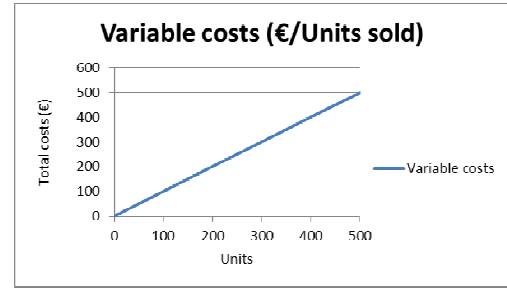


Figure 8: Variable costs

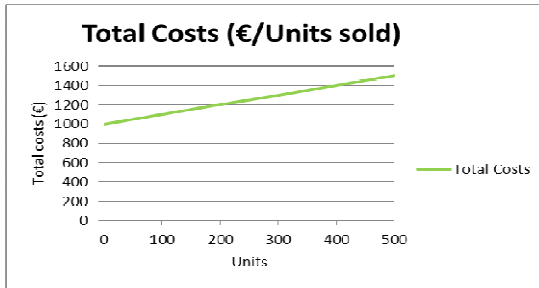


Figure 10: Total costs

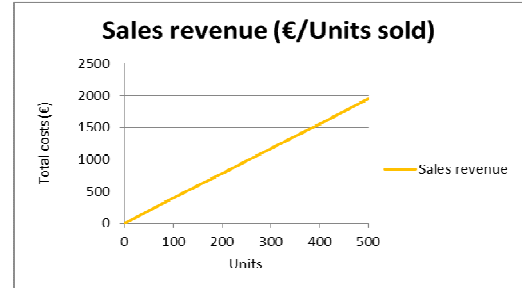


Figure 9: Sales revenue

When combining them all a breakeven chart is formed as shown in the figure below (Figure 11). The yellow line represents the revenue per unit sold. The red line is the fixed costs and the green line is total costs. The breakeven point is the point where the yellow line and the green line cross. If this was a true representation of a company they would need to sell roughly just over 300 units per this select period of time to breakeven.

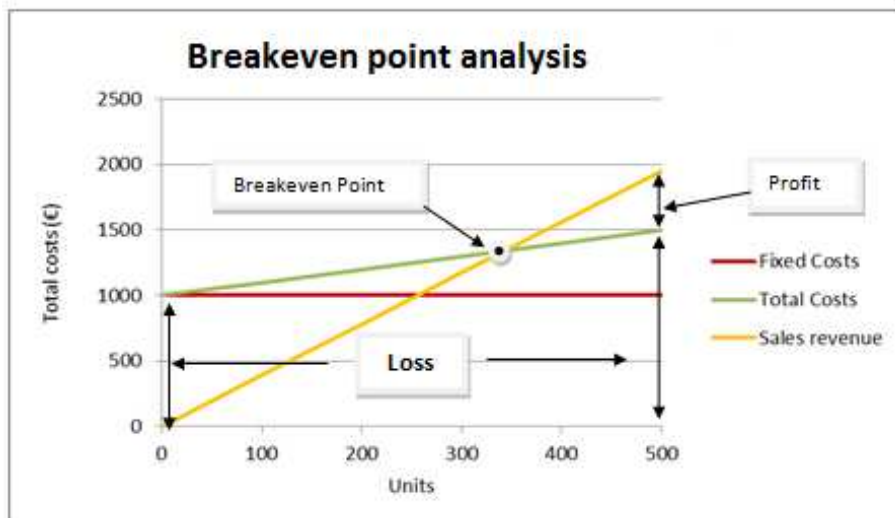


Figure 11. Breakeven chart

Majority of the companies tend to sell more than one product and many of them sell many different products. The calculation of the breakeven point in a multiple product company is a bit more complicated but it follows the same logic as in the single product company. To calculate the breakeven point in terms of sales units the fixed costs are divided by weighted average contribution margin. To calculate the break even point in terms of sales revenue fixed costs are divided by weighted average contribution margin percentage. In practise companies usually calculate breakeven point directly in terms of revenues using contribution margin percentages. It is important to note that changes in the product mix will result in different breakeven points. (Datar et al 2012, 90- 91; Proctor, 2012 113)

The breakeven point equation for a multiple product company in bundles is following:

$$\text{Breakeven point in bundles} = \frac{\text{Fixed costs}}{\text{Contribution margin per bundle}}$$

The breakeven point equation for a multiple product company in bundles is following:

$$\text{Breakeven revenues} = \frac{\text{Fixed costs}}{\text{Contribution margin \% for the bundle}}$$

2.4 Taxes and duties

2.4.1 Country of Origin

The main factor which will determine the types of taxes and duties imposed on the wines depends on the country of origin of the product. Wines coming from within the European Union (EU) are subject to less taxes and duties compared to wines coming into the EU from third party countries (Non EU country). (Tulli 2013.)

2.4.2 Customs Classifications

This, in most countries is normally classified as the Harmonized Commodity Description and Coding system or HS Nomenclature and is one of the responsible factors influencing the amount of import duties to pay for. (Tulli 2013.)

2.4.3 Import Duties

The amount of import duties payable depends on several factors: the tariff schedules of the importing country, the customs classifications, value of the goods and the origin of the goods. Generally these duties are calculated as an add on percentage of the total value of the goods also known as the CIF value. When importing for wine however the duties are different and involves two calculations. First there is a fee on the size of the wine imported and this is measured per Hectolitre and then the percentage calculated from the CIF value. (Tulli 2013.)

2.4.4 VAT in Finland

The EU has set regulations that state that the standard VAT rate must be equal to 15% or higher and the member countries of the EU are responsible for the domestic VAT rates. Finland's current total VAT is set at 24% (January 2014) and is set to rise sometime in 2014. (Vero, 2013.)

2.5 Project management

2.5.1 What is a project?

A project can be generally described as a unique and temporary endeavour constituting of interdependent tasks undertaken to deliver a goal such as a particular product, service or result. A project has a pre-defined beginning and end which can also be referred as the project lifecycle. Projects can be any size, from a one-off workshop to a national series of events and accompanying resources. Whatever the scope, careful project management is essential in order to achieve the objectives and facilitate the successful planning, design, execution, monitoring, control and completion of a project. Before starting any project the goal of the project should be clearly defined. (Marchewka 2013, 13-15; Maylor 2010, 5.)

In the initial stages of a project it is extremely important to produce a detailed project plan. This will ensure that the project is delivered successfully e.g. on time, on budget and achieving the goal of the project. A successful project requires regular communication with all project stakeholders, in order to continue to meet their needs and manage expectations. A post project review should be made to assess the benefits, successes, any issues and failures, and if the

goals and objectives of the project were met within the timescales and on budget. (Marchewka 2013,31-33.)

2.5.2 Project lifecycle and the 4-D model

Whether a project is a success or failure can be rarely universally agreed at the end of a project. To help completing a project successfully, various methodologies have been created; one of them is the 4-D model. It is a constantly moving model and can be used on different levels of the project. (Maylor 2010, 32)

The 4-D model is consisting of four identifiable phases and it is a continuous process until the end goal has been reached. These phases are: Define it, Design it, Do it and Develop it. Within each of these main phases all the four phases can be repeated to ensure that each phase is executed properly as each phase is different and have their own characteristics. After the final development has been completed, a review and close can be conducted to close the project. (Maylor 2010, 32-34). The project process 4D model is shown in the figure below (Figure 12).

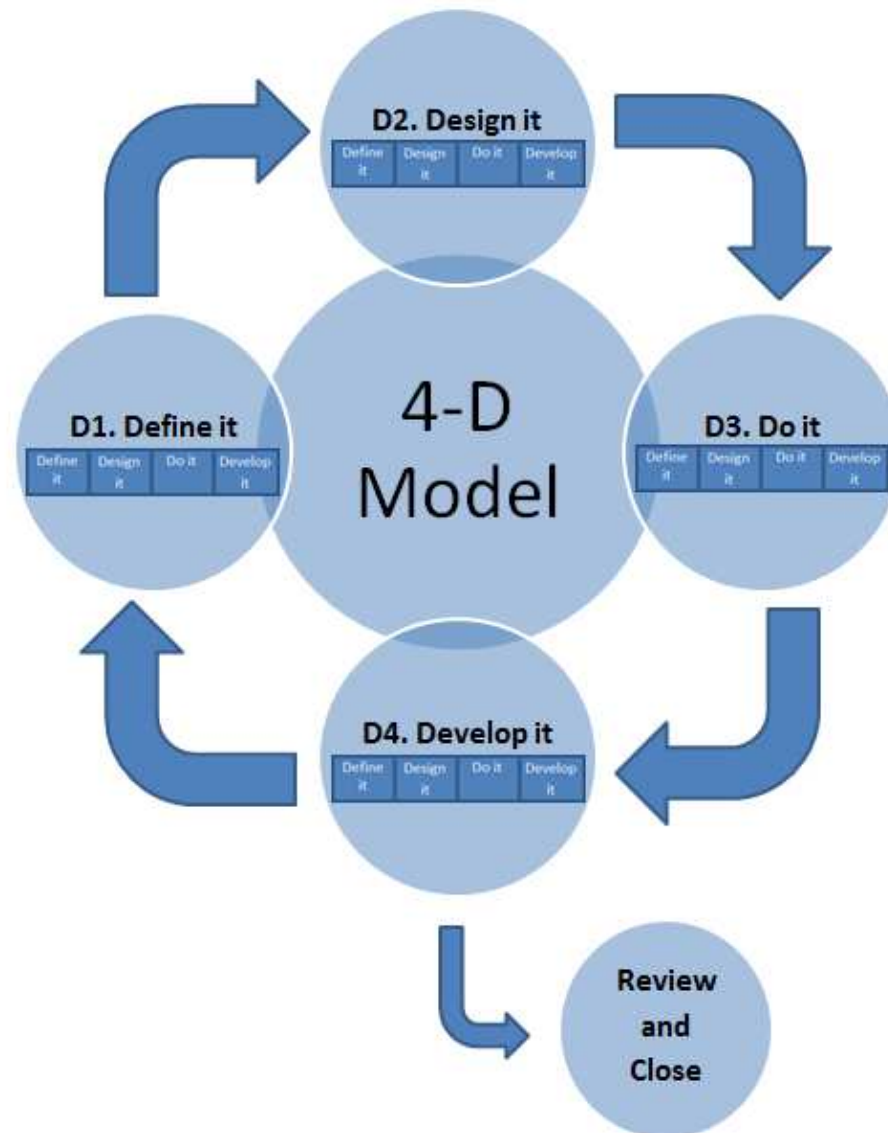


Figure 12. The 4-D Model

Define it: In principle the Define it phase begins with the end in mind and the end goal in mind must also be the perfect result. When defining the project, it is to determine what the project is about, its reason for existence and intentions that it intends to progress. This is also the time to consider the possibilities, alternatives and what problems may occur. The activities related to the define it phase include identifying stakeholders, success measurement and assessing the benefits and requirements for the project. (Maylor 2010, 20-23, 74)

Design it: The design it phase is the stage where the models are established to show what needs to be developed for the project, evaluate the developments and determine what the

most reliable process in which to implement to minimise the risks. When evaluating the developments it is also important to understand from the business point of view why something will need to be implemented. A request or process might come under scrutiny or seem irrelevant but when it has a strong business case behind it, it validates its existence. Having a strong business case also for a development with evidence will also provide a better understanding of how the development should operate. (Maylor 2010, 32-33)

Do it: The do it phase is the longest part and also requires the most amount of resources for the project. It involves implementing the for-mentioned models and plans into reality created in the define it and design it phase. The do it phase consists of the project plan being a core process, scope verification, quality assurance, facilitating processes, information distribution but in essence it is carrying out the project plan by following it. (Maylor 2010, 32-34)

Develop it: After the initial base models have been created in the do it phase further enhancements and processes are developed. In the develop it phase the process is developed alongside with documentation and end-user training. This phase uses the experience gained from the project to date to make changes to the base models. From the evaluation of the processes and outcome of the project, further planning, changes and enhancements can be made for the future. (Maylor 2010, 32-42.)

Review & Closing: The review and close is done with the company and is to conclude whether the project was implemented to the company's demands and if anything needs to be changed or improved from their review. The define it & design it phase are very important factors to determine if the project can be closed. Without a good definition of the goal and scope of the project can lead to the whole process being repeated to accommodate the new changes or enhancements. In this last step the project is handed over to the company to generally be ran and maintained by them. The handover of the project includes the completion of final training, documentation and ensuring the satisfaction of the customer and all stakeholders. (Maylor 2010, 32-34, 365-366.)

3 The accounting tools

3.1 Phases of the project

3.1.1 Define it: Defining the scope of the accounting tools

The project and also the define it phase, began in November 2013 with a meeting to discuss the scope of the accounting tools that Heritage Wines Finland required. Two meetings were organized to ensure a sound understanding from both sides what should be covered. Based on the discussion in the meetings the scope of the project was established and following financial statements and accounting tools were selected on the scope: balance sheet, income statement, cash flow statement, sales & costs tool, breakeven analysis tool, specific order cost tool, budgeting tool and Budgeted vs. Actual tool. The figure below (Figure 13) shows scope of the project and the correlation of the tools to the main stream of account.

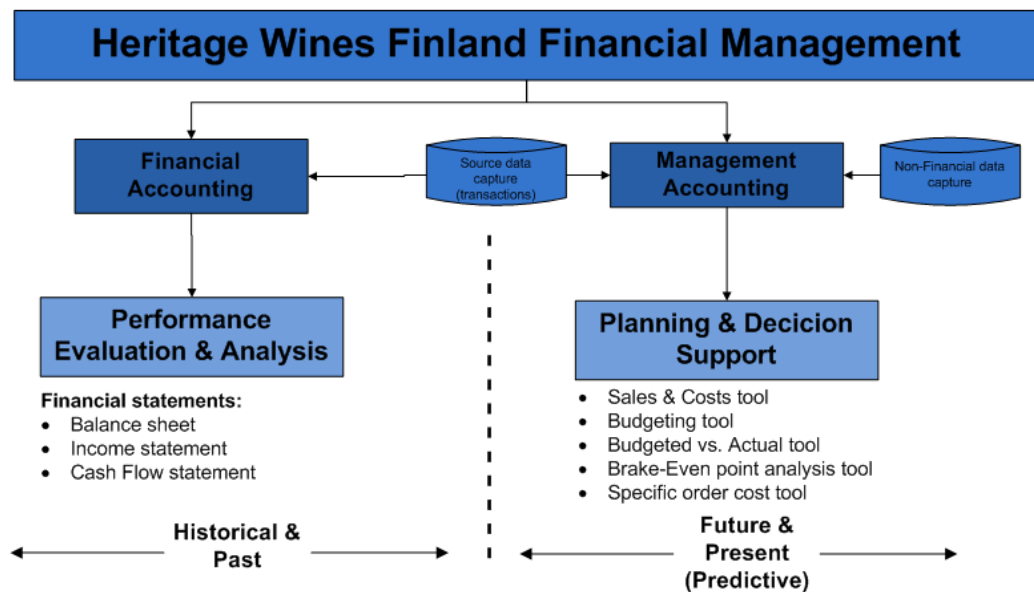


Figure 13. Heritage Wines Finland Financial Management map

3.1.2 Design it: Planning of the accounting tools

The design it phase started by analysing the different options for the platform of the tools and selecting the most feasible option. Based on the analysis made it was decided that the tools will be created with Excel since it is flexible, customizable, can be developed, expanded on in

the future and additionally the user was familiar with the program and already had an existing licence. In this phase an initial plan was also made how the tools will work and how the required functionalities will be covered.

3.1.3 Do it: Implementation of the accounting tools

The do it phase of the project started by building the actual tools in Excel based on the requirements gathered in the define it phase and the plan created in the design it phase. The implementation required regular reviews, comparison and testing of the functionality of the results and theory. The testing was done to validate that the researched theory was being implemented in the correct manner and the actual tools were working correctly.

3.1.4 Introduction of the accounting tools

The accounting tools are consisting of two Excel workbooks, 'HWF - Budgeted figures' and 'HWF - Actual figures', which both contain multiple worksheets. The HWF - Budgeted figures is used for budgeting purposes and to help make sounds business decisions based on estimated figures at the initial stages to help set up the company before it begins its operations and also for planning the future of the company once the company is operating. The HWF - Actual figures is used for tracking, controlling and providing information based on the actual figures and holding the basic data for the financial statements once the company is running. Together these Excel workbooks cover the following financial statements and functionalities with budgeted and or actual figures.

- Balance sheet
- Income statement
- Cash flow statement
- Sales & costs tool
- Breakeven point analysis tool
- Specific order cost tool
- Budgeting tool
- Budgeted vs. Actual tool

3.2 Structure and contents of “HWF - Budgeted figures” workbook

HWF - Budgeted figures workbook is consisting of 19 worksheets. All worksheets in this workbook are used for budgeting purposes only and therefore the values entered are based on estimates. The structure of the workbook is displayed in the table (**Table 4**) below:

Table 4. Structure of ‘HWF - Budgeted figures’ workbook

Worksheet:	Tool:
1: January	Sales & Costs tool
2: February	Sales & Costs tool
3: March	Sales & Costs tool
4: April	Sales & Costs tool
5: May	Sales & Costs tool
6: June	Sales & Costs tool
7: July	Sales & Costs tool
8: August	Sales & Costs tool
9: Septebmer	Sales & Costs tool
10: October	Sales & Costs tool
11: November	Sales & Costs tool
12: December	Sales & Costs tool
13: Yearly Balance	Sales & Costs tool
14: Breakeven Point	Breakeven point analysis tool
15: Budgets	Budgeting tool
16: Income Statement	Financial statement: Income statement
17: Cash Flow Statement	Financial statement: Cash Flow Statement
18: Balance Sheet Transactions	Financial statement: Balance Sheet
19: Balance Sheet	Financial statement: Balance Sheet

3.2.1 Sales & Costs tool (Worksheets 1-13)

The sales & costs tool is used to estimate the sales and costs on a monthly basis throughout the year and to provide a summary of the sales and costs for the fiscal year. The first 12 worksheets are used to enter the forecasted sales and costs for each month of the fiscal year whilst the 13th worksheet is automatically populated based on the values entered for each month providing a summarized view of the sales and costs during the fiscal year.

To record the forecasted sales the user needs to maintain sales in cases, additional costs related to the product, margin and discount. Based on these values entered the tool is calculating the

estimated total cost of goods sold, selling price and profit. To record the costs the user needs to enter the costs classified as either a fixed cost or variable cost. Estimated sales are recorded for each product either on monthly level or as an individual sale per month whereas costs are recorded only on a monthly level.

The sales & costs tool is an integral part of the accounting tools as these values form the base which all other tools are built on in the HWF - Budgeted figures workbook. This tool is important during the planning process in the set-up phase, because it will help provide the needed information associated with profit and costs. Figures Figure 14, Figure 15, Figure 16, Figure 17 and Figure 18 are showing the different parts and format of the Sales & Costs tool.

Code	Wine	Type of wine	Cases	Bottles	Cost Price (per bottle)	Additional costs (per case)	Total costs (per order)	Margin	Selling price (pre discount)	Discount	Selling Price total	Profit
Sales: January 2014												
High >35€												
1001	Chardonnay	White	31	372	44,00 €	5,25 €	16 554,15 €		25 520,20 €		24 786,12 €	8 231,97 €
1002	Shiraz	Red	32	384	44,00 €	5,25 €	17 064,00 €		24 377,14 €		23 158,29 €	6 094,29 €
1003	Semillon	White	30	360	98,00 €	5,25 €	33 637,50 €		48 053,57 €		45 554,79 €	11 917,29 €
1004	Pinot Noir	Red	26	312	44,00 €	5,25 €	13 864,50 €		19 806,43 €		17 368,71 €	3 504,21 €
1005	Chardonnay	White	35	420	44,00 €	5,25 €	18 663,75 €		26 662,50 €		23 539,18 €	4 875,43 €
Medium 15 - 34,99€												
2001	Riesling	White	36	432	94,00 €	5,25 €	14 877,00 €		21 252,86 €		18 714,32 €	3 837,32 €
2002	Pinot noir	Red	32	384	29,40 €	5,25 €	11 457,60 €		16 368,00 €		14 322,00 €	2 864,40 €
2003	Chardonnay	White	37	444	22,00 €	5,25 €	9 962,25 €		15 007,12 €		13 175,02 €	3 212,77 €
2004	Shiraz	Red	36	432	17,00 €	5,25 €	7 533,00 €		11 819,93 €		10 397,81 €	2 864,81 €
2005	Chardonnay	White	39	468	15,00 €	5,25 €	7 692,75 €		11 779,57 €		10 375,26 €	2 682,51 €
Low <15												
3001	Shiraz	White	44	528	14,50 €	5,25 €	7 887,00 €		11 877,99 €		10 455,11 €	2 568,11 €
3002	Cabernet Merlot	Red	41	492	13,00 €	5,25 €	6 611,25 €		9 444,64 €		8 315,89 €	1 704,64 €
3003	Verdelho	White	34	408	12,00 €	5,25 €	5 074,50 €		7 249,29 €		6 396,43 €	1 321,93 €
3004	Nebbiolo	Red	43	516	8,00 €	5,25 €	4 353,75 €		6 219,64 €		5 481,96 €	1 128,21 €
3005	Tempranillo	White	40	480	7,98 €	5,25 €	4 040,40 €		5 772,00 €		5 108,22 €	1 067,82 €
Total			536	6432			179 273,48 €		261 210,88 €		237 149,11 €	57 875,71 €

Figure 14. Sales & costs tool – summary view of sales

Code	Wine	Type of wine	Cases	Bottles	Cost Price (per bottle)	Additional costs (per case)	Total costs (per order)	Margin	Selling price (pre discount)	Discount	Selling Price total	Profit
Sales: January 2014												
High >35€												
1001	Chardonnay	White	48	576	44,00 €	5,25 €	25 616,65 €		39 199,15 €		38 115,42 €	12 498,77 €
Sales	Company X		15	180	44,00 €	5,25 €	7 998,75 €	30%	11 426,79 €	5%	10 855,45 €	2 856,70 €
	Company Y		15	180	44,00 €	6,00 €	8 010,00 €	39%	13 131,15 €	0%	13 131,15 €	5 121,15 €
	Company Z		7	84	44,00 €	5,70 €	3 735,90 €	30%	5 337,00 €	5%	5 070,15 €	1 334,25 €
	Company A		5	60	44,00 €	8,00 €	2 680,00 €	39%	4 393,44 €	0%	4 393,44 €	1 713,44 €
	Company C		6	72	44,00 €	4,00 €	3 192,00 €	35%	4 910,77 €	5%	4 665,23 €	1 473,23 €
1002	Shiraz	Red	29	348	44,00 €	5,25 €	15 464,25 €		22 091,79 €		21 063,38 €	5 599,13 €
Sales	Company X		5	60	44,00 €	5,25 €	2 666,25 €	30%	3 808,93 €	10%	3 428,04 €	761,79 €
	Company Y		6	72	44,00 €	5,25 €	3 199,50 €	30%	4 570,71 €	0%	4 570,71 €	1 371,21 €
	Company Z		7	84	44,00 €	5,25 €	3 732,75 €	30%	5 332,50 €	0%	5 332,50 €	1 599,75 €
	Company A		5	60	44,00 €	5,25 €	2 666,25 €	30%	3 808,93 €	5%	3 618,48 €	952,23 €
	Company C		6	72	44,00 €	5,25 €	3 199,50 €	30%	4 570,71 €	10%	4 113,64 €	914,14 €
1003	Semillon	White	29	348	98,00 €	5,25 €	32 516,25 €		46 451,79 €		43 953,00 €	11 436,75 €

Figure 15. Sales & costs tool - detailed view of sales

Costs: January 2014		Cost value
Fixed costs		
Salaries		5 000,00 €
Storage		300,00 €
Company Van		250,00 €
Insurance (Van)		80,00 €
Rent Office		600,00 €
Advertising and Brochures		800,00 €
Social Benefits		1 400,00 €
Insurance		300,00 €
Total Fixed Costs		8 730,00 €
Variable costs		
Cost X		100,00 €
Cost Y		150,00 €
Cost Z		70,00 €
Transportation		400,00 €
Commission - 2.5%		1 382,80 €
Other variable costs		1 000,00 €
Variable cost 1		200,00 €
Variable cost 2		400,00 €
Variable cost 3		400,00 €
Total Variable Costs		3 102,80 €
Total Costs		11 832,80 €

Figure 16. Sales & costs tool – Costs

Category/Code	Wine	January Sales	January Bottles sold	February Sales	February Bottles sold	March Sales	March bottles sold	April Sales	April Bottles sold	May Sales	May Bottles sold	June Sales	June Bottles sold
High >35€													
1001	Chardonnay	38 115,42 €	576	19 425,54 €	348	12 264,75 €	216	19 425,54 €	348	19 425,54 €	348	19 425,54 €	348
1002	Shiraz	21 063,39 €	348	19 425,54 €	348	32 680,61 €	588	19 425,54 €	348	19 425,54 €	348	19 425,54 €	348
1003	Semillon	43 953,00 €	348	40 845,54 €	348	48 854,46 €	408	40 845,54 €	348	40 845,54 €	348	40 845,54 €	348
1004	Pinot Noir	19 425,54 €	348	19 425,54 €	348	12 874,18 €	228	19 425,54 €	348	19 425,54 €	348	19 425,54 €	348
1005	Chardonnay	19 425,54 €	348	19 425,54 €	348	19 654,07 €	360	19 425,54 €	348	19 425,54 €	348	19 425,54 €	348
Medium 15 - 34,99€													
2001	Riesling	15 054,11 €	348	15 054,11 €	348	15 054,11 €	348	15 054,11 €	348	15 054,11 €	348	15 054,11 €	348
2002	Pinot noir	13 043,25 €	348	13 043,25 €	348	13 043,25 €	348	13 043,25 €	348	13 043,25 €	348	13 043,25 €	348
2003	Chardonnay	10 333,03 €	348	9 808,39 €	348	9 808,39 €	348	9 808,39 €	348	9 808,39 €	348	9 808,39 €	348
2004	Shiraz	8 271,01 €	348	7 622,68 €	348	7 622,68 €	348	7 622,68 €	348	7 622,68 €	348	7 622,68 €	348
2005	Chardonnay	7 609,60 €	348	7 185,54 €	348	7 185,54 €	348	7 185,54 €	348	7 185,54 €	348	7 185,54 €	348
Low <15€													
3001	Shiraz	6 897,58 €	348	6 529,82 €	348	6 529,82 €	348	6 529,82 €	348	6 529,82 €	348	6 529,82 €	348
3002	Cabernet Merlot	5 874,11 €	348	5 874,11 €	348	5 874,11 €	348	5 874,11 €	348	5 874,11 €	348	5 874,11 €	348
3003	Verdelho	5 436,96 €	348	5 436,96 €	348	5 436,96 €	348	5 436,96 €	348	5 436,96 €	348	5 436,96 €	348
3004	Nebbiolo	3 688,39 €	348	3 688,39 €	348	3 688,39 €	348	3 688,39 €	348	3 688,39 €	348	3 688,39 €	348
3005	Tempranillo	3 679,65 €	348	3 679,65 €	348	3 679,65 €	348	3 679,65 €	348	3 679,65 €	348	3 679,65 €	348
Total Sales Per month		221 870,58 €		196 470,58 €		204 950,97 €		196 470,58 €		196 470,58 €		196 470,58 €	

Figure 17. Sales & costs tool - Yearly Balance for sales

Category	January	February	March	April	May	June	July	August	September	October	November	December	Total
Total costs in 2014													
Fixed costs													
Salaries	5 000,00 €	5 000,00 €	5 000,00 €	5 000,00 €	5 000,00 €	5 000,00 €	5 000,00 €	5 000,00 €	5 000,00 €	5 000,00 €	5 000,00 €	5 000,00 €	60 000,00 €
Storage	300,00 €	300,00 €	300,00 €	300,00 €	300,00 €	300,00 €	300,00 €	300,00 €	300,00 €	300,00 €	300,00 €	300,00 €	3 600,00 €
Company Van	250,00 €	250,00 €	250,00 €	250,00 €	250,00 €	250,00 €	250,00 €	250,00 €	250,00 €	250,00 €	250,00 €	250,00 €	3 000,00 €
Insurance (Van)	80,00 €	80,00 €	80,00 €	80,00 €	80,00 €	80,00 €	80,00 €	80,00 €	80,00 €	80,00 €	80,00 €	80,00 €	960,00 €
Fuel	600,00 €	600,00 €	600,00 €	600,00 €	600,00 €	600,00 €	600,00 €	600,00 €	600,00 €	600,00 €	600,00 €	600,00 €	7 200,00 €
Advertising and Brochures	800,00 €	800,00 €	800,00 €	800,00 €	800,00 €	800,00 €	800,00 €	800,00 €	800,00 €	800,00 €	800,00 €	800,00 €	9 600,00 €
Social Benefits	1 400,00 €	1 400,00 €	1 400,00 €	1 400,00 €	1 400,00 €	1 400,00 €	1 400,00 €	1 400,00 €	1 400,00 €	1 400,00 €	1 400,00 €	1 400,00 €	16 800,00 €
Insurance	300,00 €	300,00 €	300,00 €	300,00 €	300,00 €	300,00 €	300,00 €	300,00 €	300,00 €	300,00 €	300,00 €	300,00 €	3 600,00 €
Total	8 730,00 €	8 730,00 €	8 730,00 €	8 730,00 €	8 730,00 €	8 730,00 €	8 730,00 €	8 730,00 €	8 730,00 €	8 730,00 €	8 730,00 €	8 730,00 €	104 760,00 €
Variable costs													
Purchases for Inventory	100,00 €	100,00 €	100,00 €	100,00 €	100,00 €	100,00 €	100,00 €	100,00 €	100,00 €	100,00 €	100,00 €	100,00 €	1 200,00 €
Beginning Inventory	150,00 €	150,00 €	150,00 €	150,00 €	150,00 €	150,00 €	150,00 €	150,00 €	150,00 €	150,00 €	150,00 €	150,00 €	1 800,00 €
End of Inventory	70,00 €	70,00 €	70,00 €	70,00 €	70,00 €	70,00 €	70,00 €	70,00 €	70,00 €	70,00 €	70,00 €	70,00 €	840,00 €
Transportation	400,00 €	400,00 €	400,00 €	400,00 €	400,00 €	400,00 €	400,00 €	400,00 €	400,00 €	400,00 €	400,00 €	400,00 €	4 800,00 €
Commission - 2.5%	1 382,80 €	1 001,61 €	1 055,97 €	1 001,61 €	1 001,61 €	1 001,61 €	1 001,61 €	1 001,61 €	1 001,61 €	1 001,61 €	1 001,61 €	1 001,61 €	12 454,92 €
Other variable costs	1 000,00 €	1 000,00 €	1 300,00 €	1 100,00 €	1 100,00 €	1 100,00 €	1 100,00 €	1 100,00 €	1 100,00 €	1 100,00 €	1 100,00 €	1 100,00 €	13 300,00 €
Variable cost 1	200,00 €	300,00 €	300,00 €	300,00 €	300,00 €	300,00 €	300,00 €	300,00 €	300,00 €	300,00 €	300,00 €	300,00 €	3 500,00 €
Variable cost 2	400,00 €	400,00 €	600,00 €	400,00 €	400,00 €	400,00 €	400,00 €	400,00 €	400,00 €	400,00 €	400,00 €	400,00 €	5 000,00 €
Variable cost 3	400,00 €	400,00 €	400,00 €	400,00 €	400,00 €	400,00 €	400,00 €	400,00 €	400,00 €	400,00 €	400,00 €	400,00 €	4 800,00 €
Total Variable Costs	3 102,80 €	2 821,61 €	3 075,97 €	2 821,61 €	2 821,61 €	2 821,61 €	2 821,61 €	2 821,61 €	2 821,61 €	2 821,61 €	2 821,61 €	2 821,61 €	34 394,92 €
Total Costs	11 832,80 €	11 551,61 €	11 805,97 €	11 551,61 €	11 551,61 €	11 551,61 €	11 551,61 €	11 551,61 €	11 551,61 €	11 551,61 €	11 551,61 €	11 551,61 €	139 154,92 €

Figure 18. Sales & Cost tool - Yearly Balance for costs

3.2.2 Breakeven point analysis tool (Worksheet 14)

The breakeven point tool is used to calculate the point where the sales will meet the costs and the company will start making a profit. This tool is vital in calculating the selling price and margin for the products during the set-up phase of the company and it can also be used for calculating the desired price for new products. The breakeven tool also has some ratios which show at what point in sales where the company has made enough sales to cover the costs for the year and also what percentage of costs related to sales are variable costs. Because the company is selling multiple products it is not possible to calculate how many products have to be sold to cover the costs. Each unit and product will have a different contribution margin, therefore this tool will calculate on how much sales should be done in revenue to cover the costs for the year. This value is however based on estimates so it is a guide and is not representing the actual costs.

		Year 1	Year 2	Year 3	Year 4	Year 5
Revenue		2 404 238,30 €				
Cost of Revenue						
Variable		1 932 474,19 €				
Fixed		60 250,00 €				
Total		1 992 724,19 €	- €	- €	- €	- €
Operating Expenses						
Variable		104 760,00 €				
Fixed		34 428,10 €				
Total		139 188,10 €	- €	- €	- €	- €
Total Costs & Expenses						
Variable		2 037 234,19 €				
Fixed		94 678,10 €				
Total		2 131 912,29 €	- €	- €	- €	- €
Variable Costs/Revenue Ratio		0,89 €				
Breakeven Point Revenues		620 234,79 €				

3.2.3 Budgets (Worksheet 15)

The Budgets worksheet incorporates five budgets which are all used in the budgeting process. These budgets are all interlinked and have to be prepared in the order in which they are presented in the excel worksheet. The budgeting process begins with the preparation of the sales budget followed by the inventory purchase budget, costs budget and cash budget. Based on these four budgets a master budget will be prepared. Some of the values are then populating automatically in the financial statements (income statement, cash flow statement and balance sheet). Different levels of profit and sales can be calculated using the budgeting tool with different mark-ups and sales performances to find a good medium where sales are good and the level of return per sale covers and surpasses the costs.

Sales Budget														Jan 2015	Feb 2015
Wine	January	February	March	April	May	June	July	August	September	October	November	December			
Chardonnay	576	348	216	348	348	348	348	348	348	348	348	348	576	348	
Shiraz	348	348	588	348	348	348	348	348	348	348	348	348	348	348	
Semillon	348	348	408	348	348	348	348	348	348	348	348	348	348	348	
Pinot Noir	348	348	228	348	348	348	348	348	348	348	348	348	348	348	
Chardonnay	348	348	360	348	348	348	348	348	348	348	348	348	348	348	
Riesling	348	348	348	348	348	348	348	348	348	348	348	348	348	348	
Pinot noir	348	348	348	348	348	348	348	348	348	348	348	348	348	348	
Chardonnay	348	348	348	348	348	348	348	348	348	348	348	348	348	348	
Shiraz	348	348	348	348	348	348	348	348	348	348	348	348	348	348	
Chardonnay	348	348	348	348	348	348	348	348	348	348	348	348	348	348	
Shiraz	348	348	348	348	348	348	348	348	348	348	348	348	348	348	
Cabernet Merlot	348	348	348	348	348	348	348	348	348	348	348	348	348	348	
Verdelho	348	348	348	348	348	348	348	348	348	348	348	348	348	348	
Nebbiolo	348	348	348	348	348	348	348	348	348	348	348	348	348	348	
Tempranillo	348	348	348	348	348	348	348	348	348	348	348	348	348	348	

Inventory Purchase Budget														
Wine	January	February	March	April	May	June	July	August	September	October	November	December		
Chardonnay	9 504,00 €	15 312,00 €	15 312,00 €	15 312,00 €	15 312,00 €	15 312,00 €	15 312,00 €	15 312,00 €	15 312,00 €	15 312,00 €	15 312,00 €	15 312,00 €	15 312,00 €	15 312,00 €
Shiraz	25 872,00 €	15 312,00 €	15 312,00 €	15 312,00 €	15 312,00 €	15 312,00 €	15 312,00 €	15 312,00 €	15 312,00 €	15 312,00 €	15 312,00 €	15 312,00 €	15 312,00 €	15 312,00 €
Semillon	37 944,00 €	32 364,00 €	32 364,00 €	32 364,00 €	32 364,00 €	32 364,00 €	32 364,00 €	32 364,00 €	32 364,00 €	32 364,00 €	32 364,00 €	32 364,00 €	32 364,00 €	32 364,00 €
Pinot Noir	10 032,00 €	15 312,00 €	15 312,00 €	15 312,00 €	15 312,00 €	15 312,00 €	15 312,00 €	15 312,00 €	15 312,00 €	15 312,00 €	15 312,00 €	15 312,00 €	15 312,00 €	15 312,00 €
Chardonnay	15 840,00 €	15 312,00 €	15 312,00 €	15 312,00 €	15 312,00 €	15 312,00 €	15 312,00 €	15 312,00 €	15 312,00 €	15 312,00 €	15 312,00 €	15 312,00 €	15 312,00 €	15 312,00 €
Riesling	11 832,00 €	11 832,00 €	11 832,00 €	11 832,00 €	11 832,00 €	11 832,00 €	11 832,00 €	11 832,00 €	11 832,00 €	11 832,00 €	11 832,00 €	11 832,00 €	11 832,00 €	11 832,00 €
Pinot noir	10 231,20 €	10 231,20 €	10 231,20 €	10 231,20 €	10 231,20 €	10 231,20 €	10 231,20 €	10 231,20 €	10 231,20 €	10 231,20 €	10 231,20 €	10 231,20 €	10 231,20 €	10 231,20 €
Chardonnay	7 656,00 €	7 656,00 €	7 656,00 €	7 656,00 €	7 656,00 €	7 656,00 €	7 656,00 €	7 656,00 €	7 656,00 €	7 656,00 €	7 656,00 €	7 656,00 €	7 656,00 €	7 656,00 €
Shiraz	5 916,00 €	5 916,00 €	5 916,00 €	5 916,00 €	5 916,00 €	5 916,00 €	5 916,00 €	5 916,00 €	5 916,00 €	5 916,00 €	5 916,00 €	5 916,00 €	5 916,00 €	5 916,00 €
Chardonnay	5 568,00 €	5 568,00 €	5 568,00 €	5 568,00 €	5 568,00 €	5 568,00 €	5 568,00 €	5 568,00 €	5 568,00 €	5 568,00 €	5 568,00 €	5 568,00 €	5 568,00 €	5 568,00 €
Shiraz	5 046,00 €	5 046,00 €	5 046,00 €	5 046,00 €	5 046,00 €	5 046,00 €	5 046,00 €	5 046,00 €	5 046,00 €	5 046,00 €	5 046,00 €	5 046,00 €	5 046,00 €	5 046,00 €
Cabernet Merlot	4 524,00 €	4 524,00 €	4 524,00 €	4 524,00 €	4 524,00 €	4 524,00 €	4 524,00 €	4 524,00 €	4 524,00 €	4 524,00 €	4 524,00 €	4 524,00 €	4 524,00 €	4 524,00 €
Verdelho	4 176,00 €	4 176,00 €	4 176,00 €	4 176,00 €	4 176,00 €	4 176,00 €	4 176,00 €	4 176,00 €	4 176,00 €	4 176,00 €	4 176,00 €	4 176,00 €	4 176,00 €	4 176,00 €

Figure 19. Budgets - Sales & inventory purchase budget

HWF - Budgeted figures - Microsoft Excel												
S79												
Cost Budget												
Month												
	January	February	March	April	May	June	July	August	September	October	November	December
Inventory Purchases	159 702,24€	154 122,24€	154 122,24€	154 122,24€	154 122,24€	154 122,24€	154 122,24€	154 122,24€	154 122,24€	154 122,24€	164 154,24€	154 122,24€
Fixed Costs	8 730,00€	8 730,00€	8 730,00€	8 730,00€	8 730,00€	8 730,00€	8 730,00€	8 730,00€	8 730,00€	8 730,00€	8 730,00€	8 730,00€
Variable Costs	3 102,80€	2 821,61€	3 075,97€	2 821,61€	2 821,61€	2 821,61€	2 821,61€	2 821,61€	2 821,61€	2 821,61€	2 821,61€	2 821,61€
Subtotal	171 535,04€	165 673,85€	165 928,21€	165 673,85€	165 673,85€	165 673,85€	165 673,85€	165 673,85€	165 673,85€	165 673,85€	175 705,85€	165 673,85€
Extra Costs												
Extra A	155,00€	- €	- €	5,00€	- €	- €	- €	200,00€	- €	- €	- €	- €
Extra B	- €	- €	5,00€	3,00€	- €	55,00€	5 243,00€	- €	5,00€	5,00€	- €	- €
Extra C	3,00€	24,00€	23 535,00€	- €	- €	5,00€	- €	- €	4,00€	33,00€	3,00€	53,00€
Extra D	- €	- €	- €	3,00€	4,00€	3,00€	123,00€	- €	4,00€	- €	234,00€	53,00€
Extra E	- €	189,00€	- €	- €	- €	- €	- €	2,00€	4,00€	- €	- €	35,00€
Income Statement												
Extra Expenses	44 500,00€	34 500,00€	8 500,00€	5 750,00€	5 750,00€	5 750,00€	5 750,00€	5 750,00€	4 500,00€	4 500,00€	4 500,00€	6 500,00€
Sub-Total	44 500,00€	34 712,00€	33 040,00€	5 761,00€	5 754,00€	5 813,00€	11 116,00€	5 952,00€	4 517,00€	4 538,00€	4 737,00€	6 641,00€
Total Costs	216 183,04€	200 385,85€	198 968,21€	171 434,85€	171 427,85€	171 486,85€	176 789,85€	171 625,85€	170 190,85€	170 211,85€	180 442,85€	172 314,85€
2004 233,80€												
Cash Budget												
Month												
	January	February	March	April	May	June	July	August	September	October	November	December
Estimated Cash Inflows												
Beginning Cash	10 000,00€	30 235,51€	26 422,24€	66 195,00€	90 926,72€	115 763,45€	142 690,17€	167 606,90€	195 213,62€	221 520,34€	247 747,07€	263 701,79€
Cash from Sales	221 870,56€	196 470,58€	204 250,97€	196 470,58€	196 470,58€	196 470,58€	196 470,58€	196 470,58€	196 470,58€	196 470,58€	196 470,58€	196 470,58€
Cash from Acc Rec	15 000,00€	- €	11 000,00€	- €	- €	2 000,00€	- €	3 000,00€	- €	- €	- €	12 000,00€
Extra Cash payments	- €	- €	- €	- €	- €	- €	- €	- €	- €	- €	- €	- €
Bank Loans	- €	- €	- €	- €	- €	- €	- €	- €	- €	- €	- €	- €
Total Cash Inflows	246 870,56€	226 706,09€	241 673,21€	262 625,58€	287 297,30€	314 234,03€	339 160,75€	367 077,47€	391 784,20€	417 990,92€	444 217,65€	472 172,37€
4011 810,13€												
Estimated cash outflows:												
Inventory Purchases	159 702,24€	154 122,24€	154 122,24€	154 122,24€	154 122,24€	154 122,24€	154 122,24€	154 122,24€	154 122,24€	154 122,24€	164 154,24€	154 122,24€
Operating Expenses	56 233,80€	46 051,61€	21 305,97€	17 201,61€	17 301,61€	17 301,61€	17 301,61€	17 301,61€	16 051,61€	16 051,61€	16 051,61€	18 051,61€
Other Expenses	500,00€	- €	- €	300,00€	- €	- €	- €	200,00€	- €	- €	- €	250,00€
Wastage & Promotional	100,00€	110,00€	90,00€	75,00€	110,00€	120,00€	130,00€	140,00€	90,00€	70,00€	80,00€	150,00€
Loan Repayments	- €	- €	- €	- €	- €	- €	- €	- €	- €	- €	- €	- €
Cash investments	- €	- €	- €	- €	- €	- €	- €	- €	- €	- €	- €	- €
Total Cash Outflows	216 635,04€	200 283,85€	175 518,21€	171 798,85€	171 533,85€	171 543,85€	171 553,85€	171 763,85€	170 263,85€	170 243,85€	180 515,85€	172 323,85€
2004 233,80€												
Cash Surplus/Deficit	30 235,51€	26 422,24€	66 155,00€	90 826,72€	115 763,45€	142 690,17€	167 606,90€	195 213,62€	221 520,34€	247 747,07€	263 701,79€	289 848,52€
1867 831,32€												

Figure 20. Budgets - Costs & Cash budget

HWF - Budgeted figures - Microsoft Excel												
R84												
Master Budget												
Month												
	January	February	March	April	May	June	July	August	September	October	November	December
Revenue												
Cash from Sales	221 870,56€	196 470,58€	204 250,97€	196 470,58€	196 470,58€	196 470,58€	196 470,58€	196 470,58€	196 470,58€	196 470,58€	196 470,58€	196 470,58€
Extra Ordinary Income	- €	- €	- €	- €	- €	- €	- €	- €	- €	- €	- €	- €
Cash from Acc Rec	15 000,00€	- €	11 000,00€	- €	- €	2 000,00€	- €	3 000,00€	- €	- €	- €	12 000,00€
Total Revenue	236 870,56€	196 470,58€	215 250,97€	196 470,58€	196 470,58€	196 470,58€	196 470,58€	199 470,58€	196 470,58€	196 470,58€	196 470,58€	208 470,58€
2 437 827,32€												
Expenses												
Inventory Purchases	159 702,24€	154 122,24€	154 122,24€	154 122,24€	154 122,24€	154 122,24€	154 122,24€	154 122,24€	154 122,24€	154 122,24€	164 154,24€	154 122,24€
Variable Costs	8 730,00€	8 730,00€	8 730,00€	8 730,00€	8 730,00€	8 730,00€	8 730,00€	8 730,00€	8 730,00€	8 730,00€	8 730,00€	8 730,00€
Fixed Costs	3 102,80€	2 821,61€	3 075,97€	2 821,61€	2 821,61€	2 821,61€	2 821,61€	2 821,61€	2 821,61€	2 821,61€	2 821,61€	2 821,61€
Acc Payable	- €	- €	- €	- €	- €	- €	- €	- €	- €	- €	- €	- €
Other Expenses	- €	- €	- €	- €	- €	- €	- €	- €	- €	- €	- €	- €
Total Expenses	171 535,04€	165 673,85€	165 928,21€	165 673,85€	165 673,85€	165 673,85€	165 673,85€	165 673,85€	165 673,85€	165 673,85€	175 705,85€	165 673,85€
2 004 233,80€												

Figure 21. Budgets - Master budget

3.2.4 Income Statement (Worksheet 16)

The Income Statement worksheet is a financial statement used to measure the company's performance over a forecasted period of time. This worksheet will accompany the master budget to show the level of performance that can be expected if the budget is matched. The income statement calculates the net earnings by obtaining the sales and costs figures entered in worksheets 1-12 and deducting the extra costs manually entered in this worksheet. The outcome of the income statement is to measure the net earnings for the measure period.

	January	February	March	April	May	June	July	August	September	October	November	December	Year End
Income Statement													
2014													
Net Revenues	221 870,56 €	196 470,58 €	204 250,97 €	196 470,58 €	196 470,58 €	196 470,58 €	196 470,58 €	196 470,58 €	196 470,58 €	196 470,58 €	196 470,58 €	196 470,58 €	196 470,58 €
Costs of Revenue	178 391,19 €	167 957,60 €	173 818,21 €	167 957,60 €	167 957,60 €	167 957,60 €	167 957,60 €	167 957,60 €	167 957,60 €	167 957,60 €	167 957,60 €	167 957,60 €	167 957,60 €
Gross Profit	43 479,36 €	28 512,97 €	30 432,76 €	28 512,97 €	28 512,97 €	28 512,97 €	28 512,97 €	28 512,97 €	28 512,97 €	28 512,97 €	28 512,97 €	28 512,97 €	28 512,97 €
Extra Operating Expenses													
Sales & Marketing	- 3 000,00 €	- 3 000,00 €	- 3 000,00 €	- 4 000,00 €	- 4 000,00 €	- 4 000,00 €	- 4 000,00 €	- 4 000,00 €	- 3 000,00 €	- 3 000,00 €	- 3 000,00 €	- 3 000,00 €	- 3 000,00 €
Wastage/Samples	- 500,00 €	- 500,00 €	- 500,00 €	- 750,00 €	- 750,00 €	- 750,00 €	- 750,00 €	- 750,00 €	- 500,00 €	- 500,00 €	- 500,00 €	- 500,00 €	- 500,00 €
Administration	- 1 000,00 €	- 1 000,00 €	- 1 000,00 €	- 1 000,00 €	- 1 000,00 €	- 1 000,00 €	- 1 000,00 €	- 1 000,00 €	- 1 000,00 €	- 1 000,00 €	- 1 000,00 €	- 1 000,00 €	- 1 000,00 €
Total Operating Expenses	- 4 500,00 €	- 4 500,00 €	- 4 500,00 €	- 5 750,00 €	- 5 750,00 €	- 5 750,00 €	- 5 750,00 €	- 5 750,00 €	- 4 500,00 €	- 4 500,00 €	- 4 500,00 €	- 4 500,00 €	- 4 500,00 €
Earnings sub total	38 979,36 €	24 012,97 €	25 932,76 €	22 762,97 €	22 762,97 €	22 762,97 €	22 762,97 €	22 762,97 €	24 012,97 €	24 012,97 €	24 012,97 €	24 012,97 €	24 012,97 €
Extraordinary Income/(Expenses)	- 40 000,00 €	- 30 000,00 €	- 5 000,00 €										- 2 000,00 €
Net Earnings Before Taxes	- 1 020,64 €	- 5 987,03 €	20 932,76 €	22 762,97 €	22 762,97 €	22 762,97 €	22 762,97 €	22 762,97 €	24 012,97 €	24 012,97 €	24 012,97 €	24 012,97 €	22 012,97 €
Taxes	0 %	0 %	24 %	24 %	24 %	24 %	24 %	24 %	24 %	24 %	24 %	24 %	24 %
Net Earnings	1 020,64 €	5 987,03 €	15 508,99 €	17 599,86 €	17 599,86 €	17 599,86 €	17 599,86 €	17 599,86 €	18 249,86 €	18 249,86 €	18 249,86 €	18 249,86 €	166 879,86 €

Figure 22. Financial Statement - Income Statement

3.2.5 Cash Flow Statement (Worksheet 17)

The Cash Flow Statement worksheet is a financial statement used to record all estimated transactions which affect cash or cash equivalents owned by Heritage Wines Finland over a forecasted period of time. The cash flow statement helps to track where cash would be generated from and where it would be used on a daily basis. The cash inflows and outflows are recorded manually by the user for each month providing the user with the “End of Month Closing Balance” i.e. how much cash and cash equivalents the company would hold. The cash flow statement is a continuously rolling worksheet meaning that the “Cash at start of month” is automatically being populated based on the value in the “End of Month Closing Balance” for the previous month. The cash flow statement is divided into three sections for operating financing and investing. The operating sections is for the day-to-day transactions, the financing is for managing financial decisions, i.e. whether or not to take a bank loan, and the investing section is for investment activities undertaken by the company. The cash flow statement was implemented using the direct method which presents the transactions as either cash flowing into the company from sales from its customers or as cash flowing out of the company in the form of paying suppliers, employees and other aspects of operations.

HWF - Budgeted figures - Microsoft Excel

	January	February	March	April	May	June
Cash at start of Month	10 000,00 €	- 166 288,39 €	- 12 647,83 €	63 592,75 €	228 613,72 €	376 254,30 €
Cash Inflows						
Sales Cash	- €	221 870,56 €	196 470,58 €	204 250,97 €	196 470,58 €	196 470,58 €
Cash from Acc Rec	- €	- €	- €	- €	- €	- €
Capital						
Loans						
Total Cash In	10 000,00 €	55 582,17 €	183 822,75 €	267 843,72 €	425 084,30 €	572 724,88 €
Cash Outflows						
Inventory	166 558,39 €	55 000,00 €	110 000,00 €	30 000,00 €	40 000,00 €	35 000,00 €
Rent	230,00 €	230,00 €	230,00 €	230,00 €	230,00 €	230,00 €
Wages	5 500,00 €	5 500,00 €	5 500,00 €	5 500,00 €	5 500,00 €	5 500,00 €
Office Expenses	3 000,00 €	1 000,00 €	1 000,00 €	1 000,00 €	1 000,00 €	1 000,00 €
Advertising/Marketing	1 000,00 €	1 500,00 €	1 500,00 €	1 500,00 €	2 000,00 €	2 000,00 €
Acc Payable	- €	5 000,00 €	2 000,00 €	1 000,00 €	100,00 €	500,00 €
Loan Payments						
Taxes						
Miscellaneous	10 000,00 €	1 500,00 €	500,00 €	- €	350,00 €	1 000,00 €
Total Cash Out	176 288,39 €	68 230,00 €	120 230,00 €	39 230,00 €	48 830,00 €	44 230,00 €
End of Month Closing Balance	- 166 288,39 €	- 12 647,83 €	63 592,75 €	228 613,72 €	376 254,30 €	528 494,88 €

Figure 23. Financial statement - Cash flow statement

3.2.6 Balance Sheet (Worksheets 18-19)

The Balance Sheet worksheet is a financial statement used to show the financial status of the company at a single point in time i.e. on the last day of the month. It does this by comparing all the assets the company owns, e.g. cash, inventory, property, against its liabilities and owners' equity e.g. bank loans, accounts payable and money invested by the owners. Creating the balance sheet requires two worksheets; "Balance Sheet Transactions" and "Balance Sheet". The balance sheet transactions worksheet is used to maintain the transactions in the double-entry format and to calculate the key figures which are required to form the balance sheet. These key figures are then populated to the balance sheet worksheet to form the actual balance sheet.

HWF - Budgeted figures - Microsoft Excel

Year 2014		Assets						Liabilities				Owners' Equity		
Transaction Record		Current Assets			Non-Current Assets			Current Liabilities		Non-Current Liabilities		Owners' Equity		
Description of Transaction	Cash	Accounts Receivable	Inventory	Other Current Assets	Car	Property	Other Non-Current Assets	Notes Payable	Accounts Payable	Other Current Liabilities	Loan	Other Non-Current Liabilities	Paid in Capital	Retained Earnings
Balance 31st December	30000	10000		25000				4000					40000	11000 10000
January														
Loan	50000										50000			
Car Purchase	-15000				15000									
Payment Received Acc Rec	10000	-10000												
Pay Accounts Payable	-19000								-19000					
Inventory Purchase	-30000		55000						25000					
Owner Cash Investment	15000												15000	
Monthly Loan Payment	-300										-300			
Sales	43000		-43000											
Balance 31st January	89700	0	12000	25000	15000	0	0	4000	12000	0	49700		40000	26000 10000
Total				141700										141700

Figure 24. Financial Statement - Balance sheet transactions

HWF - Budgeted figures - Microsoft Excel

Heritage Wines Finland Balance sheet 2014												
Assets	31st Jan	28th Feb	31st Mar	30 Apr	31 May	30 Jun	31 Jul	31st Aug	30 Sep	31 Oct	30 Nov	31 Dec
Current Assets												
Cash	89700	84400	79100	73800	68500	63200	57900	52600	47300	11000	5700	400
Accounts Receivable	0	-10000	-20000	-30000	-40000	-50000	-60000	-70000	-80000	-90000	-100000	-110000
Inventory	12000	24000	36000	48000	60000	72000	84000	96000	108000	124000	136000	148000
Other Current Assets	25000	25000	25000	25000	25000	25000	25000	25000	25000	56000	56000	56000
Total Current Assets	126700	123400	120100	116800	113500	110200	106900	103600	100300	101000	97700	94400
Non-Current Assets												
Car	15000	30000	45000	60000	75000	90000	105000	120000	135000	150000	165000	180000
Property	0	0	0	0	0	0	0	0	0	0	0	0
Other Assets	0	0	0	0	0	0	0	0	0	0	0	0
Total Non-Current Assets	15000	30000	45000	60000	75000	90000	105000	120000	135000	150000	165000	180000
Total Assets	141700	153400	165100	176800	188500	200200	211900	223600	235300	251000	262700	274400
Liabilities												
Current Liabilities												
Notes Payable	4000	4000	4000	4000	4000	4000	4000	4000	4000	4000	4000	4000
Accounts Payable	12000	24000	36000	48000	60000	72000	84000	96000	108000	124000	136000	148000
Other Current Liabilities	0	0	0	0	0	0	0	0	0	0	0	0
Total Current Liabilities	16000	28000	40000	52000	64000	76000	88000	100000	112000	128000	140000	152000
Non-Current Liabilities												
Loan	49700	49400	49100	48800	48500	48200	47900	47600	47300	47000	46700	46400
Other Non-Current Liabilities	40000	40000	40000	40000	40000	40000	40000	40000	40000	40000	40000	40000
Total Non-Current Liabilities	89700	89400	89100	88800	88500	88200	87900	87600	87300	87000	86700	86400
Owner's Equity												
Paid in Capital	26000	26000	26000	26000	26000	26000	26000	26000	26000	26000	26000	26000
Retained Earnings	10000	10000	10000	10000	10000	10000	10000	10000	10000	10000	10000	10000
Total Owner's Equity	36000	36000	36000	36000	36000	36000	36000	36000	36000	36000	36000	36000
Total Liabilities and Owner's Equity	141700	153400	165100	176800	188500	200200	211900	223600	235300	251000	262700	274400

Figure 25. Financial Statement - Balance sheet

3.3 Structure and contents of “HWF - Actual figures” workbook:

HWF - Actual figures workbook is consisting of 20 worksheets. All worksheets in this workbook are used for recording actual figures and to provide detailed information and financial statements for the company. The structure of the workbook is displayed in the table (Table 5) below:

Table 5. Structure of HWF - Actual figures Workbook

Worksheet:	Tool:
1: January	Sales & Costs tool
2: February	Sales & Costs tool
3: March	Sales & Costs tool
4: April	Sales & Costs tool
5: May	Sales & Costs tool
6: June	Sales & Costs tool
7: July	Sales & Costs tool
8: August	Sales & Costs tool
9: Septebmer	Sales & Costs tool
10: October	Sales & Costs tool
11: November	Sales & Costs tool
12: December	Sales & Costs tool
13: Yearly Balance	Sales & Costs tool
14. Budgeted vs Actual	Budgeted vs. Actual tool
15: Breakeven Point	Breakeven point analysis tool
16: Income Statement	Financial statement: Income statement
17: Cash Flow Statement	Financial statement: Cash Flow Statement
18: Balance Sheet Transactions	Financial statement: Balance Sheet
19: Balance Sheet	Financial statement: Balance Sheet
20: Specific Order Cost	Specific Order Cost tool

3.3.1 Sales & Costs tool (Worksheets 1-13)

The sales & costs tool is used to record the actual sales and costs on a monthly basis throughout the year and to provide a summary of the sales and costs for the fiscal year. The first 12 worksheets are used to enter the actual sales and costs for each month of the fiscal year whilst the 13th worksheet is automatically populated based on the values entered for each month providing a summarized view of the sales and costs during the fiscal year.

To record the actual sales the user needs to maintain sales in cases, additional costs related to the product, margin and discount. Based on these values entered the tool is calculating the total cost of goods sold, selling price and profit. To record the actual costs the user needs to enter the costs classified as either a fixed cost or variable cost. Sales are recorded for each product as an individual sale per month whereas costs are recorded only on a monthly level categorised under variable or fixed costs providing the company with an accurate record of all the sales including how much was sold and to whom throughout the month.

The sales & costs tool is an integral part of the accounting tools as these values form the base which all other tools are built on in the HWF - Actual figures workbook. This tool is valuable to Heritage Wines Finland, because it will provide the needed information associated with profit and costs. The layout of the Sales & Costs tool in the HWF - Actual figures workbook is the same as in the HWF - Budgeted figures workbook.

3.3.2 Budgeted vs Actual tool (worksheet 14)

The Budgeted vs Actual tool is used to measure how the company is performing compared to what they have budgeted. This is done by comparing the budgeted sales and costs for each month against the actual sales and actual costs for the month. The values for the budgeted sales and budgeted costs come from the HWF - Budgeted figures sales & costs tool worksheet whilst the actual sales and actual costs are populated from the HWF - Actual figures sales & costs tool worksheet. The main purpose of the tool is for Heritage Wines to track with the sales and costs throughout the year. During the start-up phase business decisions have been made based on the budgeted sales & costs, any significant differences in the actual sales or costs from the budget will result in actions to be acted upon.

Budgeted vs Actual													
	January	February	March	April	May	June	July	August	September	October	November	December	Year
Budgeted Sales	206 682,73 €	196 470,58 €	204 250,97 €	196 470,58 €	196 470,58 €	196 470,58 €	196 470,58 €	196 470,58 €	196 470,58 €	196 470,58 €	196 470,58 €	196 470,58 €	2 375 639,49 €
Actual Sales	237 149,11 €	208 787,72 €	221 235,87 €	204 229,11 €	173 721,51 €	186 789,11 €	201 933,41 €	203 132,55 €	184 855,22 €	180 086,11 €	180 813,26 €	213 505,33 €	2 404 238,30 €
Difference	30 466,38 €	12 317,14 €	16 984,89 €	7 758,53 €	-22 749,07 €	9 681,47 €	5 462,83 €	6 661,97 €	-11 615,36 €	-8 984,46 €	-15 657,32 €	17 034,75 €	28 598,82 €
Budgeted Costs	168 126,46 €	167 957,60 €	173 818,21 €	167 957,60 €	167 957,60 €	167 957,60 €	167 957,60 €	167 957,60 €	167 957,60 €	167 957,60 €	167 957,60 €	167 957,60 €	1 882 492,03 €
Actual Costs	191 170,29 €	177 730,15 €	188 402,40 €	174 071,86 €	149 599,79 €	160 373,79 €	172 352,80 €	173 369,26 €	158 141,96 €	161 369,77 €	155 595,61 €	181 696,61 €	1 904 714,19 €
Difference	23 043,83 €	9 780,54 €	14 584,20 €	6 114,26 €	-18 357,82 €	7 583,82 €	4 395,20 €	5 411,66 €	-9 015,65 €	-6 567,83 €	-12 362,00 €	13 739,01 €	22 222,16 €
Budgeted Revenue	38 556,27 €	28 512,97 €	30 432,76 €	28 512,97 €	28 512,97 €	28 512,97 €	28 512,97 €	28 512,97 €	28 512,97 €	28 512,97 €	28 512,97 €	28 512,97 €	493 147,46 €
Actual Revenue	45 978,81 €	31 049,58 €	32 833,46 €	30 157,25 €	24 121,72 €	26 415,32 €	29 580,61 €	29 763,29 €	26 713,26 €	26 696,34 €	25 217,65 €	31 808,72 €	499 524,11 €
Difference	7 422,54 €	2 536,60 €	2 400,70 €	1 644,28 €	-4 391,25 €	7 892,35 €	1 067,64 €	1 250,31 €	-1 799,71 €	-1 816,63 €	-3 295,32 €	3 290,74 €	6 376,65 €

Figure 26. Budgeted vs Actual tool

3.3.3 Breakeven Point (Worksheet 15)

The breakeven analysis tool is automatically populated from the values entered into the actual sales & costs tool. The tool automatically calculates the costs, revenues, breakeven point in sales and the variable costs/Revenue Ratio. The main purpose of this tool is to find the breakeven point and provide information to the user to see if their costs are too high or if their margin is too low. As the actual sales and costs are being recorded the breakeven point can be accurately calculated. Based on this information the company can obtain more information on their costs for the year, variable costs and profit retained from the sales. This will provide valuable information for later years as they can compare results from year to year and try to improve. Layout of the Breakeven Point in the HWF - actual figures workbook is the same as in the HWF - Budgeted figures workbook.

3.3.4 Income Statement (Worksheet 16)

The Income Statement worksheet is a financial statement used to measure the company's performance over a period of time and is based on the actual figures entered throughout the year. The income statement measures the performance during each month throughout the year and for the year as a whole. The income statement calculates the net earnings by obtaining the sales and costs figures entered in worksheets 1-12 and deducting the extra costs manually entered in this worksheet. The outcome of the income statement is to measure the net earnings for the measure period. The layout of the income statement in the HWF - actual figures workbook is the same as in the HWF - Budgeted figures workbook.

3.3.5 Cash Flow Statement (Worksheet 17)

The Cash Flow Statement measures all transactions which affect cash or cash equivalents which the company owns. These values have to be manually entered by the user and are split into two sections, cash inflows and cash outflows. Any payments on credit or sales on credit are not to be recorded here until they have been turned into a cash payment or cash sales. The cash flow statement is a continuous calculation which takes the previous months into consideration as they will have an influence of and later figures. The layout of the cash flow statement in the HWF - actual figures workbook is the same as in the HWF - Budgeted figures workbook.

3.3.6 Balance Sheets (Worksheet 18-19)

The Balance Sheet worksheet is a financial statement used to show the financial status of the company at a single point in time i.e. on the last day of the month. To keep an accurate measure of the balance sheet each transaction has to be recorded for each month. Balance sheet is comparing all the assets the company owns, e.g. cash, inventory, property, against its liabilities and owners' equity e.g. bank loans, accounts payable and money invested by the owners. Creating the balance sheet requires two worksheets; "Balance Sheet Transactions" and "Balance Sheet". The balance sheet transactions worksheet is used to maintain the transactions in the double-entry format and to calculate the key figures which are required to form the balance sheet. These key figures are then populated to the balance sheet worksheet to form the actual balance sheet. Each entry for each month has to be maintained correctly all the entries have an impact on the balance sheet. The layout of the balance sheet transactions and balance sheet in the HWF - actual figures workbook are the same as in the HWF - Budgeted figures workbook.

3.3.7 Specific Order Cost Tool (Worksheet 20)

The Specific order cost tool calculates the actual costs which have been incurred for a specific order. Due to the exchange rate, CIF fees, taxes and duties it can be hard to know how much an actual order will cost for the company. This information can then be reviewed with the sales figures to see if any corrections need to be made to the costs or selling price as the reality of the margin may not reflect what was previously calculated. This tool can also be used for calculating the cost of a new product. If a new producer agrees to sell a wine to Heritage

Wines Finland for X amount, they can use this tool to find out the landing cost of the wine in Finland and in turn the selling price to their customers. The main benefit for this tool will be for tracking the actual prices compared to the budgeted and or estimated costs.

Step 1: Currency converter (per case price)

Wine	Price AUD	Conversion rate	Price EUR
Verdelho	\$ 100,00	0,8088	60,88 €
Verdelho LH	\$ 100,00	0,8088	60,88 €
Chardonnay	\$ 100,00	0,8088	60,88 €
Pinot Noir	\$ 100,00	0,8088	60,88 €
Chambourcin	\$ 100,00	0,8088	60,88 €
Petit Verdot	\$ 100,00	0,8088	60,88 €

Step 2: Extra Costs

Item	Price	Verdelho	Verdelho LH	Chardonnay	Pinot Noir	Chambourcin	Petit Verdot
Customs duty (per pallet)	120,00 €	60,00 €	120,00 €	240,00 €	180,00 €	120,00 €	120,00 €
Storage fee (per pallet)	12,00 €	6,00 €	12,00 €	24,00 €	18,00 €	12,00 €	12,00 €
Transport within Finland (per pallet)	15,00 €	7,50 €	15,00 €	30,00 €	22,50 €	15,00 €	15,00 €
Manual Entry (per product)							
Total	147,00 €	955,10 €	1.990,20 €	3.980,40 €	2.985,30 €	1.990,20 €	1.990,20 €

Step 3: Order cost calculation

Wine	Case Price	Cases	Labelling (per bottle)	Gross cost FOB	Freight	Extra costs	Total costs	Landed (per bottle)	Margin	Wine + Margin	Wine + Tax	Bottles	Profit (per order)	Profit (per bottle)	Profit (per case)
Verdelho	60,88 €	32	0,28 €	2.055,68 €	344,00 €	995,10 €	3.394,78 €	8,84 €	50%	17,68 €	21,92 €	384	3.394,78 €	8,84 €	106,09 €
Verdelho LH	60,88 €	64	0,28 €	4.111,36 €	688,00 €	1.990,20 €	6.789,56 €	8,84 €	39%	14,49 €	17,97 €	768	4.340,07 €	5,65 €	87,83 €
Chardonnay	60,88 €	128	0,28 €	8.222,72 €	1.376,00 €	3.980,40 €	13.579,12 €	8,84 €	39%	14,49 €	17,97 €	1536	8.681,73 €	5,65 €	87,83 €
Pinot Noir	60,88 €	96	0,28 €	6.167,04 €	1.032,00 €	2.985,30 €	10.184,34 €	8,84 €	39%	14,49 €	17,97 €	1152	6.511,30 €	5,65 €	87,83 €
Chambourcin	60,88 €	64	0,28 €	4.111,36 €	688,00 €	1.990,20 €	6.789,56 €	8,84 €	39%	14,49 €	17,97 €	768	4.340,07 €	5,65 €	87,83 €
Petit Verdot	60,88 €	64	0,28 €	4.111,36 €	688,00 €	1.990,20 €	6.789,56 €	8,84 €	39%	14,49 €	17,97 €	768	4.340,07 €	5,65 €	87,83 €
Total	339,84 €	440		28.688,08 €	4.736,00 €	13.951,40 €	47.526,32 €					768	21.610,41 €	6,13 €	74,20 €

Figure 27. Specific order cost tool

4 Summary

4.1 Conclusion & Results

The objective of this thesis was to develop and implement a set of accounting tools for Heritage Wines Finland so that they can start their operations from the accounting perspective. In practise this means that the company needs to be able to handle their own accounting practises in both the pre-operational phase and also as everyday tools for their daily operations.

The project can be defined as a successful project since the objectives set at the beginning of the project were met, the scope remained as defined initially and the project was completed on schedule due to careful planning. Also the commissioning company was happy for the results – the product of this thesis.

4.2 Validity & reliability

The tools which were created had to be relevant to the business, implemented with the correct theory in place whilst also being customized to meet the requests of the commissioning company. To ensure the validity and reliability of the tools, open communication was frequently used between the two parties involved to avoid any misunderstandings or any gaps. The tools were also properly tested from the functional and theoretical point of view by the developer of the tools and the commissioning company.

4.3 Assessment & Discussion

After the completion of the project the commission company was satisfied with the results and benefits they gained from the tools. They received what they had requested, a customized personal tool which they can use for their company, the tool is easy to use, modify and upgrade whilst also providing them with the information they need to run the business successfully and make sound business decisions. Some of the tools will also help Heritage Wines Finland to calculate certain estimates in the pre-operational phase.

There have been ups and downs during the project. At the beginning I was a bit confused on the thesis writing process, did not allocate enough time for the writing of the thesis and I un-

derestimated how much effort it would actually take. I was not always able to meet with my advisor when I required some guidance however once I was able to properly meet my advisor I was able to get back on track with writing the thesis in the correct way. Combining this thesis with fulltime work and fulltime university classes was also a big challenge as there wasn't always enough time for me to cover everything.

To summarise the thesis and the tools I feel the thesis has met its goals. I am also happy with the results from the work as I can see how they will be used and benefit the company but if I was to re-do the thesis again I would plan a bit more and allocate more time the writing phase.

The verbal feedback from the company was positive and they could see the immediate benefits of this thesis to their operations. They commented that they would use the tools as they were intentionally set up to be used. They would use them to help calculate the selling prices during the set-up phase and run multiple forecasted sales with different margins. When operational they plan to use the tools in their daily operations to record sales, costs and took on track with what they have budgeted. They were especially pleased with the monthly recording where they could record individual sales for each wine.

I found the project interesting and challenging but rewarding at the same time. Whilst writing this thesis I learnt a lot about accounting, how accounting can be used in all aspects of a company's business and how important accounting is to all companies of all sizes. I also learnt about the life cycle of a project from the start to completion and how projects are managed. I feel that the experience gained from both the accounting and the project management theory will be a useful asset for years to come in my personal career. In my own personal work I have to deal with projects, schedules and deadlines. This thesis has given me more understanding of the way projects are managed from a higher level. Due to the very busy schedule I have also learnt a lot about prioritizing work and giving items deadlines which should be met. I feel that my own work will benefit from this as I now have a better understanding of the way in which projects are ran, the importance of a good schedule and meeting the deadlines. I can use the experience gathered from this thesis to better myself in my own work.

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The project timeline

Project timeline (plan & Schedule)		Week 45	Week 46	Week 47	Week 48	Week 49	Week 50	Week 51	Week 52	Week 1	Week 2	Week 3	Week 4	Week 5	Week 6	Week 7	Week 8	Week 9	Week 10	Week 11	Week 12	Week 13	Week 14	Week 15	Week 16	Week 17	Week 18	Week 19	Week 20	Week 21		
Phase	Task	November				December				January				February				March			April			May								
		Define it	Gather the requirements																													
	Establish the scope																															
	Schedule																															
Design it	Initial plan for the tools																															
	Proposal of the tools																															
	Changes and Improvements																															
Do it	Approval of the tools																															
	Implement the tools																															
Develop it	Testing																															
	Review and feedback																															
	Modifications																															
Review & Close	Final Review																															
	Handover																															
	Close																															