



CENTRAL PHILIPPINE UNIVERSITY

School of Graduate Studies

**FEASIBILITY STUDY ON PROPOSED CAKE SHOP
AT CENTRAL PHILIPPINE UNIVERSITY**

A FEASIBILITY STUDY

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EXECUTIVE SUMMARY

Cakes are an absolute essence of any party and are part of the memories we create. They are an indispensable item for any banquet and are part of any momentous events we celebrate. Cakes these days do not merely serve as dessert after an event nor do they act as a highlight of any party. They have become relatively common and are now, in fact, given as a gift or consumed as snacks. In a survey conducted by the Statista Research Department where the respondents were asked the frequency and their preferred time of eating cake in the United Kingdom (UK) in 2016. Result showed that majority of them specifically 51 percent, eat cake as a mid-afternoon snack. With this, we can infer that cakes are not just for parties but it can also be indulged at any time of the day even without an occasion. Because of the increasing demand for cakes, the proponents thought of venturing out on a home-based business-Maui's Oven, to the formal market.

The proponents identified Central Philippine University as the strategic location for the cake shop because of its significantly low rental fees and a ready market for its large population. The foot traffic expected daily and during school festivities is high making it more ideal for a start-up business, particularly the Maui's Oven. Also, an article on Retail Bakery Business Overview and Trends in 2014 indicates that six out of ten families with children consume more than the average on cakes and cupcakes. The rate is also increasing to almost three out of four people with school-aged children. Hence, the cake shop was projected to also capture this market-the students and pupils of CPU.

Demand was obtained from the survey conducted. Subsequently, the cake shop will cater 10% of the 69.35% demand or 1% of the population for custom-made cakes and cupcakes sold as snacks. High school, college and graduate school students, parents or guardians of kindergarten and elementary pupils, as well as faculty and staff of CPU, are the study population. The sample size of 372 respondents was determined using Sloven formula which considers the study population. The sample size computed was based on the 2nd Semester Enrollment for School Year 2018-2019. Accidental or Purposive sampling technique was applied to determine the respondents of the study. The data was gathered through the distribution of questionnaires answered by the respondents. Cake samples were distributed to a limited number of respondents due to cost and time constraints.

The demand for custom-made cakes was forecasted based on production capacity. Conservatism was applied to realistically estimate its sales.

Thereafter, marketing and management aspects were formulated. The cake shop will employ five people to run the business, including the owner/manager who will supervise and manage its operations. The main selling point of Maui's Oven is the taste of its baked products, unique and creative custom-made cakes and cupcakes sold at affordable prices. . Its logo and tagline are expected to attract its target market and catch the attention of its potential customers. It will be primarily promoted using the social media and word of mouth. The satisfaction of its clients will be an utmost priority of the cake shop. It will work on having repeat and referred customers. Fresh, delicious, visually attractive and affordable cakes are the main impression Maui's Oven aims to be branded for.

The technical aspect was also considered. Durable baking tools and equipment were identified, along with the suppliers of raw materials. The lay-out of its commissary and kiosk will be ergonomically designed for the smooth flow of its baking and selling process.

Moreover, the financial aspect was also considered. Financial assumptions were formulated and applied in the preparation of projected financial statements, as well as the incorporation of other aspects such as management, marketing, technical, legal and taxation, as well as its safety and environmental aspect affecting its finances. The project cost amounting to Php 921,451.32, which includes renovation costs, cost of assets acquired essential to the venture's operation, rental fees, insurances, taxes and licenses, as well as the working capital requirement for the first month of operation, was determined. It will be taken from the owner's personal savings. Maui's Oven will be solely

owned and operated by the proprietor. Therefore, the income tax levied will be computed using the graduated tax table for individuals under the TRAIN law. The financial statements projected in this study are monthly for the first year and annually for the five years of operations are statement of financial position, performance, cash flow statements, statement of changes in equity and notes to financial statements. The cake shop was projected to earn a net income of Php 225,382.47 on its first year of operations, and will have positive income from its second year of operations onwards. The cake shop's net income from second to fifth year of operations is projected to be Php 328,268.01, 197,747.40, 269,881.55, and 336,827.64, respectively.

Cash maintained is Php 250,000 annually and any excess will be withdrawn by the owner. Financial ratios were also computed to analyze the financial statements projected. This will provide a more explicit viewpoint as to how the cake shop will be doing in terms of its liquidity and profitability.

The discounted payback period is used to determine the profitability of a project. It gives the number of years an initial investment to break even. The cake shop's discounted period computed using 9% discounted rate was 3.22 or more than three years which is a reasonable time for an investment to break even, hence it is acceptable. As a rule, positive net present value, wherein its cash inflow is higher than its initial cost of investment, means that a project can be accepted. The cake shop's net present value was projected to be Php 477,704.56, which means it is feasible. In relation to NPV, a project with a profitability index of more than one is acceptable. Since Maui's Oven has a 1.52

profitability index, it means that it can be pursued. Its IRR is 26.81% which is more than its discount rate of 9%, thus making the project acceptable. The positive results of the financial ratios computed show that the cake shop is feasible.

Its safety and environmental and socio-economic aspect were also considered so as to determine its impact to the society and economy. Finally, its sensitivity towards various variables was analyzed to assess its flexibility to certain changes.

After considering and assessing all aspects such as market, marketing, management, technical, financial, legal and taxation, safety and environmental, socio-economic and sensitivity analysis, it can be concluded that the establishment of the cake shop at the Student Service Enterprise in Central Philippine University is feasible. Hence, it is recommended that the cake shop be opened and pursued as long as means to cut cost, improve products are put in place, and aggressive marketing will be implemented to be more competitive for the said business establishment to be sustainable and progressive.