

# Financial methods essay

## Carmen Hodoroaba

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Financial and Non-financial methods used to  
evaluate 3 Projects:

Freestyle; Herbal Smoke; Traventure

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## **Introduction**

This report aims to understand the different business proposals according to the types of evaluation. The report will also give three different business proposals according to their methods of grasping the market. The initial part of the report will give detail information about each business idea. The middle part of the report will give an analysis of the e-business by different processes that are financial method and non-financial methods. The middle part of the report will give detail information about each business and taking all the information into count report will give the conclusion about the chosen project. The next part of the report will address the source of funding and its types. After analyzing this report will conclude the fusion source of funding that is suitable for the chosen project proposal. The last part of the report will discuss the chosen project and different aspects of the market according to the statistical calculations.

## **Proposal 1 - 'Freestyle'**

### **Overview of the project**

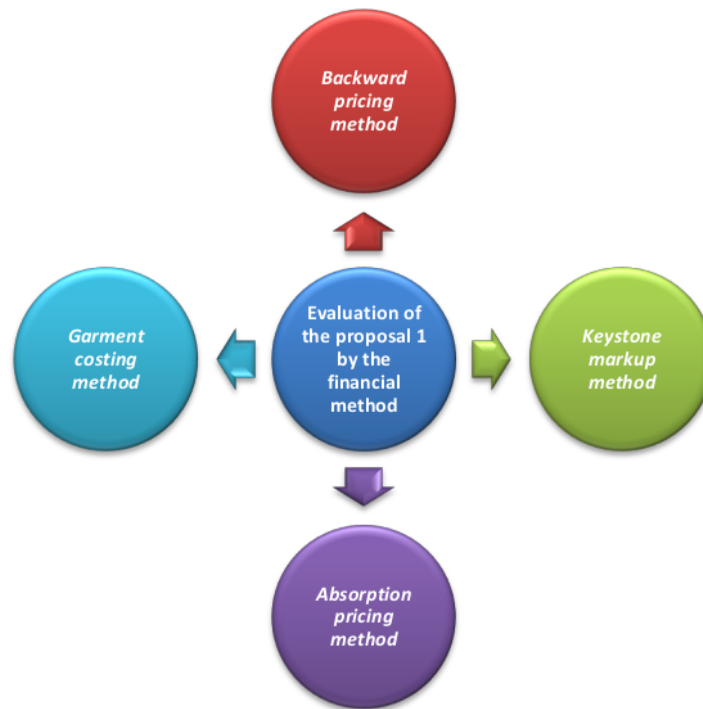
The first project proposal relates to the fashion sector. The business idea called "Freestyle" is a fashion-based business. This brand provides premium quality customized clothing varieties (Gonda et al., 2020). The foundation idea of this type of startup is to provide premium quality clothing to every age group in society. Nowadays fashion becomes the most essential aspect of living patterns; hence this factor creates a big opportunity for many clothing brands. The global business sector has a big and good impact on the clothing industry on its revenue. That's why considering this fact the startup called Freestyle can create a good business in this sector. Meaning of the closing brands has already covered the market clothing industry but changing lifestyle of the people can never limit the number of brands. Hence the idea of startup college freestyle is to provide updated fashion to every single personality. The identical fact about Freestyle is that this brand provides customized clothing wears which are prepared according to the customer's ambition and need. This differentiated feature can create a good business in a sector of clothing. Another attractive aspect of the freestyle is that this startup provides economical clothing with good quality fiber (Thorisdottir and Johannsdottir, 2019). The United Kingdom has a good fashion legacy and the people living in the society are ambitious towards fashion and wearing. Taking this aspect into account, start-ups decided to choose the United Kingdom as their working area in their initial days. To cover every part of the United Kingdom <sup>17</sup> it is important to maintain a good supply chain. The establishment of the supply chain is an essential aspect of this business because, in order to run any kind of business, it is important to provide a good service. All mentioned information gives the basic idea that maintenance of the supply chain is an essential aspect in relation to finance management. The service provided by Freestyle is in the form of e-commerce. Customers can order their favourite clothing from the official websites of Freestyle, as well as from the different e-commerce websites available in the market.

### **Vision and mission of Freestyle**

The vision of the startup called Freestyle is to grass the clothing market in a short period. The basic idea of the startup gives a strong base to the business idea. The main mission of this startup idea is that many of the personalities have several issues with the fittings of any clothing attire (Lu et al., 2022). To target and solve this problem, freestyle comes up with a unique and updated format of the clothing. Every single customer can buy any desired product according to their expectations. Another aspect of Freestyle in consideration with their vision and mission is to make society fashionable and allow attracting the market towards their new feature, call as customized wear. This option of customization will allow every single customer to create an attractive personality.

### **Evaluation of the proposal by the financial method**

To calculate the evaluation of any closing business it is important to understand the type of financial method used in the operations of the business. There are different types of financial methods used in the valuation of clothing brands. The different types of financial methods used in the calculation of any clothing business are *the backward pricing method, keystone markup method, absorption pricing method, garment costing method, capital budgeting method, and financial ratio*. These all are methods of evaluation of the clothing business by financial methods. Taking all types of evaluation into account it gets clear that it is important to decide the type of evaluation mentioned in the proposal. Initial part of the business freestyle is using the keystone markup method.



*(Source: created by learner)*

### ***Keystone markup method***

To understand this type of method it is important to understand the nature of the method of evaluation. The keystone markup method involves doubling the cost of producing the clothing items to determine the selling price.

### ***Backward pricing method***

This method is also used for the evaluation of any clothing brand the backward pricing method is included with the desired profit margin and working backwards to understand the exact selling price for that particular clothing item.

### ***Financial ratio***

Monitoring financial ratios can provide insights into a clothing brand's financial health and performance. Ratios such as <sup>9</sup>the current ratio, which measures a company's ability to cover short-term liabilities, can be useful for assessing liquidity and financial stability (Kusá and Urmínová, 2020).

### **Non-financial methods of evaluation**

There are also different types of non-financial methods present in the evaluation of clothing brands called freestyle. These are different methods such as: *customer satisfaction scores, brand reputation, transparency, sustainability practices, and stakeholder engagement*. All these are the types of non-financial evaluation methods for the clothing brand.

#### ***Customer satisfaction scores***

The method of non-financial evaluation of clothing brands is a commonly used method of evaluation. This method gives a hint of the coming future of the brand. Tracking customer satisfaction can help in the information about the ability of the brand to meet the customers' expectations and delivers a good service experience to the customers.

#### ***Stakeholder's engagement***

Evaluation of any clothing brand: This type of method can help the business to understand their present and future condition. Evaluating a brand's engagement with its stockholders such as employees, customers and the community involved with the brand can help to understand the total insights of the business.

**Startup Cost Table for Freestyle**

| Startup Expenses                  | Cost (£)       |
|-----------------------------------|----------------|
| Market Analysis                   | 5,000          |
| Designing a brand and a logo      | 2,000          |
| Website Creation                  | 10,000         |
| Materials and inventory           | 20,000         |
| Tools and machinery               | 15,000         |
| Utilities and rent                | 8,000          |
| Advertisement and marketing       | 7,000          |
| Fees for registration and the law | 3,000          |
| Wages for employees (3 months)    | 30,000         |
| Emergency fund                    | 5,000          |
| <b>Total</b>                      | <b>105,000</b> |

**Funding sources for Freestyle**

| Funding Source       | Amount (£)     |
|----------------------|----------------|
| Personal savings     | 30,000         |
| Friends and family   | 20,000         |
| Bank loan            | 40,000         |
| Crowdfunding         | 10,000         |
| <b>Total Funding</b> | <b>100,000</b> |

## **Proposal 2 - 'Herbal Smoke'**

### **Overview of the project**

Nowadays there are many positive, negative, good and bad trends followed by people as part of their social lifestyle, and consuming tobacco-based products is one of the trends which is converting into a habit or addiction, and this is the point of concern for many people or families. As the trend is getting bigger and bigger the people are getting addicted to tobacco-based products around the world. Many social groups are creating awareness about tobacco-based products and how they are damaging the health of every single individual, but people are addicted to tobacco-based products and this addiction gets more powerful and that's why the tobacco business is exploring more opportunities in this market (Kurmus and Mohajerani, 2020). Taking this information into account, the startup business called herbal smoke is trying to enter the market. The product of the startup is called herbal smoke, which involves different types of herbal cigarettes. Taking the harmful aspects of cigarettes into account herbal smoke introduced a cigarette called *herbal smoke*. As technology is growing, new ways are opening for many people, as well as for industries. There are two aspects of technology: One is that, the technology is making life easier to lots of industries, which are successful and two, many industries are getting affected due to the technology and the tobacco industry is also getting affected. Taking this aspect into account, Herbal smoke also introduced an herbal e-cigarette.

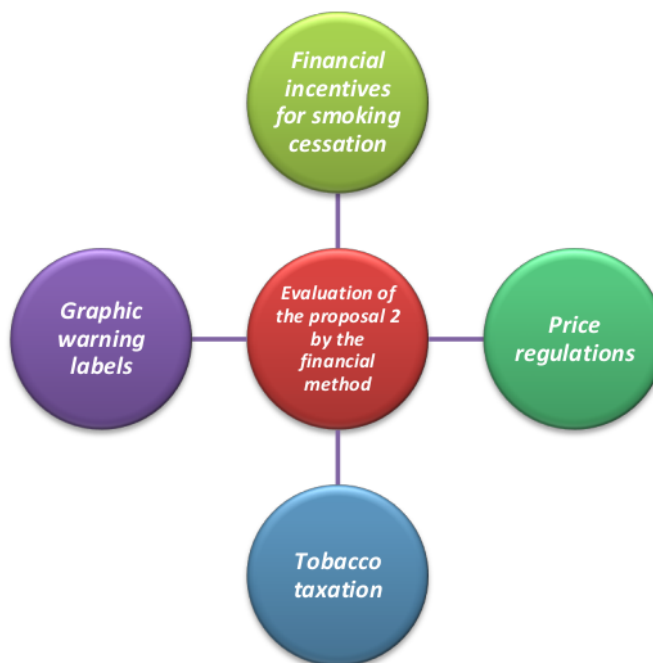
### **Vision and mission of the Herbal smoke**

Vision and the mission of this brand are to eliminate the factor of danger from the lifestyles of the individuals. Another mission of this brand is to make society full of health and eliminate the danger of lung cancer and other lung diseases (Rasheed et al., 2022). It has been observed that the number of bad habits like smoking is increasing day by day. To eliminate this factor of danger, this company wants to build a brand by providing good satisfaction to the part of society. The important factor that should have to be considered is the environmental factor, because the smoke produced by the tobacco-based products is harming nature, as many chemicals are present in the filter and paper of the cigarettes. The smoke generated from the tobacco-based products is more harmful to the person who does not consume the Tobacco and this smoke is affecting nature. Polluting the air

and waste generated by the cigarette buds is also becoming a point of concern. Taking this concern into account, herbal smoke has introduced a product called herbal cigarettes.

### **Evaluation of the proposal by the financial method**

To understand any business proposal, it is important to understand the financial state of the business. Similarly, in the case of a cigarette brand called herbal smoke, this evaluation is also important. There are different financial methods used to evaluate the cigarette brand. The different types of financial methods are: *financial incentives for smoking cessation, price regulations, tobacco taxation, and graphic warning labels*. All these are types of financial methods in the evaluation of the brand.



*(Sources: created by learner)*

### **The financial incentive for smoking cessation**

<sup>13</sup> Studies have shown that financial incentives can significantly increase the effectiveness of smoking cessation treatment in company settings. Employers can offer incentives to employees who quit smoking, such as monetary rewards or other benefits.

### ***Price regulations***

Implementing price cap regulation can help ensure that the pricing of cigarette brands reflects the manufacturers' production costs rather than audience segmentation. This <sup>16</sup> can provide a more accurate representation of the value and quality of different cigarette brands.

### ***Tobacco taxation***

<sup>12</sup> Increasing tobacco excise taxes and prices is considered the most effective and cost-effective measure for reducing tobacco use. Higher taxes make cigarettes more expensive, which can discourage people from purchasing them and ultimately reduce consumption.

### ***Non-financial methods of evaluation***

There are different non-financial methods of evaluation present in the market of the cigarette industry. To fill the field proposal of a cigarette brand called herbal smoke it is important to analyse or evaluate this business by non-financial methods. Here are some of the non-financial methods used to analyze this business: *measurement method and the comparative benefit model*.

#### ***Benefit measurement method***

This method of non-financial analysis deals with the benefits that a project will bring in the future. This benefit includes an increase in revenue or cost savings. Due to the nature of the non-financial method, this method is commonly used to evaluate any kind of business.

#### ***Comparative benefit model***

This is also one of the methods of evaluation of any kind of business. This non-financial method is included with a comparison of two different products based on their benefits and selection of beneficial projects.

**Startup Cost Table for Herbal Smoke**

| Startup Expenses                  | Cost (£)       |
|-----------------------------------|----------------|
| Research and development          | 20,000         |
| Design and development of apps    | 50,000         |
| Fees for servers and hosting      | 5,000          |
| Advertisement and marketing       | 10,000         |
| Salaries and staff                | 30,000         |
| Hardware and software             | 15,000         |
| Fees for registration and the law | 5,000          |
| Emergency fund                    | 5,000          |
| <b>Startup costs overall</b>      | <b>140,000</b> |

**Funding Source Table for Herbal Smoke**

| Funding Source        | Amount (£)     |
|-----------------------|----------------|
| Venture capital firm  | 80,000         |
| Angel investor        | 30,000         |
| Crowdfunding campaign | 20,000         |
| <b>Total Funding</b>  | <b>130,000</b> |

### Proposal 3 – ‘Traventure’

#### Overview of the project

Nowadays, there is a trend which is grooming daily, with new aspects and new opportunities and thus it becomes the lifestyle for many personalities. That trend is called: tourism. This is the industry that has a huge impact of digitalization on it. Because of the internet and social media, a lot of people are exploring different places all over the world. Taking this information into account, the new startup called “Traventure” has been introduced to the market. This business deals with a new aspect of tourism called Agro tourism. Authenticity, fun, values, relationships, learning, and involvement all are characteristics of agro-tourism because the base thought of agro-tourism is to give them a feel of nature and allow them to explore their origin (Elmo et al., 2020). This new angle of tourism was explored 10 years back in the UK. From that point, agro-tourism had a great percentage of hikes in every aspect. The worldwide scale of agro-tourism is said to be 69.24 million as per a record published in 2019. This agro-tourism will grow up to 117.37 million by 2027. Considering all of these, the startup business called “Traventure” is trying to enter the market.

#### Vision and mission of Traventure

As stated above, it is easy to understand that there is a lot of potential in this industry. The biggest market trend in the agro-tourism industry is the use of different tools and attracting customers to visit farms and different land sides to help the rural areas and farmers. The tool used by agro-tourism is social media (Puri et al., 2023). Most of the young and other aged personalities, are using different social media channels. This is the information that is changing the mentality of farmers about letting farming, but this social media helped them a lot to understand the exact market of tourism. The target customer is from all age groups, but agriculture is one of the important subjects for many of the young generations and children because they don't know about the origin of their food.

### **Evaluation of the proposal by the financial method**

#### ***Keystone markup method***

To understand this type of method it is important to understand the nature of the method of evaluation. The keystone markup method involves doubling the cost of producing the travel planes and projects and delivering them to determine the selling price.

#### ***Backward pricing method***

This method is also used for the evaluation of any Tourism brand the backward pricing method is included with the desired profit margin and working backwards to understand the exact selling price for that item.

#### ***Financial ratio***

Monitoring financial ratios can provide insights into a tourism brand's financial health and performance. Ratios such as the current ratio, which measures a company's ability to cover short-term liabilities, can be useful for assessing liquidity and financial stability.

### **Evaluation of the proposal by the non-financial method**

#### ***Benefit measurement method***

This method of non-financial analysis deals with the benefit that a project will bring in the future. This benefit is included with an increase in revenue or cost savings. Due to the nature of the non-financial method, this method is commonly used to evaluate any kind of business.

#### ***Comparative benefit model***

This is also one of the methods of evaluation of any kind of business by non-financial method. This non-financial method is included a comparison of two different products based on their benefits and selection of beneficial projects.

**Startup Cost Table Traventure**

| Startup Expenses                  | Cost (£)       |
|-----------------------------------|----------------|
| Resource sourcing                 | 20,000         |
| setup for manufacturing           | 30,000         |
| website creation                  | 10,000         |
| marketing and branding            | 15,000         |
| Stocks and supplies               | 25,000         |
| salaries and staff                | 20,000         |
| Fees for registration and the law | 5,000          |
| Emergency fund                    | 5,000          |
| <b>Startup costs overall</b>      | <b>130,000</b> |

**Funding Source Table for Traventure**

| Funding Source           | Amount (£)     |
|--------------------------|----------------|
| Impact investor          | 60,000         |
| Sustainable fashion fund | 40,000         |
| Crowdfunding campaign    | 20,000         |
| <b>Total Funding</b>     | <b>120,000</b> |

### **Sources of funding**

The selected project is proposal one which is a business idea for the clothing brand called *Freestyle*. There are different types of funding present in the market such as retained earnings, debt capital, equity capital, proposal savings, and business loans. All these types of funding can be beneficial for the clothing brand called Freestyle.

#### ***Debt capital***

This type of funding can be beneficial for the project idea called freestyle because of its innovative nature and adoption of the updates from the market. This type of funding is nothing but borrowing money from the banks of the project is called debt capital (Yang and Zhang, 2020).

#### ***Equity capital***

This type of funding also can be beneficial for the freestyle because, in the initial stage of any business, it is important to arrange the funding. The equity capital deals with sharing of the stakes with the financier (Hommel and Bican, 2020).

#### ***Business loans***

This type of funding is also beneficial for the initial startup called Freestyle because banks or other financial institutions provide some secure funding to the projects based on business loans.

## **Conclusion**

This report aims to understand the different business proposals according to the types of evaluation. The report has given three different business proposals according to their methods of grasping the market. The initial part of the report has given detail information about each business idea. The middle part of the report has given an analysis of the business by different processes that are financial method and non-financial methods.

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