

Deliverable H
Economics Report and 1 Minute Video Pitch

Submitted by

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List of Acronyms

Table 1. List of acronyms

Acronym	Definition
NPV	Net Present Value

1 Introduction

Using knowledge we have gathered from previous lectures we have taken what we have learned and created an economics report on our product. This economic report includes cost classification, income statement and a NPV analysis. We also have created a one minute pitch. Using feedback from our past presentation we took extra steps to make sure we were all prepared before our pitch to make it sound professional.

2 Economic Report

List of Cost

Table 2. Cost classification

Cost	Classification
Salaries	Fixed
Marketing	Indirect
Electricity	Semi-variable
Rent	Indirect
Income Tax	Taxation
Overhead	Indirect
Development	Direct
Website	Fixed

Income Statement

Income Statement Per Year					
Revenue	Sales	\$4,500	Cost per unit =	\$5.00	
	Marketing	\$1,000	Units sold/year =	30	
	Electricity	\$500	Sale Price/unit =	\$149.99	
	Salaries	\$2,500			
Expences	Rent	\$2,000			
	Overhead	\$500			
	Development	\$300			
	Website	\$500			
		\$7,300			
Gross Profit =	\$4,349.70	Operating Profit	-\$2,800		
Income Statement Over Three Years					
Revenue	Sales	\$13,499			
	Marketing	\$3,000			
	Electricity	\$1,500			
	Salaries	\$7,500			
Expences	Rent	\$6,000			
	Overhead	\$1,500			
	Development	\$900			
	Website	\$1,500			
		\$21,900			
Gross Profit =	\$13,049.10	Operating Profit	-\$8,401		

Figure 1. Income statement

NPV Analysis

Using a \$20,000 initial investment and selling 30 products yearly at 5% interest rate.

$$PV = \frac{4,500}{(1+0.05)^0} = 4,500$$

$$PV = \frac{8,999.4}{(1+0.05)^1} = 8,570.86$$

$$PV = \frac{13,499}{(1+0.05)^2} = 12,243.99$$

Therefore, it would take three years to make the initial investment back.

The assumptions made in these economic statements are justified as the first few years of our company will be spent building up the company from very little. Since we are just starting out the cost needed on a year to year basis will remain rather small. We also do not expect to make profit the first few years on business as we had to put money into getting the product development and ready for the market. After these three years we plan to start making profit as more and more people purchase and it by the fact we charge the user on a yearly basis. Costs such as rent will be low for the first few years as the company will not require a large facility to work in. This same idea can be applied to other costs, such as electricity and salaries. We have put a fairly large amount of money percentage wise into marketing as getting the word out about our company is critical for us to stay in business and to make a profit. The salaries will be our most costly expense as we want good employees that can help us stay ahead of the competition and will in turn help us gain sales over them. This means that the workers will require a fairly large amount of pay.

3 Conclusions and Recommendations for Future Work

In conclusion we used material gathered from previous lectures and previous presentations to create this economic report and to create the pitch. We generate the economic statement based on what we as a group thought was reasonable for a business in its early stages. We also created a short pitch and used the feedback provide from out first presentation to make this pitch as good as possible.

Some life long learning that can be taken from this deliverable is the need to create a well thought out economic report. Knowing how much money is coming in and out of your company is critical for long term sustainability in a company. If you are unaware of how much money everything is costing your company and how much revenue you are making you won't last long as a company. Another life long learning experience that can be taken in the need for a good pitch. Getting interest in your product is key for being able to actually sell your product. Convincing people your product is a great solution to a proposed situation is needed for people to buy your product.

4 Bibliography

APPENDICES

APPENDIX I: