

New guidelines for project studies issued

The Board of Investments issued last week new guidelines for the preparation of project feasibility studies by applicants applying for tax incentives registration either under the Investment Incentives Act or the Export Incentives Act.

Following recent administrative decisions, the Board is also doing away with the project study requirement for existing and expansion projects to facilitate processing of these applications. Instead a project report is required.

Simplification

The new guidelines are intended to simplify the project details required by the Board. The new format contains simplified cost, income, and operating statements.

However, a proponent is still required to make a detailed account of the technical, product and market aspects of the projects.

As amended, the new project guidelines are as follows:

1. Give a brief sum-

mary of major market, technical and financial characteristics of the project and conclusions regarding its feasibility.

2. Outline the timetable and present position of the project.

3. Specify proposed management for the project, including type of business organization, organization chart and functions of each unit, use of professional firms or consultants, etc.

4. Outline the agreements proposed or entered into with other parties which affect the operations of the project (e.g. technical assistance, foreign loans, patents, contracts of sales, etc.). Terms and conditions should be specified.

Product and market aspects

1. Describe products to be produced, indicating specifications relating to their physical, chemical and/or agronomic properties, whichever applicable. Specify by-products resulting from the operations.

2. Present estimates of annual volume and value of domestic

and overseas sales of each product for the first ten years of the project's life. If total capital expenditures are below P1 million, and the project has a short gestation period, projections for only 5 years are required where 10 years projections are asked for. Specify the export markets, where applicable. Outline the assumptions underlying the projections.

3. Give the proposed selling prices of each product in both the local and overseas markets. Show basis for determining prices and extent of possible variations.

4. Outline the proposed marketing arrangement for the products, i.e. channels of distribution, selling organization, etc. Indicate especially trade names to be used, long-term contracts, guaranteed markets, importers contacted in overseas markets and the status of these customers, affiliations with other companies or bodies for marketing purposes (local and overseas), terms of sales and sales schedule showing inventory levels.

Technical aspects

1. Describe the processes and/or production methods, showing detailed flow chart. Specify maintenance and other support facilities proposed, and quality control and requirements for the processes adopted.

2. Specify major machinery and equipment requirements. Indicate:

a. Number, specifications, rated capacities and life of major pieces of equipment, whether new or second-hand, allocated to categories according to major use (e.g. production maintenance, waste disposal, etc.). Outline function to be performed by each major unit.

b. Quotations from suppliers, machinery guarantees, delivery and payment terms and other arrangements. Indicate also supplier, country or port of origin, taxes, duties, installation costs and warranties for major

equipment, etc. State why imported equipment and not locally produced equipment is used for each item, where applicable.

c. Is equipment to be exclusively used for the production of the products specified? If not, specify to what extent equipment will be used for other purposes.

3. Enclose plans and drawings of major structures, physical layout of site and plant and machinery layout, indicating also provisions for expansion. Enclose cost quotations for land and major structures (including contingencies land improvements and additional infrastructure) and allowances for minor structures.

4. Specify rated annual and daily capacity of plant at a specified number of shifts per day and number of operating days per year. Give also the expected attainable annual production volume of each product for the first ten years of the project's life.

5. Show volume and value of material inputs per unit output (and the respective waste factors, if applicable) for each product to be separating imports, locally purchased imports (e.g. from dealers) and locally produced inputs. Also:

a. For locally produced material inputs and locally purchased imports, give delivered price at factory, or transfer price if produced by applicant.

b. For imported material inputs, give current CIF price, tariff, sales tax, other charges and delivered price at factory.

c. Give details of prospective sources of major inputs, consignment arrangements, supply contracts etc.

6. Specify special requirements and costs for electricity, water and other utilities.

7. Detail total labor requirements from start of operations until normal production capacity is attained. Also:

(Continued on page 10)

ORDERLY GROWTH ...

This is a major objective of the Board of Investments. In today's bright new era of development, the BOI puts a sense of coordination, measurement and harmony into the country's investment plans.

The Rizal Commercial Banking Corporation also recognizes this commitment to ensure balance and harmony in business activity. In the great task of nation-building, RCBC supports the BOI in looking for opportunities and assisting viable ventures to achieve orderly growth. . .

SOUND IDEAS FOR PEOPLE WITH FUNDS.
FUNDS FOR PEOPLE WITH SOUND IDEAS.

PAGPATULON ANG KANLARAN
MAG-IMPOK SA BANKO.

MAG-IMPOK SA RCBC.

RCBC

RIZAL COMMERCIAL BANKING CORPORATION
Buendia Avenue, Makati, Rizal

Member: PDIC



New guidelines for project studies issued

(Continued from page 8)

- a. Indicate number of workers according to skill, sex, and whether full time/part time/seasonal, at normal production capacity.
- b. Specify wage rates, salaries, fringe benefits, etc. assumed.
- c. Justify foreign per-

- sonnel involved, if any.
- d. Set out details of special training programs, including costs.

Financial aspects

- 1. Specify sources selected or proposed for short-term financing, long-term financing, and suppliers credits, and

their respective uses. Also indicate (if possible):

- a. Amount and terms of financing from each source selected, indicating currency, security, repayment period, interest and other features.
- b. Status of financing from each source

- 2. Prepare two sets of the following statements, relating to actual releases already made, applications already approved, applications pending and applications still to be made. For equity financing, indicate subscriptions made.

one set assuming no BOI incentives and one set assuming BOI incentives, for each of the first ten years of the project's life. For projects with capital expenditures below P1 million and of a short gestation period (and thus projecting for only five years), use alternative profitability evaluations - these are to

be specified. Such proponents may wish however, to extend the cash flow period to ten years to enable discounting measures to be used; this is advised.

- a. Cost of sales and operating expenditure statements (see also Item E. 7).
- b. Profit and Loss (or Income) Statement
- c. Cash Flow Statement
- d. Balance Sheet Statement
- 3. The following financial evaluations are to be derived on the basis of the information contained in these statements, both with BOI incentives and without BOI incentives.

- a. Profitability evaluation, calculating discounted rate of return on total investment, discounted rate of return on capital stock and net present value.
- b. Profitability ratios, calculating gross operating profit ratio (net operating profit as a ratio of sales) and net profit after tax ratio for each year and average, over the projected operating period.
- c. Solvency ratios, calculating debt to equity ratio and debt service coverage for each year.
- d. Break-even analysis, calculating break-even price and capacity.

Enclosures to be attached to study

- 1. Bio-data on principal officers.
- 2. Certified copies of all export and domestic sales contracts.
- 3. Certified copies of all parents, technical and management agreements foreign loan contracts and all other agreements proposed or entered into with other parties.
- 4. Copies of quotations for machinery, structures, inputs, etc.
- 5. Clearances from proper authorities for waste disposal and emission control.
- 6. Relevant background data compiled for the project study.
- 7. For applicants under R.A. 6135:
 - a) Computation for tax credit on raw materials and supplies.
 - b) Computation of standard raw material usages.

Sell your rights.

GET CITIFINANCE RECEIVABLES FINANCING

You can't go wrong when you sell your rights to receivables. Or pledge the receivables to us. For you get the best prices and terms.

You can sell us current receivables. Or future receivables as you create them. Individually or in batches. With or without recourse.

OUR SERVICES: Personal Finance (cars, appliances and household needs; educational, medical, travel, home improvements, weddings and other needs) Inventory Financing, Sales Financing, Receivables Financing, Leasing, Equipment Financing, Real Estate Financing, Small Business Financing, Agribusiness Financing, Funds Investments, Non-life Insurance.

OUR OFFICES: Metro Manila: Makati, Cubao, Parañaque, Caloocan, Marikina. Luzon: Naga, Legaspi, Batangas, Tarlac, Dagupan, San Fernando (I.U.), Visayas: Cebu, Bacolod, Iloilo. Mindanao: Davao, Cagayan de Oro, General Santos, Iligan.

With or without notice to your customers. Almost any way you want it. Whether you're a manufacturer, producer, processor, distributor, or dealer. Big or small.

Don't tie up working capital in receivables. Convert those rights into cash. So you can buy more in-

ventory, raw materials or equipment or implement projects or meet expenses. Get Citifinance Receivables Financing at any of our 18 offices nationwide. At the most liberal terms and reasonable rates available.



FNCB FINANCE, INC.

makes things easy for you.
Sikatuna Bldg., Ayala Ave., Makati, Rizal
Tel. 87-49-56

