Report on

"Financial Performance Projection of Mentors' through Forecasting"

By

Meer Tahmid Hossain

21304113

An internship report submitted to the BRAC Business School in partial fulfillment of the requirements for the degree of Bachelor of Business Administration

BRAC Business School

BRAC University

Summer 2024

Declaration

I hereby declare that:

1. The report that has been submitted is prepared by myself and is my own original work while completing my bachelor's degree at Brac University.
2. The materials/data that has been used to write the report or to compute the figures have never been published beforehand by a third party or any other individual. There has been uses of secondary data where deemed necessary and those have been properly cited in the reference.
3. No content from this report has been approved or submitted for consideration towards any other degree or certificate from a university or other organization.
4. All sources of primary/secondary data have been acknowledged properly

Acknowledgment of the Student

Student's Full Name:

Meer Tahmid Hossain

21304113

BRAC Business School

BRAC University

Supervisor's Full Name:

Mohammad Mujibul Haque, PhD

Professor & Associate Dean (Acting Dean)

BRAC Business School

BRAC University

Letter of Transmittal

Mohammad Mujibul Haque, PhD
Professor & Associate Dean (Acting Dean),
BRAC Business School
BRAC University
Kha 224, Pragati Sarani, Merul Badda, Dhaka 1212

Subject: Submission of Internship Report on "Financial Performance Projection of Mentors' through Forecasting."

Dear Sir,

I hereby submit the internship report titled Financial Performance Projection of Mentors' through Forecasting."-complying with the requirements of the Bachelor of Business Administration degree at BRAC Business School. The report is an integral part of completing my internship course at BRAC University and I am enthralled to be submitting this. I have completed the 3-month long internship program at Mentors' and am extremely grateful for the opportunity I have been bestowed with. I had the opportunity to work with the Finance department and have been fortunate enough to learn a lot throughout my internship.

I tried to complete my report by obtaining the most efficient data from trusted sources giving my best efforts and thus, I believe that the report will be enough to meet all the desires.

Sincerely yours,

Meer Tahmid Hossain
21304113
BRAC Business School
BRAC University
Date: November 24, 2023

Non-Disclosure Agreement

The undersigned BRAC University student, Mr. Meer Tahmid Hossain, and Mentors' have engaged in an agreement. This agreement serves as testimony that the report does not contain any sensitive or proprietary information from the organization.

Meer Tahmid Hossain

ID: 21304113

BRAC Business School

BRAC University

Syed Shahidul Islam

GM, Finance & Admin

Mentors' Education and Mentors' Study Abroad

Acknowledgment

I would like to start off by extending my gratitude to my almighty. I have been fortunate enough to have the opportunity to complete my internship and academics at BRAC Business School. I would like to extend my heartfelt gratitude to Mentors' for providing me the opportunity and recruiting me to be a part of their team. My on-site supervisor, Mr. Syed Shahidul Islam has always been very helpful to me and guided me throughout my internship period thoroughly. Alongside, Mr. Shahid, Mr. Anik has been instrumental in my internship period as well, who works in the Finance department of Mentors'. The company has been very supportive to me and helped me carry out my day-to-day tasks during the internship period. Following this, I would like to thank my academic supervisor, Mr. Mohammad Mujibul Haque, PhD, Professor and Associate Dean (Acting Dean), BRAC Business School, and my co-supervisor Dr. Abu Saad Md. Masnun Al Mahi, Assistant Professor, BRAC Business School. Both of my supervisors have helped me prepare my internship report, guiding me through the consultation sessions and in-person follow-ups to monitor my progress and also sharing their insights whenever it was necessary. The internship has been instrumental in my career and will certainly help me in my future endeavors.

Executive Summary

The report has been created to project the financial performance of Mentors' for the next 5 years and suggest recommendations. The analysis is done through percentage of sales method, using mean average for sales forecast and POS method for other items. The report is divided into three sections.

In the first section, the internship experience of the student has been shared. It includes job roles and responsibilities, student's contribution to the company and also the learning outcome of the internship, and recommendations for both the organization and future interns.

Following that, in the second part of the report, organizational details were provided. It included management practices of the company, marketing practices, financial analysis, accounting practices, operations management and information systems, and industry and competitive analysis. These are core part of an organization and gives a brief insight about how the firm operates and formulates strategies. This part of the report provides a brief idea about the company. For this part, secondary informations were used and they have been cited in the reference section. Upon successfully articulating the data, proper recommendations were provided on areas where the company is struggling.

The last part of the project consists of the project part where the values that have been calculated in Excel have been shown. It also includes research methodologies, the objective of the project, significance, limitations and recommendations in the last part. There have been uses of primary and secondary data in this report. The secondary data used in this report have been cited properly in the reference section.

The report has been made to fulfill the BUS490 course of BRAC Business School and provides a brief idea about the internship experience of the student. The report shall be beneficial for both future interns and the organization itself as it will help the company figure out its shortcomings/weaknesses and work on those areas.

Table of Content

Table of Figures

Chapter 1: Overview of Internship

1.1 Information of Student

Name of the Student: Meer Tahmid Hossain

ID: 21304113

Program: Bachelor of Business Administration (B.B.A)

Major: Finance

Minor: Marketing

1.2 Internship Information

1.2.1 Period, Company Name, Department, Address

My internship commenced from June 01, 2024, to August 31, 2024. Despite it being a 3-month-long internship, my tenure was extended to the end of September due to the political instabilities and issues that surfed in July. The other details of the company are as follows:

Company Name: Mentors’

Name of the Department Assigned: Finance

Address: 166/1 Mirpur Road, beside Dolphin Goli, Dhaka 1205.

1.2.2 Internship Supervisor Information

My onsite supervisor was Mr. Syed Shahidul Islam. He is currently the GM, Finance & Admin at Mentors'. I had to report to him directly and he is the one who supervised my work during my internship period. However, beyond my role as an intern in the finance department, I also had to communicate with other departments to maintain liaison with the Finance department.

1.2.3 Job Responsibility

During my tenure as an intern, I had the opportunity to work across both the Education and Study Abroad departments and carry out significant tasks. The primary tasks included:

- ❖ Monitoring and recording day-to-day financial activities and doing proper bookkeeping.
- ❖ Settling disputes involving transactions of cash, banks, debts, creditors, etc.
- ❖ Evaluating accuracy and producing, reviewing, and assessing vouchers, bills and invoices, payables and receivables, and accounting records.
- ❖ Keeping up the regular distribution of incentives and live class payouts for academic instructors.
- ❖ Assisting in the creation of a monthly salary sheet and staff compensation distribution.
- ❖ Assisting my supervisor in resolving any other payment discrepancy issues.

1.3 Internship Outcome

1.3.1 My Contribution to the Company

As an intern, I carried out various work during my internship period. From maintaining daily cashflows to settling disputes in transaction-related issues, I had the opportunity to see how a finance department operates within a company. I also had the chance to create a budget for an event with the help of my supervisor. In the upcoming month, the study abroad department is going to organize an open day for Australian University representatives. I had the chance to collaborate with the marketing department to contribute to the budgeting of the event. Moreover, I also assisted in disbursing the payments of the instructor for classes and maintained a record of it. Moreover, I helped prepare the monthly salary disbursement records and created vouchers and bills which my supervisor monitored.

1.3.2 Benefits from the Internship

The internship clearly benefitted me as it helped me embark on my professional career. The internship contributed greatly to developing my cognitive and core skills. As a finance student, I had done theoretical courses but the internship served as a technical ground for me to understand finance from a real-world perspective. Moreover, I had the opportunity to put the knowledge that I obtained at BRAC University into practical aspects of the company.

I also learned about the corporate culture and got integrated into the office norms. From maintaining punctuality, and wearing proper dresses, to communicating with numerous employees, clients, and individuals, clearly helped me replenish my communication skills. My skills in building rapport with individuals or employees also developed through this internship. The learning I received here will definitely help me in my future endeavors and become more job-ready or industry-accustomed.

1.3.3 Challenges Faced During Internship

Although the challenges were nominal and the benefits certainly outweigh them, here are a few points I would like to mention:

- The first challenge I faced was in commuting from my home. In most cases, the punch-in time was at 10:30 am but I was late a few days due to heavy traffic. This soon got mitigated as I started leaving early for work and taking Pathao/Uber bikes on days I had little time in hand to ensure time management.
- The internet provided in the workplace had some issues as it was slow on numerous days. This can create lag in work.
- During the national issue in July, I had to work from home for a few days as the situation was not good across the country. Working from home also posed some challenges for me as communication has been troublesome online. I felt the in-person office communication ensures a smoother transition to workflow.

Throughout my internship, my supervisor and the entire company have been extremely supportive of me in overcoming these challenges.

1.3.4 Recommendation

Recommendation for the Company: One recommendation for the company would be to improve the internet quality and ensure faster laptops for the interns. The ambiance and the working environment have been incredible. The superiors, as well as employees from other departments, are extremely welcoming and cooperative.

The MS software on computers should be updated. Using Office MS Office 2022 is recommended. Also, the range of work for interns should be more dynamic and thorough.

Recommendation for Future Interns: For future interns, the recommendation would be to be punctual, dedicated to their responsibilities assigned by the supervisors, and also maintain a good relationship with the company's employees. Maintaining an organizational culture at the beginning of the career would certainly help the interns in their future journey.

Chapter 2: Organization Part

2.1 Introduction

The organization section is the second part of the report where the focus is given to organizational aspects. It includes knowing the mission, and vision statement of the company, its goals and practices, and where it aims to be. The section also reflects upon the company's financial performance through key ratio figures, accounting principles, and operations management practices.

2.1.1 Objective of the Section

Through this section of the study, the main objective lies in knowing the insights about the company. It includes knowing numerous aspects of the company and providing recommendations where necessary.

2.1.2 Scope

The scope of the project includes information about the company's mission, and vision statement, management practices, marketing practices and principles, financial performance analysis, SWOT analysis, Porter's forces analysis and also providing recommendation for the future of the company. The goal of this project is to outline areas where the company is doing significantly well and areas that can be improved. This will be beneficial for future interns as well, as they can gain insights about the company, and more data can be incorporated in the future.

Overall, this part serves the purpose for future research or improvements both from the organizational standpoint and individual standpoint.

2.1.3 Methodology

The information obtained to analyze this part is secondary information derived from online and from the company's audited report. The overview is conducted by assessing the mission, vision statement, and core values of the company. Following this, management practices and hr practices are outlined where information regarding leadership techniques, recruitment process, and appraisals are discussed. Following that, marketing practices include knowledge about 4Ps, trade channels, and how the company is doing its marketing. The financial section includes key ratio analysis and the numbers have been taken from the audited report of the past 3 year's financial performance.

Moreover, the SWOT analysis and Porter's 5 forces analysis were conducted with secondary information from online sources. The recommendations section provides an overall summary of the key areas that have been highlighted in this chapter and where Mentors' still needs to focus on. The information collection period was more than 3 weeks and it took around 2 weeks to analyze and articulate.

2.1.4 Limitations

As an intern, it was difficult to preserve all the information as the organization does not disclose significant or confidential documents to the interns. Due to this, information mostly came from secondary sources. Moreover, the political issues throughout July have been another reason to halt the progress of the report.

2.1.5 Significance

The report has notable significance for both the organization and the intern. With this part, I came to know how an organization functions and how every part or department of an organization plays a crucial role in that firm's growth. Moreover, I got to know about the limitations the organization faces when it has to formulate a strategy and also the limitations an intern has to face.

As for the organization, they can go through this report and figure out the areas they are lagging behind their competition. They can focus on their strength and capitalize on the opportunities.

They can also know about their weaknesses and take appropriate measures, should they deem necessary. Overall this section serves a two way purpose for both the organization and myself.

2.2 Overview of the Company

MENTORS'

education • study abroad

Figure-01: Logo of Mentors'

Mentors' is one of the most reputed educational institutions and admission consulting organizations in Bangladesh, renowned for their services in counseling students for studying abroad or helping students prepare for admission, standardized tests, or their academics. It's a student-centered organization that provides an energetic and motivating learning atmosphere. The company started its journey in 1996 and since then it has been helping students prepare for their academic/admission tests such as IBA preparation, or preparation for universities like BUP, East-West University, North South University, or BRAC University. It also offers its services in preparing students for studying abroad as it offers courses in IELTS, PTE, SAT, and TOEFL. The company also has its Study Abroad wing that helps students go abroad and currently works with universities from 8 different destinations.

2.2.1 Mission Statement

With the assistance of a skilled group of qualified consultants, Mentors' strive to change lives by providing students with the appropriate education and career guidance. The company aims to provide students with unparalleled academic experience in order for them to achieve their dreams and excel in their future academic destinations.

2.2.2 Vision Statement

The vision statement of Mentors' replicates that the organization is determined to continuously improve the services and facilitate a better customer experience. The company regularly monitors and updates its courseware and services, and also plans its programs to provide a well-rounded experience to its customers.

2.2.3 Core Values

The core values of Mentors' include:

- Honesty
- Customer Centric Approach
- Trust
- Courage
- Social Awareness
- Equal Opportunity

2.2.4 Products and Services

The company currently has 5 branches within Dhaka city- Kalabagan, Mirpur, Banani, Uttara, and Mouchak. Moreover, the company has services under two wings:

Mentors' Education: At Mentors' Education, the company offers courses to students under various programs. The programs range from BBA admission tests at IBA (DU), IBA (JU), IBA (RU), or private universities. In addition to that, Mentors' is recognized as one of the biggest institutions for providing courses in standardization tests namely IELTS, PTE, SAT, and TOEFL.

Mentors' Study Abroad: Mentors' Study Abroad offers students academic counseling to help them go abroad and assists them in acquiring offer letters, scholarship assistance, visa documentation, traveling, and finding accommodation. It is one of the most reputed organizations providing foreign admission services.

2.3 Management Practices

2.3.1 Leadership Technique

The management practices adopted by Mentors' are inclined toward achieving the company's long-term and short-term goals and also to the welfare of the company's employees, customers, and other stakeholders. The leadership type at Mentors' is participative and follows the **"Laissez-Faire"** technique where the employees are allowed to complete their tasks with minimal monitoring and supervision. In this case, the top management is in charge of setting long-term strategic objectives, making decisions, and organizing the steps necessary to reach those objectives. They discuss and distribute the plan to the heads of departments who then carry it out with their respective teams. The head of the departments/branch or managers-in-charge then sets out the task and goals to their subordinates and ensures the works are delivered within time. However, they do not interfere during the work as long as employees deliver their work on time. A proper evaluation of the work is done by the management and regular feedback are provided to employees.

2..3.2 Management Team

The company follows a "Laissez-Faire" management strategy where the top management makes the decision and distributes the work among the employees in the respective departments. However, employees have full freedom in performing their tasks and the management validates their performance or suggestion. The management team includes top management like the CEO and director, managers, departmental heads, assistant managers, and executive-level employees.

The top management includes two directors:

- ➢ Syed Khairul Hassan- Director
- ➢ Anindya Chowdhury- CEO and Director

Aside from the directors, there are heads of separate departments.

- ➢ Syed Shahidul Islam, General Manager, Finance and Admin

➢ Sabrina Haque, HR
➢ Almas Khandoker, General Manager, Study Abroad
➢ Taslima Kabir, Deputy General Manager, Education

Aside from that there are branch managers for separate branches. Since I had the opportunity to work in the Kalabagan or the main branch, I had the opportunity to work with almost everyone from the top management. An organogram of the Kalabagan branch is created below:

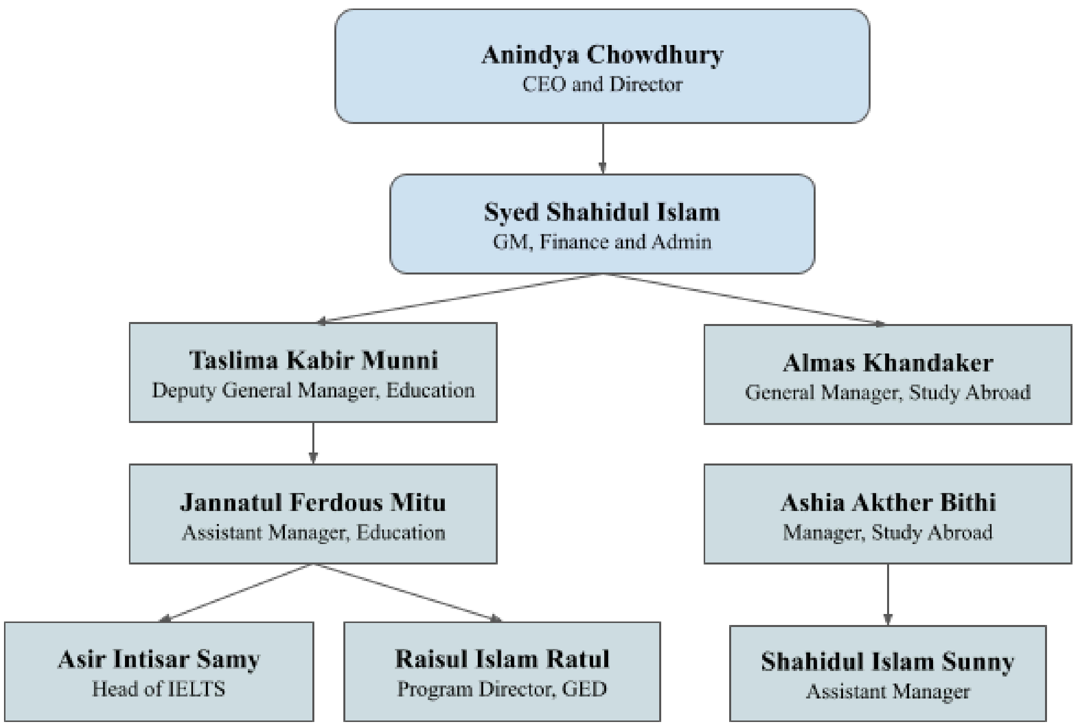

Figure 02- Organogram of Mentors' Kalabagan Branch

2.3.3 Recruitment Process

The recruitment process is a 3-step process, where initially if a candidate's CV/Resume is filtrated in the initial screening process, he is informed. Following the initial screening, a call interview is conducted which is called a preliminary interview. Following that, there is a written round which is considered as the second phase of the recruitment. Lastly, if a candidate passes the written round, he/she is called for the final interview.

2.3.4 Training and Development

If a candidate joins the company, the first month he/she has to go through training before being on-boarded. The training is conducted by the supervisors and existing employees within the company who are experienced. After the training period, an employee has to complete a three-month probation period before being permanent. During these three months, the on-site line managers and supervisors of the trainee monitor his performance and then the line manager provides a report to HR regarding the permanent placement of the candidate.

2.3.5 Benefits and Appraisals

After the confirmation of permanent employment, an employee gets regular benefits on top of their monthly remuneration. The compensation package for an employee includes monthly remuneration, performance-based bonuses, and organizational perks.

The benefits for an employee include an annual paid sick leave of 14 days, paid casual leave for 14 days, festival bonuses (2 times a year), health insurance, provident funds, annual retreat, and salary review (twice a year). Regular feedbacks regarding work are provided and if an employee manages to achieve a goal (KPI) set by the company, he receives yearly bonuses as well.

Appraisals and salary reviews are discussed with the employees every year. However, the appraisal depends upon the performance of the employees. If the employee does not meet the KPI or goals set by the organization, follow-ups and additional training usually take place.

2.4 Marketing Practices

2.4.1 4P's of Mentors'

Figure-03: 4Ps Of Marketing

The 4P's of marketing encompasses product, promotion, price, and place. This is a crucial metric to evaluate a company's position in the market and the kind of techniques they opt for. For Mentors' the 4P's are described below:

- **Product:** Products are the materials a company sells. Since Mentors' is a service-based organization, the services generate money for the company. The company provides services across 2 separate wings: Education and Study Abroad. The company's education department focuses on selling courses in IELTS, PTE, SAT, bank jobs, BBA admissions, and foundation speaking. On the other hand, the Study Abroad wing provides support for applying to universities outside Bangladesh. Currently, the study abroad department works with 7 destinations that are Australia, UAE, UK, USA, Ireland, Malaysia, and Canada.

- **Price:** Price is the second element of marketing metrics. Price is determined as the transactional value that is charged for providing a service. As the company offers numerous types of courses, the prices vary based on the length of the course, course module, and package program. A student has the option to purchase a single course or bundle it with other courses as a package. The prices range from BDT 3000 for a single course to up to BDT 17000 for a package course. The company also offers crash courses. As for the study abroad department, the service charge is not kept from the customer and the source of earnings is commissions from partner universities abroad.

- **Place:** Place is the third element of the marketing mix. For Mentors', the company has branches across 5 different places inside Dhaka City. Its head office is in Kalabagan, Mirpur Road. Aside from that, the company has branches in Mirpur, Mouchak, Uttara, and Banani. In recent times, the company has been thinking of opening a new branch in Wari which might happen in the first quarter of 2025. As an education consultancy/service provider, the company has limited operations online. This is one area where the company falls short of its competition and is thinking of capitalizing soon.

- **Promotion:** Promotion is the last part of the 4P's. Promotion is a metric that is used for promoting a product or service. It could be the trade channel or the media/pr stuff a company opts for. Mentors promote their services through multiple social media channels like Facebook, LinkedIn, and their own website. The company also relies on offline promotions such as using banners, flyers, and leaflets. It also promotes its IBA, IELTS, or other courses in numerous universities through its sales representatives.

2.4.2 STP of Mentors’

Figure-04: STP

STP stands for Segmentation, Targeting, and Positioning of a company. It clearly helps the company to deliver more personalized messages to its audience and reflects the product/service’s goal or objective (Decker, 2023).

STP of Mentors’ has been quite simple. The core targeted audience for the company has been students that are intending to complete their Bachelor’s or Master’s degree from home or abroad. The segmentation of the company reflects that individuals in the age group between 19 and 35 are the primary consumer group. The people who purchase the courses clearly have the intention to either go abroad or crack top-notch educational institutes in Bangladesh. Moreover, individuals who want to apply for bank examinations or complete GED are also targeted consumers of the company. The company positions itself as a one-stop solution for academic admissions, standardization tests, or studying abroad. It is committed to providing students with top-notch services.

2.4.3 Trade Channels

Mentors' use different trade channels to promote their products and engage with their audiences. From promoting products or updating about events on their own website, to frequently posting on Facebook to reach out to a wider audience and also posting on LinkedIn to engage with professionals, the company's marketing team is dedicated to ensuring the maximum reach possible. Below are a few snapshots of their promotion through different trade channels:

Figure 05: Promotion through Facebook (Source: https://www.facebook.com/photo/?fbid=934969785338508&set=gm.854783359952208&idorvanity=845078060922738)

Facebook has been one of the main trade channels to attract a large customer base since the target audience for the company is mostly students and people under age 35 and Facebook has been the most widely used medium by these individuals.

Figure 06: Posts through LinkedIn (Source: https://www.linkedin.com/company/mentorseducation/posts/)

The company also posts through LinkedIn to engage with professionals and connect with representatives of different universities from abroad. The above picture depicts a spot assessment that took place in the Mirpur branch for the students intending to pursue their tertiary or postgraduation degree abroad.

Figure 07: Posts through Website

For most individuals intending to know about courses or promotions, the company website still remains the most credible source. Mentors' frequently update about promotions and events through their website that the students or anyone can view.

2.5 Financial Performance

Financial analysis has been one of the key aspects of my internship. Aside from carrying out the regular day-to-day tasks, this analysis of the financial metrics of the company certainly provides an understanding of how well the company is doing financially. Several ratio analysis have been computed to get a proper understanding of the company's performance. A crucial technique for financial analysis, ratio analysis enables stakeholders to distill intricate financial data into measurements that are easy to comprehend (Virtuezone, 2024). These quantitative insights can be used to accurately assess the performance, state of the economy, and prospects of a company.

2.5.1 Key Financial Ratios

Ratio Analysis

Years	2020-21	2021-22	2022-23
Sales Growth		16.69%	35.41%
EBIT Growth		191.37%	43.07%
EBT Growth		-21.69%	79.19%
Net Profit Growth		2322.67%	-32.36%
Gross Margin	100.00%	100.00%	100.00%
EBIT Margin	0.17%	0.41%	0.44%
EBT Margin	0.59%	0.40%	0.52%
Net Profit Margin	-0.01%	-0.21%	-0.10%
Return on Equity%	-0.49%	-11.90%	-8.05%
Asset Turnover Ratio	9.08x	6.27x	5.54x
Fixed Asset Turnover	43.43x	24.19x	32.76x
Capital Turnover Ratio	49.14x	57.34x	77.64x
Degree of Financial Leverage	100.00%	107.76%	101.39%

Days Sales Outstanding	11	29	26
Current Ratio	0.73	0.78	0.81
Return on Assets	-0.09%	-1.30%	-0.57%

From the provided table, a few of the ratios are to be described briefly.

❖ **Current Ratio:**

Current ratio of a company showcases how a company covers up its current liabilities with current assets. It shows if a firm has significant resources to cover up its short term obligation.

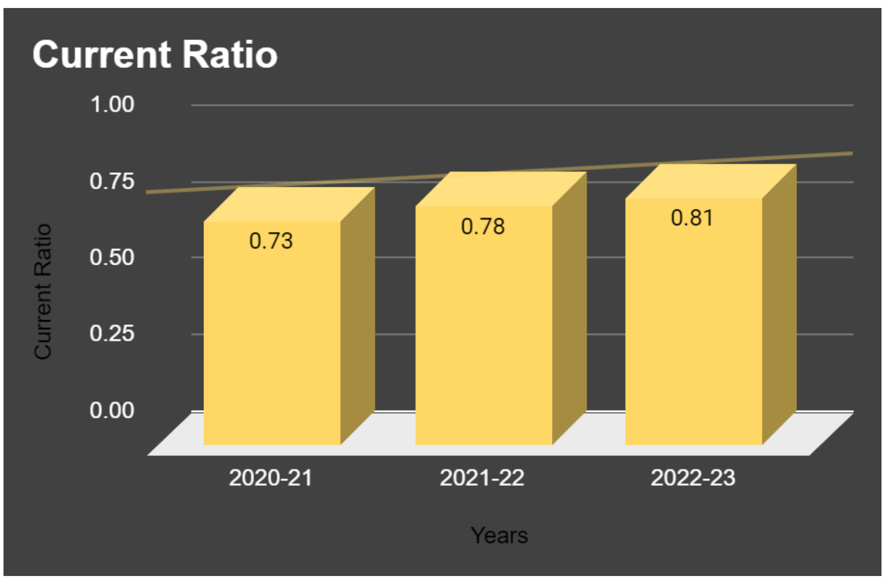

Figure 08: Current Ratio

The graph shows that the current ratio is upward-sloping, even though the rise is extremely steady. It resonates that the company did not see any significant uprise but it is managing its short-term debt obligation pretty well.

❖ **Efficiency Ratio:**

The asset turnover ratio or efficiency ratio indicates how a company can generate income through its assets. It is one of the key financial ratio figures that a company should highly focus on.

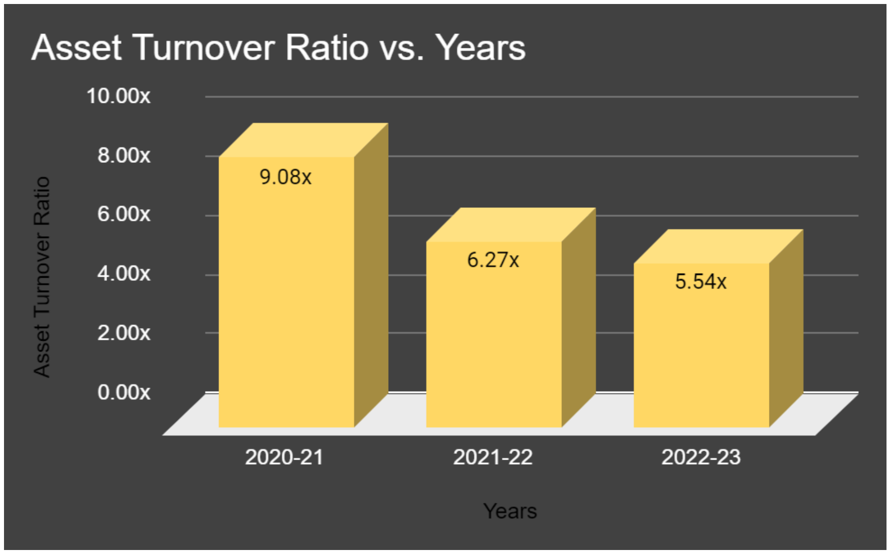

Figure 09: Total Asset Turnover Ratio

From the graph, it can be seen that with every passing year, the company's total asset turnover ratio is decreasing which means that the company is internally struggling to efficiently use its assets to generate more revenues. The COVID-19 situation, along with current inflation, and economical conditions have a significant role in the dip.

- **Net Profit Margin Growth:**

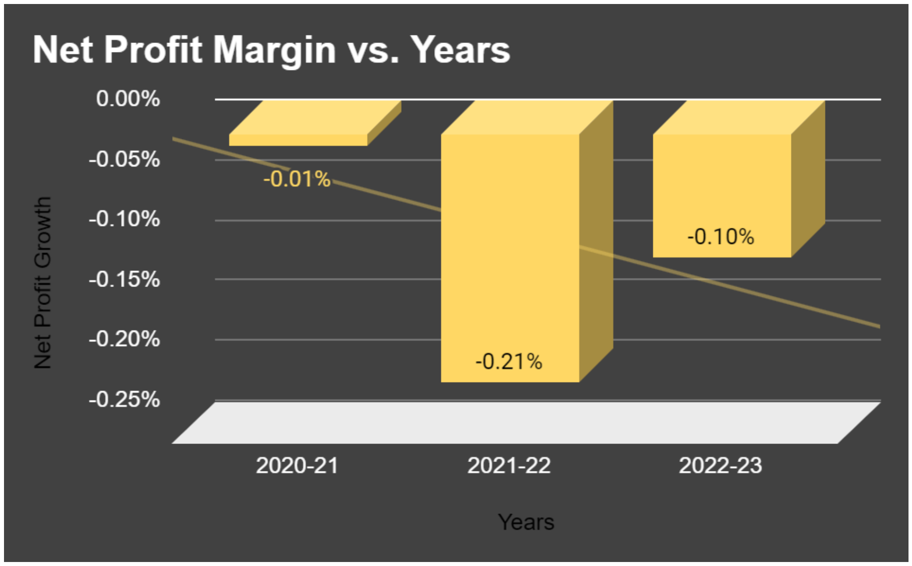

Figure 10: Net Profit Margin Growth

The net profit margin shows how much the company has been making as net profit from its sales revenue. Here the number shows that the company has been incurring net losses for the last 3 years which resulted in a downward slopping performance. The reason for this has been the pandemic and the devaluation of BDT compared to USD or other currencies too. If observed carefully, the company had the best net profit margin for the year 2020-21. However, due to the COVID-19 pandemic, the service industry in Bangladesh has been severely impacted and this clearly reflected in the FY 2021-22, when a lot of people lost their jobs too (Rahman, 2021). This clearly hit Mentors' as well and most students could not buy courses either. More importantly, the HSC examination and other public university examinations were halted too as educational institutions remained closed for months. During this time the sales were impacted too. Compared to 2021-22, the company recovered in the 2022-23 fiscal year but the company is still incurring net losses and would require a year or 2 to gain profit.

- **Degree of Financial Leverage:**

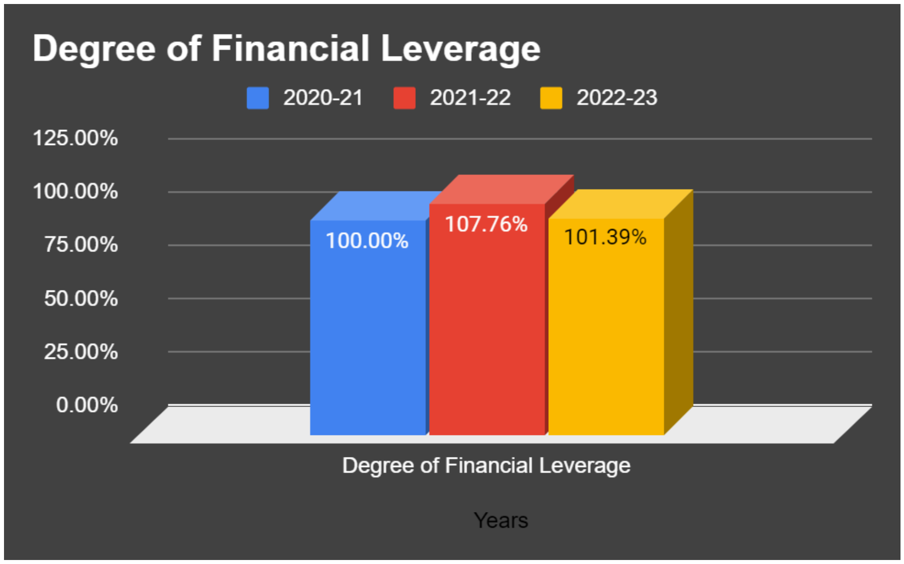

Figure 11: Degree of Financial Leverage

Degree of Financial Leverage indicates how sensitive a company's net income is to changes in the capital structure or other unforeseen events. The chart shows that Mentors' have been maintaining a steady trend here. The DFL showcases how much debt the company can acquire safely and the numbers speak a positive figure.

❖ **Return on Asset:**

Return on Assets indicates how much return the assets are generating for the company.

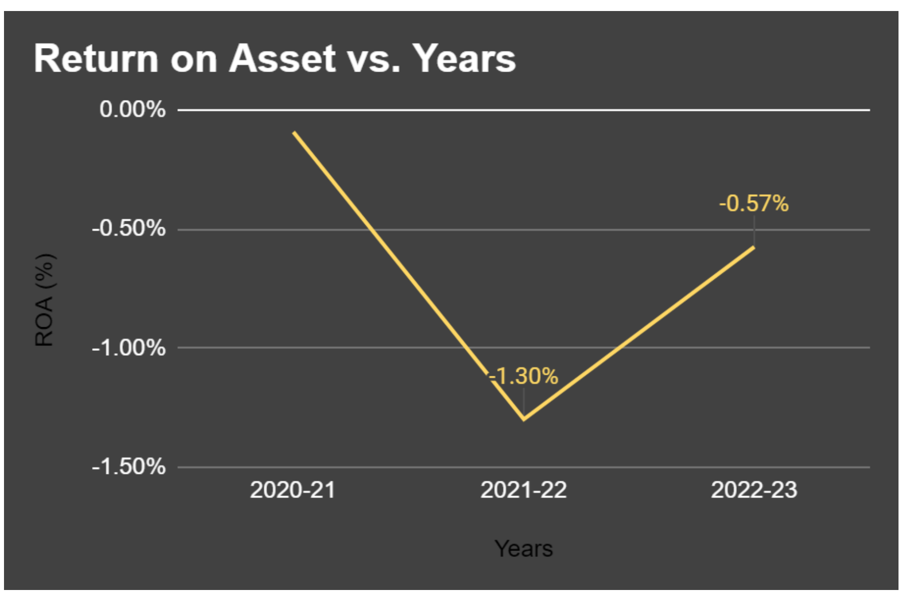

Figure 12: Return on Assets

Here it is clearly depicted that the company saw a dip in its ROA over the last two years. With the net profit margin being low, it was certain that the ROA would be lower as well. Compared to 2022, the performance in 2023 picked up. Another major reason besides Covid was the war between Russia and Ukraine (Fahad, Shafi, Khan, et al, 2023), which caused severe financial issues all over the world and Mentors' was no exception to it as well.

- **Return on Equity:**

ROE is an important indicator that reflects how much profitability the company has and how efficiently it generates the profits from its equity. The Return on Equity has also been positive over the last 3 operating years. As the net sales have been negative and the retained earnings have also been negative which resulted in negative owner's equity, the overall ROE was positive. In comparison to 2020-21, the company took a leap in 2022 and the in 2023 again saw a dip in the ROE. Although the numbers are positive for ROE, the net losses and negative shareholder's equity certainly raises concerns for the company.

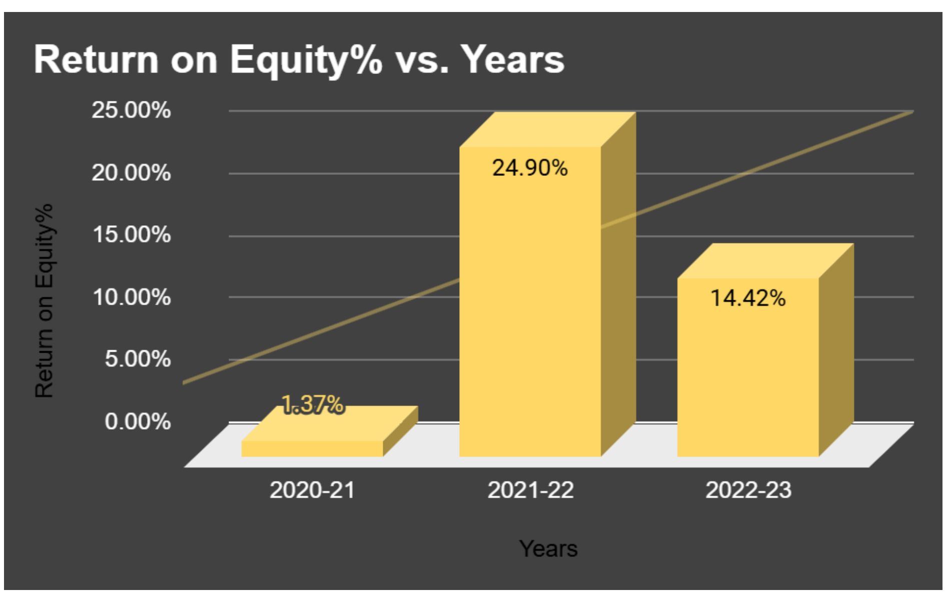

Figure 13: Return on Equity

2.6 Accounting Principles

The firm's financial statements and reports are prepared by Mahfel Huq & Co. The audits are conducted with International Standards on Auditing (ISA)'s accordance. The audit is independent of the company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code). Moreover, the financial performance and its cash flows calculations have been done in accordance with International Financial Reporting Standard (IFRS) and complies with the requirements of the Companies Act, 1994 and other laws and regulations.

For depreciation, the company uses straight line depreciations for its assets. The auditor's goals were to issue an auditor's report with a solid opinion and to reasonably ascertain whether there were any material misstatements in the financial statements overall, whether as a result of fraud or error. To create audit methods that are appropriate for the situation and assess whether the accounting policies being utilized are appropriate, the auditing also included gaining an understanding of internal control relevant to the audit.

2.7 Operations Management and Information System

2.7.1 Quality Assurance and Operations Management

At Mentors', continuous improvement is the main focus for their customer-centric quality management strategies. Since this is a service-based business, the company's primary philosophy is to offer customers superior services in order to preserve the value of the brand.

The company's operational decisions are always logical and well-supported by adequate research and the customer experience is always the primary consideration while supervising any activity. Furthermore, it is always guaranteed that there will be effective staff involvement in order to maintain employee happiness and generate successful results. Because of the low turnover, the business doesn't need to hire new employees as regularly. Every operation's benefit over cost is calculated, and if costs are higher than benefits, corrective action is done.

2.7.2 Information System Management

Mentors have their own CRM and in-house software to monitor employees' performance. CRM is the common software that is used to issue billing or provide information regarding customers. Individuals who come for counseling sessions regarding studying abroad or purchasing courses have to provide their information in the CRM and it keeps a record of the student.

For the employees, there is a dedicated record book and in-house software that keeps track of the punch-in, and punch-out timings, leaves taken, absenteeism, and other employee credentials. The website also provides details about significant courses, their prices, benefits, and details about the study destination that the company works with.

2.8 Industry and Competitive Analysis

2.8.1 SWOT Analysis

SWOT reflects on the Strengths, Weaknesses, Opportunities, and Threats of a company that allows it to run an internal and external test and figure out where it needs improvement and in which area it is excelling significantly. SWOT analysis for Mentors' is drawn below:

Name of the Metrics	**Description**
Strength	• The strength of the company lies in its products and customer service. It is a one-stop solution for the customers to receive academic counseling and also counseling for studying abroad.

	Competitions like 10 Minute School or Shikho do not have a dedicated study abroad counseling team. ● The brand value of Mentors' is one of its biggest strengths. For IBA preparations, bank job preparations, or IELTS, it is still considered the best organization for students. ● Courses have been modified on a regular basis while keeping the costs affordable for students. The company holds a strong position in the offline market. ● There is no counseling fee for study abroad. Some agencies in the market charge a nominal or substantial service charge while counseling and processing are free of cost at Mentors' Study Abroad.
Weaknesses	● Mentors' has a weaker hold online compared to 10 Minute School, or Shikho. ● The company has fewer marketing strategies and is yet to catch up with its competition.
Opportunities	● With the population increasing, and students inclining towards studying abroad, Mentors' has a great opportunity to maintain its position as one of the leaders in the market for selling IELTS courses. ● The company also has a vision for launching its own online platform for selling courses which will certainly help its business and allow it to reach a wider audience all over Bangladesh. ● Has the option to incorporate skill

	development courses.
Threats	• Inflation and recession might still be one of the biggest factors that the company has to worry about. • Competitors like 10 Minute School or others are also shifting to offline education/courses which might pose some threats.

Table-02: SWOT Analysis

2.8.2 Porter's 5-Forces Analysis

Name of the Metrics	**Description**
Threat of New Entrant (High):	The threat of new entrants is high as new companies can launch courses and promote them online to sell them. Most of the study abroad agencies nowadays are launching IELTS courses so the replication is quite easier. However, for BBA courses or for SAT, the number of educational consultancies or centers is relatively low.
Bargaining Power of Suppliers (Low):	Suppliers in this business are instructors, consultants, or printing houses that print books, lecture sheets, and other materials. There are numerous printing shops in the market. Therefore, the presses or other suppliers have low bargaining power.
Bargaining Power of Buyers (High):	The bargaining power of buyers is high in this business. The students have numerous alternatives to consider for their desired course preparation, thus they can opt for the organization providing them with the best value for their money. Similarly, there are other study-abroad agencies in the market, that provide academic counseling. Thus, customer has a significant hold on their

	decision-making.
Threat of Substitute Products (Moderate):	Since the organization is service-based, it is difficult to replicate the service. However, the competition is fierce and consumers certainly have other alternatives to choose from.
Rivalry Among Existing Firms (High):	The competition is fierce in this market and each company is striving to do their best and acquire more customers. They are consistently trying their best to update their materials and services and so is Mentors'. Therefore, the rivalry among existing firms are high.

Table 03: Porter's 5 Forces Analysis

2.9 Summary and Conclusion

To summarise it can be iterated that Mentors' has been doing an exceptional job over the last 28 years, serving as a great institution for students intending to achieve their academic success as well as wanting to go abroad. The management practices followed at Mentors' allows its employees to work in a great environment where compassion and support are provided and organizational goals are clearly shared with the employees. As for the marketing practices, the company's marketing team has been using the trade channels adequately, however, the PR strategies can be improved to acquire a larger number of students. The company should focus on on-page promotions, ad marketing, and SEO to generate higher traffic. As for the financial performance, due to COVID-19, ongoing devaluation of Bangladeshi currency, and higher inflation, the company had to incur losses in 2022 and 2023. However, with proper planning and resource allocation, that can be mitigated. The company is also aiming towards creating its own online platform in the future which would certainly increase the number of students and add to the revenue. Other analysis such as information systems analysis and operations management analysis were conducted as well. Lastly, industry competitive analysis such as SWOT and Porter's Model were implemented to find significant weaknesses or gaps in the company where it can improve. The analysis provides a thorough picture of where the company lies and in which area it can improve in the future.

2.10 Recommendation

Mentors' is one of Bangladesh's most reputable academic admission advising and study abroad consultants, well-known for their services in counseling students on studying abroad or assisting students with entrance, standardized tests, and academics. It's a student-focused organization that offers a vibrant and inspiring learning environment. Throughout the entire organization section, numerous factors and the performance of several departments were discussed. Although the company has been one of the market leaders, it has its shortcomings and areas where it can certainly improve.

For management practices, the company has a “Laisez Faire” leadership policy and a decent compensation package, but the recruitment process can be a bit more rigorous. The written phase could be improved as well as keeping initial assessments for applicants. It would make filtration easier. Also, exit interview needs to be conducted for individuals who are leaving the company to know about the turnover and work on improving the points mentioned by the employees who are leaving.

As for marketing, the company uses multiple trade channels, however, it is only recently time that they have started being more active on LinkedIn. Focus on LinkedIn should be prioritized now. Moreover, the engagement of students in online posts is not as effective as it is for the competitors. Thus, the company should focus on its PR management. Positive word of mouth has always been an area where Mentors’ have shined and it should generate those through social media/online reviews to generate more traffic. As for operations management and information systems, the company still relies a lot on tangible leaflets. The course details are not thorough in the website which needs to be sorted and updated. The CRM and separate leave management software are good to have but the main website needs significant updates. The company is working on launching its own Learning Platform similar to EDX and plans on integrating the details of its main websites with the learning platform in the future.

Lastly, its financial performance in the last 3 years has not been good as the company had to suffer losses in previous years. Although factors like COVID-19, inflation, and current worldwide economic crises are major factors for the service industry to take a hit, the company has significant operating expenses compared to its revenue, which it needs to work on. It should also focus on its weak areas and monitor the performances of its competitors, whilst also strengthening its strengths. Lastly, with the rise in population and future demand for education abroad rising steadily, the company has significant opportunities ahead that it needs to utilize properly.

Chapter 3: Project Part

"Financial Performance Projection of Mentors' through Forecasting."

3.1 Introduction

In this project part, we are going to analyze the last 3 years' performance of the company and run a forecasting for the company using percentage of sales method. The test will be run for both the balance sheet and income statement. Following that, we will try to provide a recommendation on areas where it needs to strengthen more or be cautious.

3.1.1 Literature Review

Financial forecasting is a method that is used to calculate the future performance of a company based on either past historical data or current market trends (Blank, 2024). It is important for any business organization to make informed decisions and also plan accordingly. Comprehensive financial forecasting methods typically result in improved financial performance, a more consistent flow of cash, and better management of the organization. Additionally, conducting a financial forecast certainly helps organizations plan strategically for the future and allocate their budget accordingly (Boyles, 2022).

There are different ways of conducting a financial forecast. However, the percentage of sales method to forecast sales and based on that calculating the income statement and balance sheet still remains one of the best methods for forecasting. Based on past and present sales data, the percentage of sales technique is a forecasting tool that generates financial projections. Sales and any associated business expenses, such as inventory and cost of products, are included in this report (Kelwig, 2024). It is a viable method as it is easier to perform, does not require a loads of data and also easier to compare across business industries (Russell, 2023).

In recent times, post-Covid era online platforms for delivering skill-based courses and academic courses have emerged significantly. 10 Minute School is still the leader in this industry but new companies like Shikho, Ostaad, and others have also been doing significantly well (Rafa, 2024). Moreover, the number of students wanting to go abroad has trebled over the last decade, and with the COVID-19 pandemic and the current economic condition of Bangladesh, the numbers are likely to grow higher (Mortuza, 2023). For going abroad or preparing for academic courses related to BBA in Bangladesh, Mentors' have been serving for well over 2 decades and is arguably the best offline place to gain academic counseling and support, despite the recent uprise of the online competition. With this paper, forecasting and financial performance analysis based on that will be conducted.

3.1.2 Objective

The primary and secondary objective of the report is listed below:

The **primary objective of the report** is to forecast the financial statements of the company for the next 5 years using POS method.

- It will allow the company to plan strategically for its future. It can help them prepare the budget and allocate it accordingly for future resources.
- It will also help the company figure out where the major expenses are happening and help them reduce or plan for them.
- It will help the organization set realistic growth for the future.

The **secondary objective of the report** is to analyze the population growth rate in Bangladesh to figure out if the market size would expand and if there are future possibilities for the industry to grow. The secondary objective is crucial to achieve the primary objective. Since the company is a service-based organization and works to assist students going abroad, it is important to monitor the population growth, unemployment rate, demand for international students abroad, and international immigration policy. A change in any of the mentioned factors would result in a change in sales and can shift the revenue structure of the company.

3.1.3. Limitations

As an intern, the company did not share all the financial details or projected plan for future due to confidentiality. This possessed a challenge to conduct the research as without solid numbers/data, it is difficult to back results.

3.1.4 Significance of the Report

Financial forecasting is crucial for an organization to predict its future financial cashflows and financial performance. The forecasting can be done with historical data and also by forecasting the current trend and future trends. The significance of this report is drawn below:

- **Goal Setting and Risk Mitigation:** With the Pro-forma income statement and balance sheet, the organization will be able to plan strategically. They will be able to use the forecasting work for their future references and work on it with the finance department to identify potential risks and challenges and mitigate them. This will also help them set their goals for the next couple of years and achieve them.

- **Cost Controlling:** The organization can implement costs and control them by anticipating future performance which will also help them to attain profitability.

- **Utilizing Working Capitals:** With forecasting, the company can use the proper optimization of working capital to run the operations and also avoid financial crises.

- **Debt Management:** The prepared report will also assist the organization in managing its debt levels and investment decisions.

3.2 Methodology

There are several ways a forecasting can be done. It can be done through a qualitative method which includes Delphi Model or Market Research (Fleexy, 2024), or it can be done through a quantitative model which can be done through the straight-line method, moving average method, or regression. In the straight-line method, it is assumed that the growth rate of the company would remain constant throughout future periods. However such is not possible as there are macro and micro economic factors, trends, and other factors that influence the market and demand. Regression can be a great choice to conduct financial forecasting, however, the data provided by the company was extremely limited, due to which the forecasting was cumulated using the percentage of sales method.

In the POS method, initially sales was forecasted based on the historic data from the previous 3 years. The arithmetic mean average of the growth rate of the past 3 years were taken into account and value was kept constant for the next 5 financial years. Based on the sales figure, operating expenses, EBITDA, EBT, was calculated.

$$A = \frac{1}{n}\sum_{i=1}^{n} a_i = \frac{a_1 + a_2 + \cdots + a_n}{n}$$

Figure 14: Arithmetic Mean Average

With the arithmetic mean value, growth of sales will be measured and the other factors such as operating expenses, and spontaneous assets and liabilities in balance sheets will grow. Moreover, the growth rate will be kept constant throughout the 5 financial years for simplification of the forecast. Non spontaneous assets or liabilities will not grow with the same growth rate and this will be a managerial decision from the organization. Another key aspect in the balance sheet is AFN or additional funds needed. The term "additional funds needed," or AFN, describes the extra money that a business will require in order to grow. In order for the company to properly assess whether or not they will be able to generate the additional cash and, consequently, be able to attain the higher sales level, AFN is a method of calculating how much new capital will be necessary.

Additional funds needed can be obtained by subtracting the total liabilities and equity of shareholders from the total assets in the balance sheet. According to Brasley and Brigham, the amount in AFN is what the organization needs to fund through in order to attain a the projected higher sales level. If the value is positive, the organization needs to finance that through short term debts, long term debts, or through equity financing. However, if the AFN is negative, the amount can be invested to ensure the balance sheets balance properly.

3.3 Results and Analysis

3.3.1 Population Growth of Bangladesh

Population growth has always been one of the major issues in Bangladesh. Over the last couple of decades, even though the GDP of the country has seen some growth, the quality of living has deteriorated for the lower-class and lower-middle-class families as inflation has gone high and unemployment rate has not improved the way it should have improved. The country already ranks 8th most populated country in the world and has a population of well over 180 million. According to Statista, the population growth rate for 2023 was 1.03% which was better than other years. However, the unemployment rate in Bangladesh is still 5.06% which is still poor compared to a decade ago when it was roughly 4.5%.

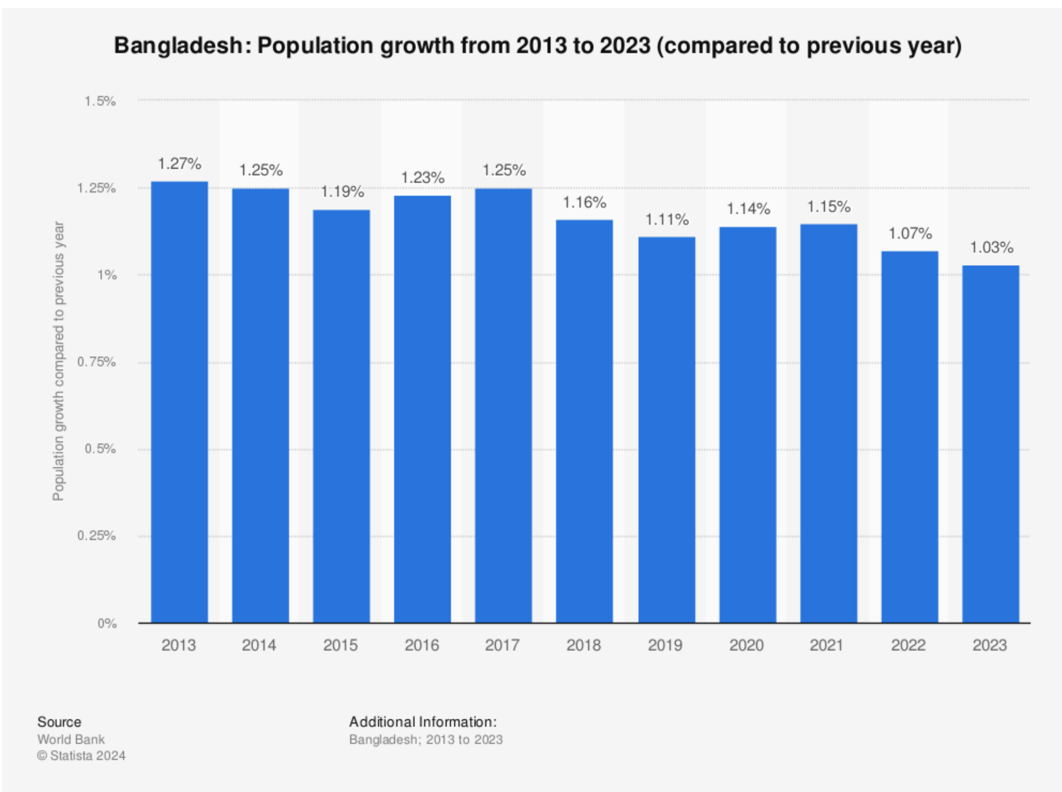

Figure 15: Population Growth of Bangladesh (Source: https://www.statista.com/statistics/268715/population-growth-in-bangladesh-1990-2008/)

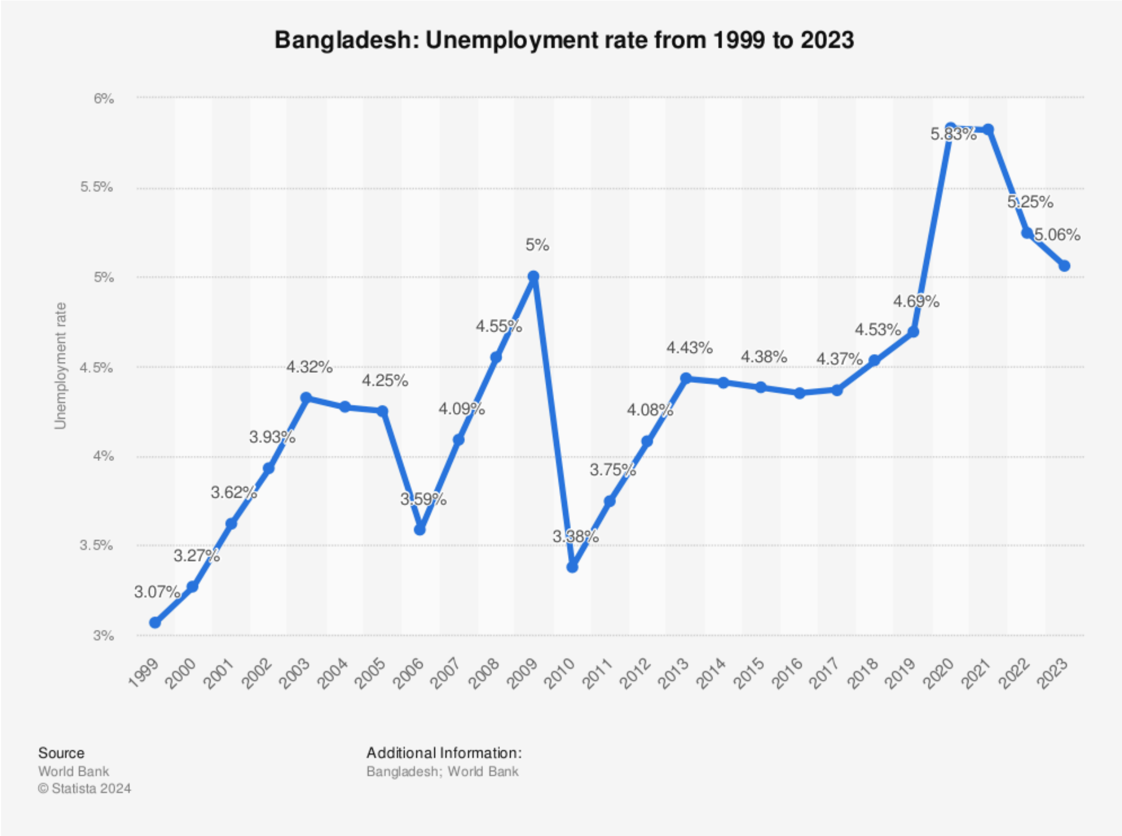

Figure 16: Unemployment Rate of Bangladesh (Source: https://www.statista.com/statistics/808225/unemployment-rate-in-bangladesh/)

It is projected that the population of Bangladesh might exceed 240 million by 2030 (Uddin, Taleb, Khorshed, et al, 2022). Moreover, the unemployment rates and lack of tertiary education options for students still remain a great challenge for Bangladesh. Amidst this, a lot of students have opted for studying abroad as a priority for them to receive education on their desired subject from a recognized university in presumably 1st world country. According to the Daily Star (2022), the number of students has tripled over the last 15 years, and the chances of it increasing in the up and coming year are very high as well. This opens up an opportunity for consulting agencies to grab and with the number of aspirants increasing every year, the market is going to expand even more.

3.3.2 Growth Among Students to Study Abroad

Since the company's core USP lies in selling courses in IELTS and providing assistance to sending students abroad, it is crucial to evaluate the market conditions and growth opportunities of students' willingness to study abroad. According to Daily Star, in 2022, the number of students who went abroad for education purposes was 49, 151, whereas in 2023, the number was 52, 799, and over the last 15 years, the number has tripled (Islam, 2024). In fact, in 2024, already more than 60,000 students have flown to pursue their study abroad dream. Youths in Bangladesh face issues like scarce employment prospects, unstable political environments, and concerns about the quality of education provided in their country. And with the job market becoming more competitive and studying abroad becoming more convenient, it can be assumed that Mentors' will likely to witness a growth in sale in the forthcoming years.

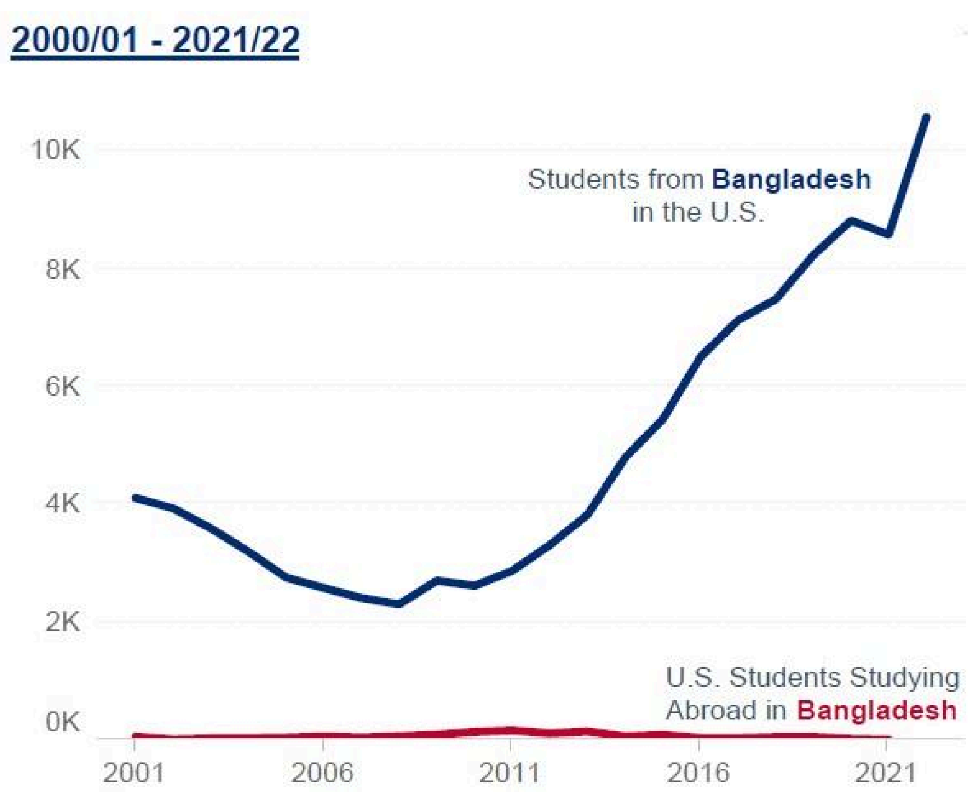

Figure 17: Migration of Students from Bangladesh to USA

By looking at the picture above it can be clearly depicted that the number of students who migrated from Bangladesh to one single country over the last 20 years has significantly risen (Siddiqui, 2022). Similarly, the number of students migrate to Australia, Canada, Malaysia, and Europe has also risen significantly over the course of the last 2 decades. In the four years from 2019 to 2023, Bangladeshi students studying in Canada increased by 95%, those studying in Australia by 81%, and those studying in the UK by 364% (Hogan, 2024). Another reason why the migration saw an uprise was the rise of middle-class income families. According to research conducted, the middle and affluent consumers in Bangladesh have risen by 7% between 2015-2020 and it was projected to grow significantly in 2025 (Hogan, 2024). Even with a similar growth rate, it can be projected that the market in Bangladesh for education consultancy and study abroad counseling will grow with time.

3.3.3 Forecasting of Financial Statements (5-Year)

<u>Income Statement Forecasting</u>

Income Statement								
Years	**2020-21**	**2021-22**	**2022-23**	**2023-24**	**2024-25**	**2025-26**	**2026-27**	**2027-28**
Sales Revenue	**49,140,877**	**57,342,125**	**77,644,578**	**91,189,597**	**107,097,530**	**125,780,587**	**147,722,884**	**173,492,992**
Less: Cost of Revenue	0	0	0	0	0	0	0	0
Gross Profit	**49,140,877**	**57,342,125**	**77,644,578**	**91,189,597**	**107,097,530**	**125,780,587**	**147,722,884**	**173,492,992**
Less: Operating Expenses	-49,059,317	-57,104,486	-77,304,596	-90,790,305	-106,628,583	-125,229,832	-147,076,050	-172,733,319
Profit/(Loss) from Operation (EBITDA)	**81,560**	**237,639**	**339,982**	**399,292**	**468,948**	**550,755**	**646,834**	**759,673**
Add: Other Income	208,375	6,523	71,537	84,017	98,673	115,887	136,103	159,846
Less: Financial Expenses	0	-17,105	-4,650	-5,461	-6,414	-7,533	-8,847	-10,390
Net Profit/(Loss) Before Income Tax	**289,935**	**227,057**	**406,869**	**477,310**	**559,998**	**657,111**	**771,167**	**905,120**
Less: Income Tax Expenses	-294,845	-346,010	-487,329	-119,327	-139,999	-164,278	-192,792	-226,280
Net Profit/(Loss) After Tax for	**-4,910**	**-118,953**	**-80,460**	**358,385**	**420,905**	**494,332**	**580,567**	**681,847**

the Year	

Sales Forecast: The forecasting starts with income statement forecast and it has been done using the POS method. The first item in the income statement is the sales and based on the historical data, the growth rate for the year 2021, 2022, and 2023 is 0.24%, 16.69%, and 35.41% respectively. Although the growth has been linear for the company, the projected growth rate depends upon a lot of micro and macro economic factors. Thus, the arithmetic mean average approach is taken to compute the average value of the 3 years.

Average Growth Rate = (0.24% + 16.69% + 35.41%)/3

= 17.44%

The average sales growth rate which is depicted to be 17.44% will be kept constant for the next 5 years to predict the statement of income. The growth rate then has been multiplied with the previous year's sales value to obtain the current year's sales figure.

Projected Sales for 2024 = *77,644,578* (1+0.17)*

*= 77,644,578 * 1.17 BDT*

= 91,189,597 BDT

The sales figure for the next 5 years are as follows:

Year	Sales Figure (BDT)
2024	91,189,597
2025	107,097,530
2026	125,780,587
2027	147,722,884
2028	173,492,992

Following the sales figure, it was important to find the operating expenses as the company does not incur any COGS. The reason for not incurring COGS is due to the company being in the service industry and not selling any tangible goods. From the historical data, the operating expense for the company has been ***(77,304,596 / 77,644,578)*100%*** or ***99.56%*** of the sales figure. Such high figure in operating expenses certainly raises concern as this is depicted to be one of the main issues for incurring losses in the previous years. Keeping the operating expense (as a % of sales) same for the next 5 years, the operating expenses were computed.

Following that EBITDA was calculated by subtracting the operating expenses from the gross profit value (same as sales revenue due to not having any COGS). Other incomes and financial expenses were kept at a similar growth rate as sales which is 17.44%. Moreover, there is no interest payments as the company does not have any short term or long term debts. Lastly, as per government, standard corporate tax rate of 25% is provided to deduct tax from EBT amount (Orbitax, 2024). This ultimately results in the net profit/loss for the company which has been forecasted to gain nominal profit for the next 5 years.

Balance Sheet Forecasting

Following the forecast of the income statement, balance sheets were forecasted. If the asset levels were sufficient for the year 2023's operation, then to increase the number of sales, assets must also grow. For the simplification of the project, it is assumed that the company's assets were at full capacity. However, if they were not at 100% capacity, then the amount invested in increasing the fixed assets like plants, property, and equipments would be lesser compared to the computed value here. Since it is assumed that plants, property, and equipments were at 100% capacity, then higher number sales must result in increase of assets, both current and non-current assets.

Furthermore, if the sales of the company increases, along with the assets, the liability must also increase spontaneously with the sales growth rate. With higher operations, more labours will be hired and thus higher sales will result in higher taxable incomes. Common stock, long-term bonds, and notes payable will not go up on their own when sales increase. Rather, after it has been established how much additional funding is required to sustain the anticipated operations, meaningful financing decisions will be taken by the management that will set the predicted levels of these accounts.

Years	2022-23	2023-24 (Initial Forecast)
Assets:		
Non-Current Assets:	**2,410,534**	**2,823,984**
Property, Plant and Equipment	2,370,034	2,783,484
Preliminary Expenses	40,500	40,500
Current Assets:	**12,711,601**	**14,789,625**
Advance, Deposits & Prepayments	5,546,100	6,513,612
Advance Income Tax	150,110	36,794
Closing Stock	71,300	83,738
Investment on FDR	2,399,381	2,817,951
Cash and Cash Equivalents	4,544,710	5,337,530
Total Assets	**15,122,135**	**17,613,609**
Shareholders' Equity and Liability		
Shareholders' Equity:	**-558,161**	**-199,776**
Share Capital	1,000,000	1,000,000
Retained Earnings	-1,558,161	-1,199,776
Current Liabilities	**15,680,298**	**18,415,710**
Advance Against Goodwill	1,248,000	1,465,712
Liabilities For Expenses	13,386,896	15,722,227
Provision For Income Tax	1,045,402	1,227,771
Total Shareholders Equity and Liabilities	**15,122,137**	**18,215,934**
Additional Funds Needed		**-602,326**

From the depicted figure of 2023-24's projected balance sheet, it can be seen that the current assets are increasing with the same growth rate as of the sales. Moreover, the plants, properties and equipments, despite being non-current assets are being used at 100% capacity for the existing year's sales. Had it been operating at 90% or below 100%, then that value could be used to compute how much of increment it actually requires. Because with if the equipments are working at lower than full capacity, then with its full capacity it can increase more sales value.

Non current assets like cash and cash equivalents or advance prepayments are experiencing the same growth rate. Therefore:

Cash and Cash Equivalents for 2024 = *BDT 5,546,100 * (1.1744)*

= BDT 6,513,612

Similar to these other items are also increasing. However, the advance income tax calculation has been computed in relation to the % of tax paid advance in 2023. In 2023, the company paid an overall of BDT 487,329 as tax and advance payment was BDT 150,110 which is 30.8% of the overall tax incurred in that year. Keeping that 30.8% constant, the advance tax payment for 2024 and the following year was conducted.

Advance Tax paid for 2024 = *BDT 119,462 * 30.8%*

= BDT 36,794

Moreover, the company does not have any short term debts, long term debts or notes payable, due to which its liabilities grow spontaneously with sales growth. The advance against good will and provision for taxes are however, not spontaneously growing items due to management's discretion, tax laws, regulations, and economic conditions. These are not immediately related to the day-to-day activities of the firm, in contrast to spontaneous sources of funding that naturally grow with business activity. However, if a company's sales increase, then they will incur higher tax provision and higher advances against goodwill, which is why their growth has been kept constant. Additionally, the shared capital of owner was kept same for every operation year as the sales growth does not affect them, unless they issue new shares. The retained earnings basically reflected on adding previous year's earning with the net profit/loss.

With all the accumulated amount, the balance sheet had discrepancies in number for total assets and total liability and equity, which resulted in plugging in the Additional Funds Required. AFN is a common concept used in business in order to expand their operations and assets. Since the objective of any firm is to obtain profit maximizations, growth of sales are necessary for the firm. And in the balance sheets, the liabilities and assets section needs to match. However, the added funds to balance the discrepancy is considered the AFN. To further add, every business needs additional funds to finance the new assets that is required to increase the sales eventually. If the AFN value is positive, it states that the total assets value are more than the total liabilities and owner's equity value, whereas a negative value indicates that there are more liabilities and equity value compared to total assets. This is a surplus amount and indicates that the company has more funds than it requires to support the growth. It means that the company can invest in new projects or accounts or pay off its debts.

For the forecasted balance sheet, in 2024, the AFN has been BDT -602,326 meaning there was a surplus of 602,326 TK. This amount can be invested to finance the further increment of non-current assets or can be invested in FDRs. This depends on the management of the organization whether they want to invest in plants, property acquisition or invest in FDRs to gain interest incomes annually, or do a mix. For this forecast, the amount has been fully invested in FDRs. This offsets the AFN in the final forecast value.

Years	**2022-23**	**2023-24 (Initial Forecast)**	**2023-24 (Final Forecast)**
Assets:			
Non-Current Assets:	**2,410,534**	**2,823,984**	**2,823,984**
Property, Plant and Equipment	2,370,034	2,783,484	2,783,484
Preliminary Expenses	40,500	40,500	40,500
Current Assets:	**12,711,601**	**14,789,625**	**15,391,950**

Advance, Deposits & Prepayments	5,546,100	6,513,612	6,513,612
Advance Income Tax	150,110	36,794	36,794
Closing Stock	71,300	83,738	83,738
Investment on FDR	2,399,381	2,817,951	3,420,276
Cash and Cash Equivalents	4,544,710	5,337,530	5,337,530
Total Assets	**15,122,135**	**17,613,609**	**18,215,934**
Shareholders' Equity and Liability			
Shareholders' Equity:	**-558,161**	**-199,776**	**-199,776**
Share Capital	1,000,000	1,000,000	1,000,000
Retained Earnings	-1,558,161	-1,199,776	-1,199,776
Current Liabilities	**15,680,298**	**18,415,710**	**18,415,710**
Advance Against Goodwill	1,248,000	1,465,712	1,465,712
Liabilities For Expenses	13,386,896	15,722,227	15,722,227
Provision For Income Tax	1,045,402	1,227,771	1,227,771
Total Shareholders Equity and Liabilities	**15,122,137**	**18,215,934**	**18,215,934**
Additional Funds Needed		**-602,326**	**0**

If the AFN is positive, then the organizations need financing from long term debt/bond issuings, short term loans from financial institutions which will result in incurring interests and through equity financing or stock selling that will need them to provide dividends. Regardless of the routes, it will result in a lower net profit in the income statement and retained earnings will be lower, which will result in higher gap and more AFN. Therefore, it is suggested for the companies to raise more than the projected additional funds.

Additionally, it is estimated that the fixed assets were running at full capacity. Had it been running on for example 80% capacity in 2023, then the plant capacity would have been:

Plant Capacity = BDT 77,644,578 / 0.8

= BDT 97,055,723

The full capacity value is BDT 97,055,723 which is more than the projected sales value (BDT 91,189,597). Then, with the same amount for plant, properties, and equipments could have been used for 2024 which is BDT 2,370,034 and this would have saved the organization more money which would then result in a higher surplus amount in AFN and the company could invest more amount in either FD or some other assets. However, for the simplification, it is conceived that the assets are at full capacity.

The final forecasted balance sheet with balanced AFN is provided below:

Years	2022-23	2023-24 (Final Forecast)	2024-25 (Final Forecast)	2025-26 (Final Forecast)	2026-27 (Final Forecast)	2027-28 (Final Forecast)
Assets:						
Non-Current Assets:	**2,410,534**	**2,823,984**	**3,309,560**	**3,879,844**	**4,549,614**	**5,336,224**
Property, Plant and Equipment	2,370,034	2,783,484	3,269,060	3,839,344	4,509,114	5,295,724
Preliminary Expenses	40,500	40,500	40,500	40,500	40,500	40,500
Current Assets:	**12,711,601**	**15,391,950**	**18,539,882**	**22,236,966**	**26,579,004**	**31,678,505**
Advance, Deposits & Prepayments	5,546,100	6,513,612	7,649,905	8,984,423	10,551,746	12,392,488
Advance Income Tax	150,110	36,794	43,213	50,751	59,605	70,003
Closing Stock	71,300	83,738	98,346	115,503	135,652	159,316
Investment on FDR	2,399,381	3,420,276	4,479,761	5,724,072	7,185,451	8,901,767
Cash and Cash Equivalents	4,544,710	5,337,530	6,268,657	7,362,218	8,646,549	10,154,931
Total Assets	**15,122,135**	**18,215,934**	**21,849,442**	**26,116,811**	**31,128,618**	**37,014,730**
Shareholders' Equity and Liability						

Shareholders' Equity:	**-558,161**	**-199,776**	**221,129**	**715,461**	**1,296,028**	**1,977,875**
Share Capital	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
Retained Earnings	-1,558,161	-1,199,776	-778,871	-284,539	296,028	977,875
Current Liabilities	**15,680,298**	**18,415,710**	**21,628,312**	**25,401,350**	**29,832,590**	**35,036,855**
Advance Against Goodwill	1,248,000	1,465,712	1,721,404	2,021,702	2,374,385	2,788,595
Liabilities For Expenses	13,386,896	15,722,227	18,464,953	21,686,146	25,469,272	29,912,361
Provision For Income Tax	1,045,402	1,227,771	1,441,955	1,693,502	1,988,932	2,335,899
Total Shareholders Equity and Liabilities	**15,122,137**	**18,215,934**	**21,849,442**	**26,116,811**	**31,128,618**	**37,014,730**
Additional Funds Needed		**0**	**0**	**0**	**0**	**0**

3.3.4 Key Ratios Post Forecasting

From the projected value, current ratio, net profit margin growth, ROE, and ROA were be forecasted.

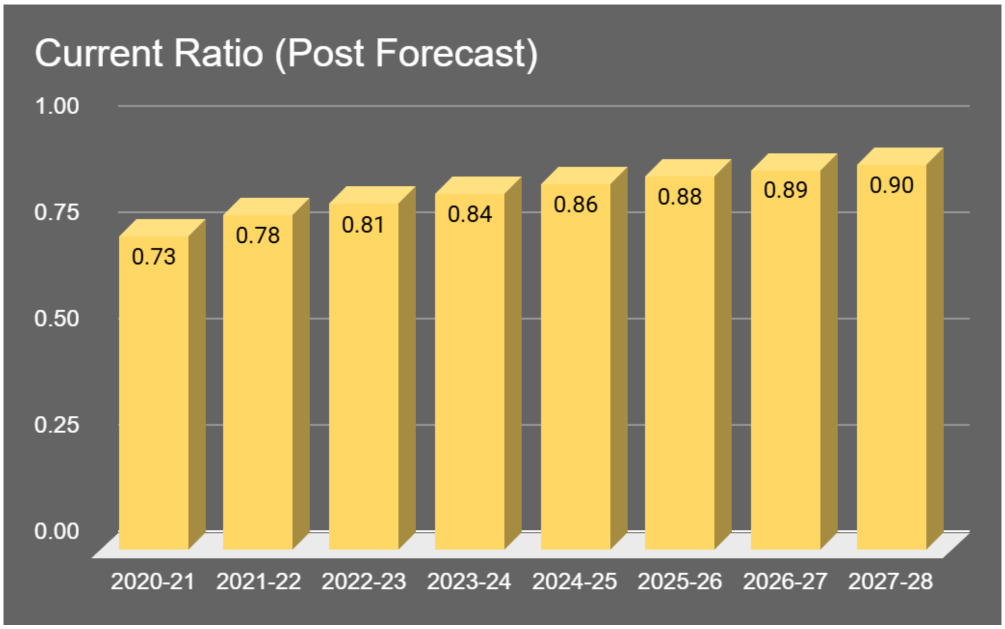

Figure 18: Current Ratio (Post Forecasting)

It can be observed that the current ratio has seen growth over the past 3 years. With the increase in sales and the company projected to incur net profit in 2024, the growth remain firm. The current ratio stands for the number of current assets with respect to the number of current liabilities. It states a company's ability to meet its short-term obligations in respect to its assets. However, a current ratio value of less than 1.0 clearly indicates that the company has inadequate capital to meet its short term debt obligations. Even with the substantial growth, the company is still not being able to meet the industry standard and needs to invest in increasing its assets.

With the sales growth being kept at a constant value for the company, the profit margin growth will remain the same as well as the forecasting is conducted keeping the percentage of sales method. Therefore, the net profit margin is forecasted to remain equal from 2024-28. The net profit for the last three years have incurred losses, which will improve in 2024 as the company is expected to witness a net profit growth of 0.39% which will remain same for the upcoming years.

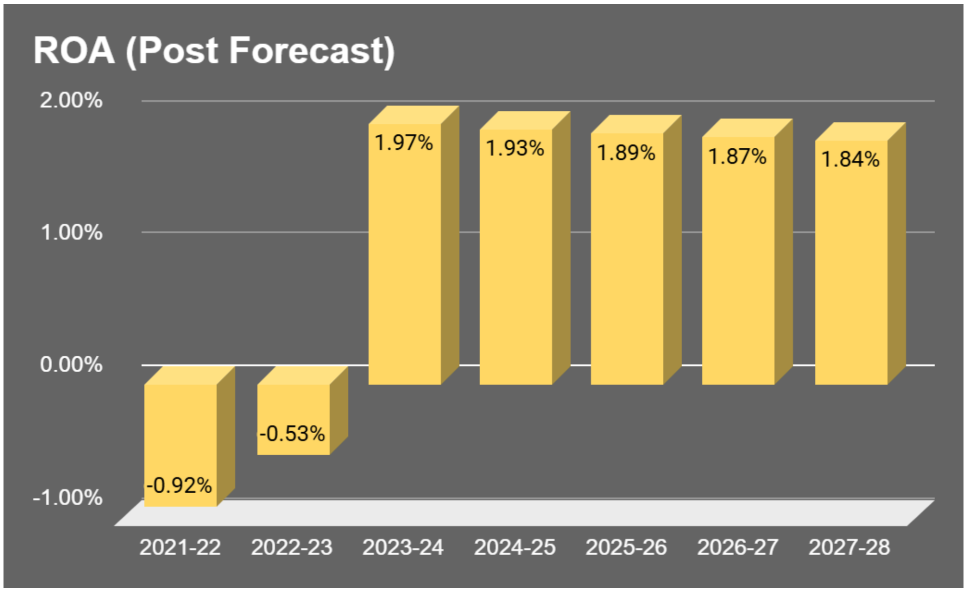

Figure 19: ROA (Post Forecasting)

On the other hand, with net profit forecasted to go positive in 2024, it is clear ROA will go positive in 2024 and forward. The ROA indicates a company's profitability in relation with the assets it has and also can be used by analysts and investor to see if the company can efficiently generate profits using assets. Previously with negative ROA, Mentors' was not capable of generating profits from its assets, hence indicating their inefficiency. While comparing profits to revenue is a helpful operational statistic, comparing profits to the resources an organization employed to get them shows how feasible that business is. Mentors' is likely to witness positive ROA, thanks to the profit generated from the operations. Although the projection estimates that the number will drop, which the company needs to be cautious about and focus on using its assets more efficiently. The company can identify idle assets and get rid off them, evaluate the current asset's conditions, schedule proper maintenance and also conduct periodic audits.

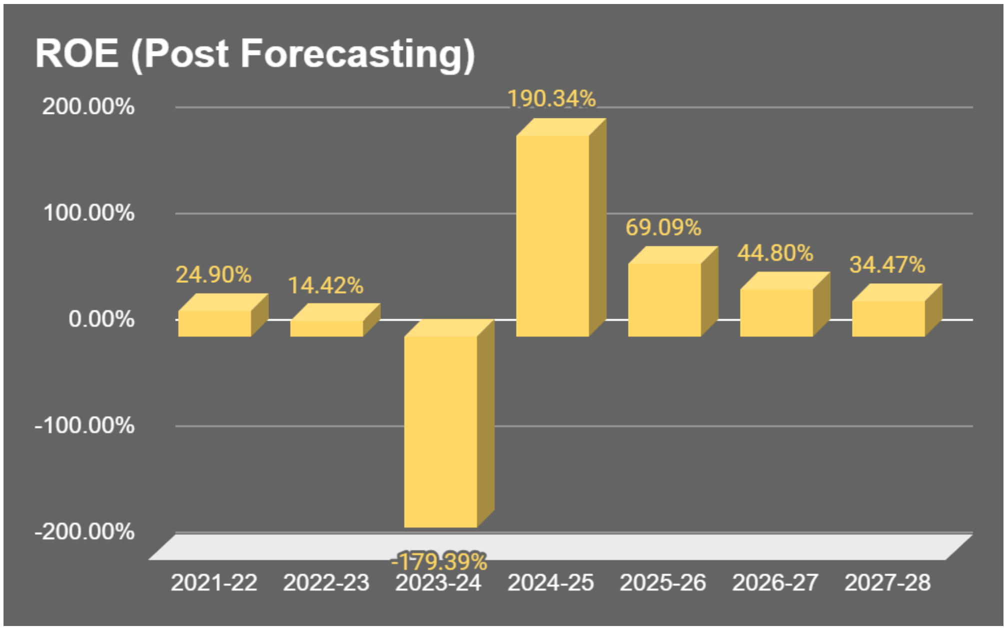

Figure 20: ROE (Post Forecasting)

Lastly, the ROE which states the profitability of a firm. It includes dividing the net income by total shareholder's equity. will be positive in that year as well. As per the historical value, previously the company had a loss and negative shareholder's equity, which even though incurred in a higher ROE, was not healthy for the firm's profitibility. However, in 2024, the company experienced a profit but the retained earnings were still negative which resulted in a negative return on equity. The following year retained earnings were positive and it resulted in a positive ROE, which then lowered the following year and afterward. By utilizing assets efficiently, reducing costs, and maintaining a strong retain earnings, a steady ROE can be maintained.

3.3.5 Recommendation for the Company based on the Forecasting

Reducing Operating Expense: One of the core reasons, the company incurred losses in the previous years was due to operating expense being almost equal to sales revenue. This has also been the reason for the company to not being able to witness significant profit. In the year 2023, the operating expenses were 99.56% of the gross profit, which is enormous. Operating expenses include rent, payroll, advertising cost, maintenance, and other variable costs. For the company to remain in profit, it needs to maintain its operating expenses and try to lower it down significantly. There are many ways the company can achieve it.

- They can discard the old machinery or asset that requires frequent maintenance.
- Running quality check on assets and maintain proper audits.
- Managing on variable costs should also focused. Rents, payrolls and maintenance costs need to be on check.
- The company can also provide internship opportunities as this would allow the company to gain fresh graduates that are willing to work and also the salary would be lot less compared to an experience employee. Moreover, retention through internship would also help the company to save costs to conduct a hiring.
- Internal recruiting can also be a viable solution.
- Outsourcing and automation should be another area where the company needs to focus. As mentioned, the PR campaign are not yet completely effective and the company needs to invest in Facebook Marketing and SEO to increase the sales instead of investing more on traditional medias. Automation in operating structure and information management should also be emphasized.

ROA and ROE: Both ROA and ROE has been positive but the current ratio clearly instills that the company has shortfalls in its asset management. It can also be depicted that ROA and ROE even though witnessing positive growth compared to 2023, the numbers are likely to see a dip. Therefore the company must do the following:

<u>To maintain a positive ROA</u>

- Identify idle assets through quality control and get rid off them and evaluate the current state of assets.
- Conduct periodic audits to verify and monitor assets' usage and also utilize tracking softwares.
- Training stuffs and improving workflow of the equipments and plants.

To maintain a positive steady ROE

- Increase profitability by increasing the sales through effective marketing and PR.
- Controlling costs and optimizing operations.
- Even though the company does not have debt financing, it can consider it in future to fund growth initiatives.
- It is essential to retain a portion of the earnings so that they can be re-invested later. This also strengthens the shareholder's equity.

Investment on FDR: From the AFN, the surplus amount has been decided to be invested on FDR, as investment on these securities allows the company to earn interest annually. From the historical data, it can be seen that the company has invested some amount in Fixed Deposit or Term Deposit. Currently Mentors' has FDR accounts in Bank Asia only which provides 9.75% annual interest on a 1-year FD plan. However, the company should look for FD plans in other banks as well. BRAC Bank and Eastern Bank Limited both offer 10% annually on Fixed Deposits less than 1 crore BDT (Source: Bank Asia Website, BRAC Bank Website, EBL Website). The interest rates provided at BRAC Bank and EBL are 0.25% better than Bank Asia. However, aside from the interest, it is also crucial to assess other factors like maturity, reputation of the banks, consequences regarding pre-mature withdrawl, auto-renewal policy, and so on.

3.4 Conclusion

The financial forecast shows that the company will see profits in 2024-25 and forward. There are significant factors behind the performance growth and it can include a positive trend, demand for service, or exploiting more audiences through increased operations both online and offline. Additionally, current economic disparity and inflation is a huge reason why people wants to move into a first world country and seeking help from agencies. In the next 5 years, although, it is difficult to predict if the market would remain the same or not, the demand for this sector is not likely to decrease. Therefore, a growth in sales is well justified. With the percentage of sales method, even though the growth has been forecasted and kept constant, company should make managerial decisions that will allow them to surpass the projected growth rate. Additionally, with the increase in sales, it is important to reduce the operation expenses as the organization loses almost all of its money in operating expenses. It needs to plan accordingly, get rid of old machinery, keep the hiring process internal and less costly and also look for other viable ways to reduce the costs of operation. Incurring more profits will result in more retained earnings and a surplus of funds that can be re-invested later to attain more sales.

To boost their sales and increase revenue, they need to also leverage their PR properly, improve their pricing and make it more competitive with market and ensure efficiency. For PR, they should focus on online channels and provide their services through their online platform since that would allow them to reach a bigger audience across all of Bangladesh, something which is not possible with offline services.

References

1. Alamgir, M. (2023, August 19). *Number of students going abroad has tripled in 15 years despite university boom*. The Daily Star. https://www.thedailystar.net/news/bangladesh/news/number-students-going-abroad-triples-15-years-despite-university-boom-3397431
2. *Bangladesh — Orbitax Corporate Tax Rates*. (n.d.). Orbitax. https://orbitax.com/taxhub/corporatetaxrates/BD/Bangladesh
3. Blank, N. (2024, July 31). *The Importance of Financial Forecasting and How to Start*. Order.co. https://www.order.co/blog/finance/financial-forecasting/
4. Boyles, M. (2022, June 21). *7 Financial Forecasting Methods to Predict Business Performance*. HBS Online. https://online.hbs.edu/blog/post/financial-forecasting-methods
5. Decker, A. (2023, December 6). *Segmentation, Targeting, & Positioning (STP Marketing): The Marketer's Guide*. HubSpot Blog. https://blog.hubspot.com/marketing/segmentation-targeting-positioning
6. Fahad, Shah and Shafi, Malik Muhammad and Khan, Naushad and Hassan, Absar Ul and Naushad, Mahnoor and Faisal, Shah, Russia and Ukraine War Effects on the Global Economy of the World (August 27, 2023). Available at SSRN: https://papers.ssrn.com/sol3/papers.cfm?abstract_id=4553451
7. Hogan, S. (2024). *Bangladesh "rising market" that could be key to diversifying – report*. The PIE News. https://thepienews.com/bangladesh-rising-market-sinorbis-ets/
8. Islam, K. (2024). *Global Pursuit of Knowledge : Unraveling the Surge of Bangladeshi Students Studying Abroad*. PERSPECTIVE.

https://www.perspectivebd.com/article/global-pursuit-of-knowledge-:-unraveling-the-surge-of-bangladeshi-students-studying-abroad

9. Kelwig, D. (2024). *Percentage of sales method: What it is and how to calculate*. Zendesk. https://www.zendesk.com/blog/percentage-of-sales-method/
10. *Qualitative Forecasting Methods: Definition, Techniques, Examples*. (2024). Fleexy. https://fleexy.dev/blog/qualitative-forecasting-methods-definition-techniques-examples/
11. Rafa, A. T. (2024). *Online education in Bangladesh | Paving way for a more inclusive Bangladesh*. The Daily Star. https://www.thedailystar.net/anniversary-supplement-2024/innovate-educate-elevate/news/paving-the-way-more-inclusive-bangladesh-3545126
12. Rahman, W. (2021, July 6). *Report: Covid-19 hits Bangladesh's service sector the hardest*. Dhaka Tribune. https://www.dhakatribune.com/business/economy/251672/report-covid-19-hits-bangladesh-s-service-sector
13. Russell, B. (2023). *What is the percentage-of-sales method?* Cube Software. https://www.cubesoftware.com/blog/percentage-of-sales-method
14. Siddiqui, K. (2022). *Educational migration to USA from Bangladesh hits all-time high*. The Business Standard. https://www.tbsnews.net/bangladesh/education/highest-bangladeshi-students-studying-us-during-2021-22-532450
15. Souza, Y. (2022, July 13). *What Is Laissez-Faire Leadership?* NSLS. https://www.nsls.org/blog/what-is-lassiez-faire-leadership

16. The Power of Ratio Analysis For Financial Insights. (2024, April 14). *Virtuzone.* https://virtuzone.com/blog/ratio-analysis/

17. Uddin, Md.Akther & Taleb, Md & Khorshed, Mohammed & Hossain, Sajjad & Chakma, Ritan & Barua, Saswata. (2022). Over Population Problem of Bangladesh. https://www.researchgate.net/publication/361439003_Over_Population_Problem_of_Bangladesh

Book Reference

1. Weston, J. F. 1., & Brigham, E. F. (1979). Essentials of Managerial Finance. 14th edition. Chapter 17, Page 672-681.