

## **Steps to the economic feasibility study of the project**

The feasibility study goes through three main steps, which are summarized as follows:

- 1- The first step: marketing study
- 2- The second step: the technical study
- 3- The third step: the financial study

**The first step:** Marketing study

### **Elements of a marketing study**

- 1- Knowing the size of the marketing gap for the product to be dealt with through the project to be established, in order to know the study of the level of supply and demand in the market for this product. The size of the marketing gap can be known through the Chamber to which the project activity is affiliated (the Chamber of Commerce - the Chamber of Industry for the production of a specific commodity - the Chamber of Tourism ... etc.)
- 2- Studying the extent of the market desire for the product you offer and the extent of demand for it to obtain satisfactory results in the end
- 3- After knowing the marketing gap the amount of production must be determined so that goods are not accumulated in warehouses
- 4- The product must have a high advantage and be of high quality and advanced
- 5- The price must be appropriate for the service provided
- 6- Study and analysis of the product's ability to compete

**The second step:** technical study

### **Elements of technical study**

After studying the market and making sure that the marketing gap allows the entry of a new project and makes profits. A technical study of the product

must be conducted, especially when the project manufactures it, to ensure the following:

- 1- Knowing the project's construction site (Is it close to the project's sources of inputs in terms of raw materials, availability of labor and other services, as well as whether it is You must know extend the availability of technical capabilities to manufacture the product for each stage of its production close to the places where the product is marketed or not, and so on)
- 2- You must know extend the availability of technical capabilities to manufacture the product for each stage of its production
- 3- You must know extend availability of the inputs needed by this product
- 4- You must Know the cost details of each stage of production in preparation for its use in calculating financial costs
- 5- You must know the investment expenses which the project needs (such as purchasing equipment - buying land - cost of buildings - buying furniture - buying office equipment ... etc.)
- 6- You must know the current costs which the project needs (such as labor wages - employee salaries - costs of industrial, service and administrative services... etc.)

**Third step:** financial study

#### Elements of a financial study

The financial study aims to know the expected profits of the project and its components as follows:

##### 1- Project cost components

The project cost components are as follows:

- 1- The investment costs (such as the project's acquisition of assets such as land, buildings, machinery, equipment, furniture, cars ... etc.) and the depreciation ratio of investment costs is included in the current costs in the income statement

- 2- The cost of the product (whether it is the cost of purchasing the finished product or manufacturing it, which includes production costs including selling and marketing costs) and the cost of the product is included in the current costs in the income statement
- 3- The value of general and administrative expenses (such as employee salaries - stationery - social insurance - the value of insurance premiums .... etc.) and the value of general and administrative expenses are included in the current costs in the income statement

## 2- Product Pricing:

The feasibility study should culminate at the end with the product pricing, as product pricing must take these elements into account:

- 1- That the price of the product must be able to cover all the investment costs, the cost of the product and the value of the general and administrative expenses
- 2- The price of the product should be competitive in the market
- 3- The price of the product must be able to absorb any increase in its cost in the future in order to remain competitive in the markets
- 4- The product price should must be able to grant discounts on the selling price in order to stay competitive in the market
- 5- The product price should be able to deal with bank credit

## 3- Preparing the estimated budget

As for how to prepare the estimated budget for the feasibility study, there are two types are available to you (found on the website), which are as follows:

- 1- Preparing the estimated budget for the feasibility study by entering into it the following data:
  - A- The selling price of the product per unit
  - B- Product cost per unit
  - C- The share of this product in general and administrative expenses, including depreciation for the year
  - D- The share of this product from the total available uses (total fixed and current assets)

2- Preparing the standard estimated budget, which is for new projects in which the value of general expenses is not known, and it is prepared by entering the following data:

A- The selling price of the product per unit

B- product cost per unit

C- The share of this product from the total available uses (total fixed and current assets)

**A very important note:** You can find out the number of working capital turnover through this equation:

Number of working capital turnover per year = budget sales value /  
production period of the finished product

Productive period of the finished product = raw material purchase period +  
manufacturing period + product storage period + product selling period +  
collection period

**A very important note:** the greater the number of working capital turnover per year, the shorter the period of granting facilities to customers