



## Antoniette's Income Tax Services

Systems Engineering Approach to  
Developing a Successful Business

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### Agenda

- Purpose Of The Project
- General Company Description
- Business Model
- Products and Services
- Marketing Plan
- Systems Architecture
- Value Stream Mapping
- Startup Expenses and Capitalization
- Financial Plan
- Conclusion



## Purpose Of The Project

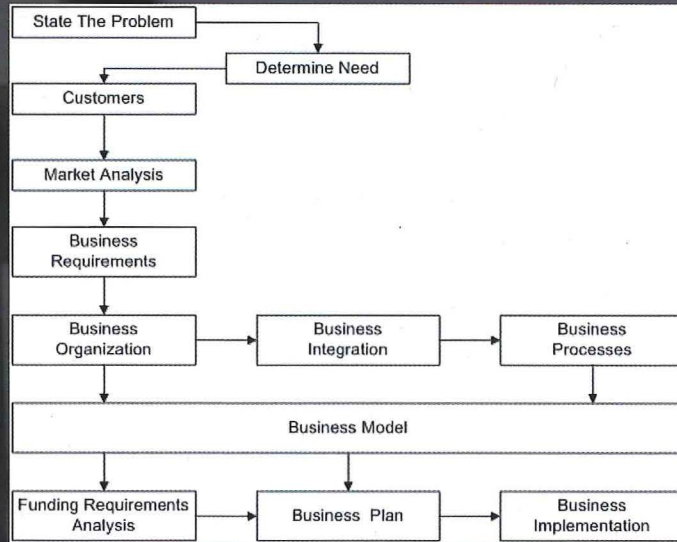
- The purpose of this project is to use fundamentals used in systems engineering to develop a business and marketing plan that will help Antoniette's Income Tax Services succeed and establish itself as a profitable and successful tax business.



## General Company Description

- Mission Statement: Antoniette's Income Tax Services will provide customers with all tax preparation services in a professional, educational and trustworthy manner.
- Antoniette's Income Tax Services plans on opening a tax preparation business in La Puente, California as a sole proprietor. The primary goal is to become and remain profitable through the life of the business.
- Antoniette's Income Tax Services will focus primarily on the three most popular tax forms, the 1040 EZ, 1040 A and 1040. This will allow Antoniette's Income Tax Services to better serve it's customers by not over extending its self.

## Business Model



## Business Model cont.

- State The Problem
  - Every working individual is required to file a tax return .
  - Income tax laws are highly complex, with numerous rules, restrictions, deductions, credits and variable tax rates.
- Determine Need
  - 130 million returns were filed in 2009 and about 61% of filers utilized a paid preparation service.
- Customers
  - Every working American.





## Business Model cont.

- Market Analysis
  - Demographics
    - La Puente, California is primarily a Hispanic community with the majority of residents performing blue-collar work, and having a median household income of roughly \$49,000.
  - Competition
    - CPA - Certified Public Accountant
    - EA - Enrolled Agent
    - National Tax Service (H&R Block and Jackson-Hewitt)



## Business Model cont.

- Business Requirements
  - Antoniette's Income Tax Services shall acquire all licenses, permits, and training needed to operate as a tax preparation business.
  - Antoniette's Income Tax Services shall have a space large enough to run a tax preparation business.
  - Antoniette's Income Tax Services shall employ personnel with the needed skill set and training to perform tax preparations.
  - Antoniette's Income Tax Services shall focus on the top three most common tax preparation forms.

## Business Model cont.

- Business Requirements cont.
  - Antoniette’s Income Tax Services shall determine who the company’s competitors are and position itself to be profitable.
  - Antoniette’s Income Tax Services shall focus heavily on customer retention and establishing positive relationship with them.
  - Antoniette’s Income Tax Services shall offers products and services at a rate competitive to the company’s competitors.

## Products and Services

TAX FORM	COMPETITIONS FEE	ANTONINETTE'S INCOME TAX SERVICES FEE	USAGE
1040EZ	\$100 to 175	\$55	Wages, Dependents
1040A	\$150 to 225	\$65	Itemized Deductions, Bank Interest (Checking/Savings), Capital Gains, School Credit, Child Care, etc
1040	\$175 to 250	\$75	Schedule A: Home Mortgage Interest, Property Taxes, Charity Contributions, Medical/Dental Bills, Job Expenses, etc. Schedule B: Bank Interest Schedule C: Self Employment Income(1099) w/ Expenses Schedule E: Rental Income and Expenses

## Products and Services cont.

SERVICE	COMPETITORS PRICE	ANTONIETTE'S INCOME TAX SERVICES PRICE	DESCRIPTION
Refund Anticipation Loan (RAL)	\$250-320	\$155	These are short-term loans to customers, enabling them to get immediate cash which is then paid back when the IRS delivers the tax refund. (\$1500 available within 24hrs remaining balance within 7 days)
Refund Anticipation Credit (RAC)	\$175-275	\$100	For customers who don't qualify for a RAL or desire a less costly alternative for a fast refund or do not have a personal bank account. (Full amount paid within 7-15 days)
E-file	\$20-30	Free	The IRS process permitting tax returns to be filed electronically.

## Marketing Plan

- Advertising
  - Phone book entry, flyers, brochures, local newspaper advertisements, search engine registration, word of mouth.
- Website Development
- Early bird discounts will be given to those who file their taxes from Jan 1<sup>st</sup> to Feb 15<sup>th</sup>.
- Group rates or discounts to employees of local businesses or organizations.

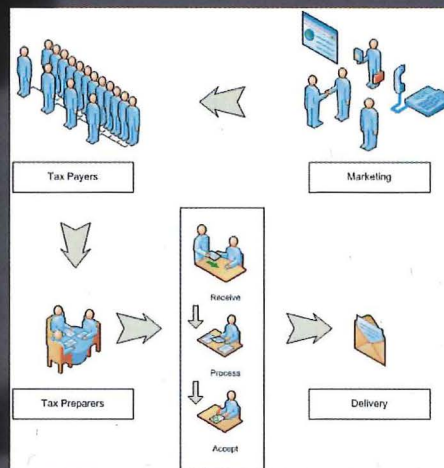


# Systems Architecture

Applicable View	Framework Product	Framework Product Name	General Description
Operational View	OV-1	High-Level Operational Concept Graphic	High-level graphical/textual description of operational concept.
Operational View	OV-2	Operational Node Connectivity	Operational nodes, connectivity, and information exchange needlines between nodes.
Systems View	SV-4	Systems Functionality Description	Functional performed by systems and the system data flows among system functional.
Systems View	SV-8	Systems Evolution Description	Planned incremental steps toward migrating a suite of systems to a more efficient suite or toward evolving a current system to a future implementation.
Systems View	SV-9	Systems Technology Forecast	Emerging technologies and software/hardware products that are expected to be available in a given set of time frames and that will affect future development of the architecture.

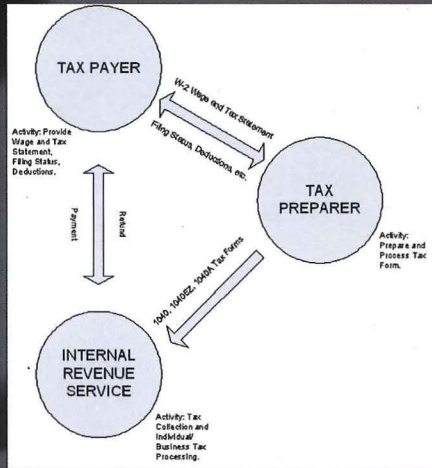
# Systems Architecture cont.

## OV-1 High Level Operational Concept Graphic



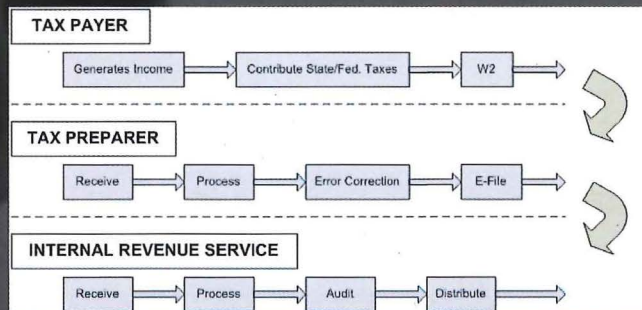
# Systems Architecture cont.

## OV-2 Operational Node Connectivity Description



# Systems Architecture cont.

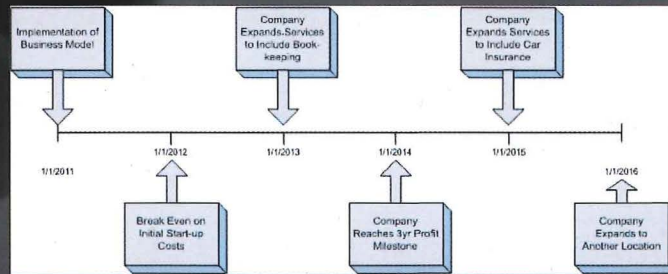
## SV-4 Systems/Services Functionality Description





## Systems Architecture cont.

### SV-8 Systems/Services Evolution Description



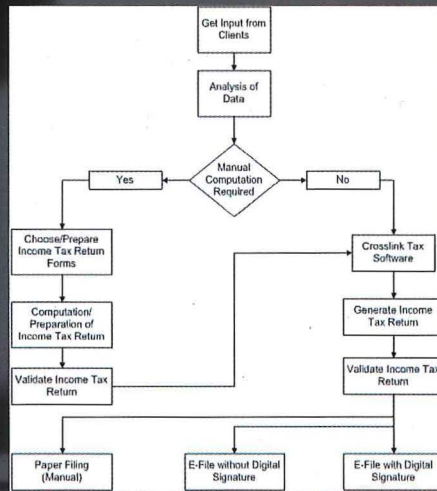
## Systems Architecture cont.

### SV-9 Systems Technology Forecast

- E-File - Electronic tax filing is a method by which a tax return is converted to computer-readable form and sent via modem to the IRS. Electronically filed tax returns are more accurate than paper filed returns because of the extensive checking performed by the electronic filing software.
- PC-based Tax Preparation Software - This change in technology has really begun hurting traditional tax preparers. Returns filed electronically have grown at a compounded 18% annually over the past 6 years. Last year, over 31 million returns were filed using PC-based tax preparation software, making up 24% of the total taxes filed.

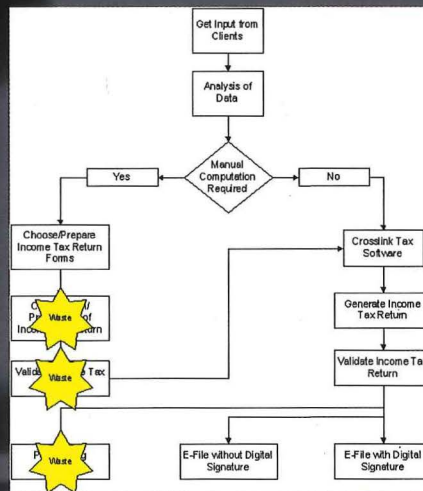
# Value Stream Mapping

## Current State VSM



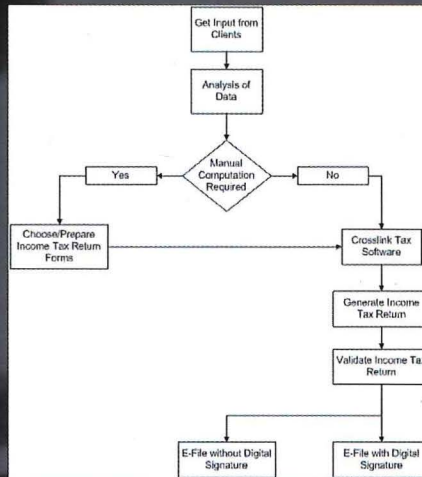
# Value Stream Mapping cont.

## Identifying Waste



## Value Stream Mapping cont.

### Future State VSM



## Startup Expenses and Capitalization

Sources of Capital	
<b>Antionette's Income Tax Services</b>	
Frank & Antionette De Anda (100% Owner)	
<b>Total Investment</b>	\$ 15,000.00
<b>Startup Expenses</b> <span style="float: right;">Cost</span>	
<u>License/Permits/Training Expenses</u>	
Business License (One time fee)	\$ 10.00
Continues Tax Education (Yearly)	\$ 300.00
CTEC (Yearly)	\$ 25.00
E&O (Yearly)	\$ 500.00
<b>Total License/Permits/Training Expenses</b>	<b>\$ 835.00</b>
<u>Location Expenses</u>	
Rental (Monthly)	\$ 1,800.00
Utility Deposit	\$ 100.00
<b>Total Location Expenses</b>	<b>\$ 1,900.00</b>



## Startup Expenses and Capitalization cont.

<b>Capital Equipment Expenses</b>	
Computers (4 @ \$600 a piece)	\$ 2,400.00
Laser Printers (2 @ \$400 a piece)	\$ 800.00
Telephones (6 @ \$50 a piece)	\$ 300.00
Router	\$ 100.00
Desks (6 @ \$300 a piece)	\$ 1,800.00
Chairs (46 @ \$50 piece)	\$ 2,300.00
Fax/Scanner (2 @ \$100 a piece)	\$ 200.00
Misc. Office Supplies (Pens, Staples, Envelopes, etc.)	\$ 100.00
<b>Total Capital Equipment Expenses</b>	<b>\$ 8,000.00</b>
<b>Advertising and Promotional Expenses</b>	
Advertising	\$ 300.00
Signage	\$ 500.00
Business Cards (2000 count)	\$ 100.00
Folders (4000 count)	\$ 250.00
Flyers 10,000 count	\$ 250.00
<b>Total Advertising and Promotional Expenses</b>	<b>\$ 1,400.00</b>
<b>Total Startup Expenses</b>	<b>\$12,135.00</b>

## Financial Plan

Antoinette's Income	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
<b>Tax Services</b>												
12-Month Financial Plan												
Cash Carried Over From Previous Month	\$112,135.00	\$25,900.00	\$60,005.00	\$ 91,040.00	\$134,615.00	\$135,295.00	\$136,675.00	\$137,165.00	\$137,660.00	\$138,325.00	\$139,070.00	\$139,715.00
<b>Cash In</b>												
1040EZ @ \$55	\$ 42,625.00	\$38,500.00	\$42,625.00	\$ 41,250.00	\$ 3,575.00	\$ 3,575.00	\$ 3,025.00	\$ 3,300.00	\$ 3,300.00	\$ 3,300.00	\$ 3,300.00	\$ 2,750.00
1040A @ \$65	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
1040 @ \$75	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Refund Anticipation Loan (RAL) @ \$155	\$ 3,875.00	\$ 3,500.00	\$ 3,875.00	\$ 3,750.00	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Refund Anticipation Credit (RAC) @ \$100	\$ 7,750.00	\$ 7,000.00	\$ 7,750.00	\$ 7,500.00	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Total Cash In</b>	<b>\$ 54,250.00</b>	<b>\$49,000.00</b>	<b>\$54,250.00</b>	<b>\$ 52,500.00</b>	<b>\$ 3,575.00</b>	<b>\$ 3,575.00</b>	<b>\$ 3,025.00</b>	<b>\$ 3,300.00</b>	<b>\$ 3,300.00</b>	<b>\$ 3,300.00</b>	<b>\$ 3,300.00</b>	<b>\$ 2,750.00</b>
<b>Cash Out</b>												
Rent	\$ 1,800.00	\$ 1,800.00	\$ 1,800.00	\$ 1,800.00	\$ 1,800.00	\$ 1,800.00	\$ 1,800.00	\$ 1,800.00	\$ 1,800.00	\$ 1,800.00	\$ 1,800.00	\$ 1,800.00
<b>Utilities</b>												
Telephone/Internet	\$ 200.00	\$ 200.00	\$ 200.00	\$ 200.00	\$ 200.00	\$ 200.00	\$ 200.00	\$ 200.00	\$ 200.00	\$ 200.00	\$ 200.00	\$ 200.00
Electricity	\$ 150.00	\$ 150.00	\$ 150.00	\$ 125.00	\$ 75.00	\$ 75.00	\$ 75.00	\$ 75.00	\$ 75.00	\$ 75.00	\$ 75.00	\$ 75.00
<b>Payroll</b>												
Receptionist @ \$10	\$ 2,480.00	\$ 2,240.00	\$ 2,480.00	\$ 2,400.00	\$ 520.00	\$ 520.00	\$ 440.00	\$ 480.00	\$ 480.00	\$ 480.00	\$ 480.00	\$ 400.00
Tax Preparer @ \$15/hr	\$ 11,160.00	\$10,080.00	\$11,160.00	\$ 10,800.00	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Office Supplies</b>												
Toner Cartridge	\$ 200.00	\$ 200.00	\$ 200.00	\$ 200.00	\$ -	\$ -	\$ -	\$ 200.00	\$ -	\$ -	\$ -	\$ -
Paper	\$ 100.00	\$ 100.00	\$ 100.00	\$ 100.00	\$ -	\$ 100.00	\$ -	\$ -	\$ 100.00	\$ -	\$ 100.00	\$ -
Misc. (pens, staples, clips, etc.)	\$ 50.00	\$ 50.00	\$ 50.00	\$ 25.00	\$ -	\$ -	\$ -	\$ 50.00	\$ -	\$ -	\$ -	\$ -
<b>Outside Services</b>												
Shred and Disposal	\$ 75.00	\$ 75.00	\$ 75.00	\$ 75.00	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Total Cash Out</b>	<b>\$ 16,215.00</b>	<b>\$14,895.00</b>	<b>\$16,215.00</b>	<b>\$ 15,725.00</b>	<b>\$ 2,595.00</b>	<b>\$ 2,695.00</b>	<b>\$ 2,515.00</b>	<b>\$ 2,805.00</b>	<b>\$ 2,655.00</b>	<b>\$ 2,555.00</b>	<b>\$ 2,655.00</b>	<b>\$ 2,475.00</b>
<b>Revenue</b>	<b>\$ 38,035.00</b>	<b>\$34,105.00</b>	<b>\$38,035.00</b>	<b>\$ 36,775.00</b>	<b>\$ 980.00</b>	<b>\$ 880.00</b>	<b>\$ 510.00</b>	<b>\$ 495.00</b>	<b>\$ 645.00</b>	<b>\$ 745.00</b>	<b>\$ 645.00</b>	<b>\$ 275.00</b>



## Conclusion

- Development of a business model helped Antoniette's Income Tax Services determine customer's need for tax preparation services and a target market was identified. Competitors were also acknowledged and business requirements were created.
- Because of our analysis Antoniette's Income Tax Services was able to aggressively set fees for products and services well below the competition.
- Systems Architecture helped visualize, understand, and take in the scope of the business. It also helped Antoniette's Income Tax Services develop a 5 year business evolution.



## Conclusion cont.

- Value stream mapping allowed Antoniette's Income Tax Services to find the waste in its current work flow. By eliminating the waste Antoniette's Income Tax Services was capable of delivering a more efficient product.
- As Antoniette's Income Tax Services continues to grow it will continue building on its solid foundation, which was established by the use of systems engineering.