

Viability analysis

Session 3

May 2026



RES-MAB
Empowering Change/Embracing Resilience



PRIMA
PARTNERSHIP FOR RESEARCH AND INNOVATION
IN THE MEDITERRANEAN AREA



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OBJECTIVES AND AGENDA

What should we expect from today's session?



Objectives

1	Understand key concepts to develop a viability analysis
2	Manage the main tools for viability analysis
3	Test a real-world example



Agenda

16:00 - 16:15 h	Welcome
16:15 - 16:45 h	Key concepts to develop a feasibility analysis
16:45 - 17:15 h	Feasibility analysis through Profit and Loss Account
17:15 - 17:30 h	Balance sheet and cash-flow
17:30 - 18:15 h	Activity: develop a feasibility analysis
18:15 - 18:30 h	Closure

01

Key concepts to develop a feasibility analysis

Key concepts to develop a feasibility analysis

What is the economic feasibility?

Economic feasibility of an entrepreneurial project is...

the condition that evaluates the convenience of the project, paying attention to the relationship between resources used to develop the project, those generated, and those available.

Returns generated – Resources used

€ obtained

€ required to develop the activity in the first place

Key concepts to develop a feasibility analysis

What is the economic feasibility?

The feasibility study of an entrepreneurial project is...

a methodology that will help us decide which decisions do we have to make and under what conditions so that our entrepreneurial project is economically sustainable.

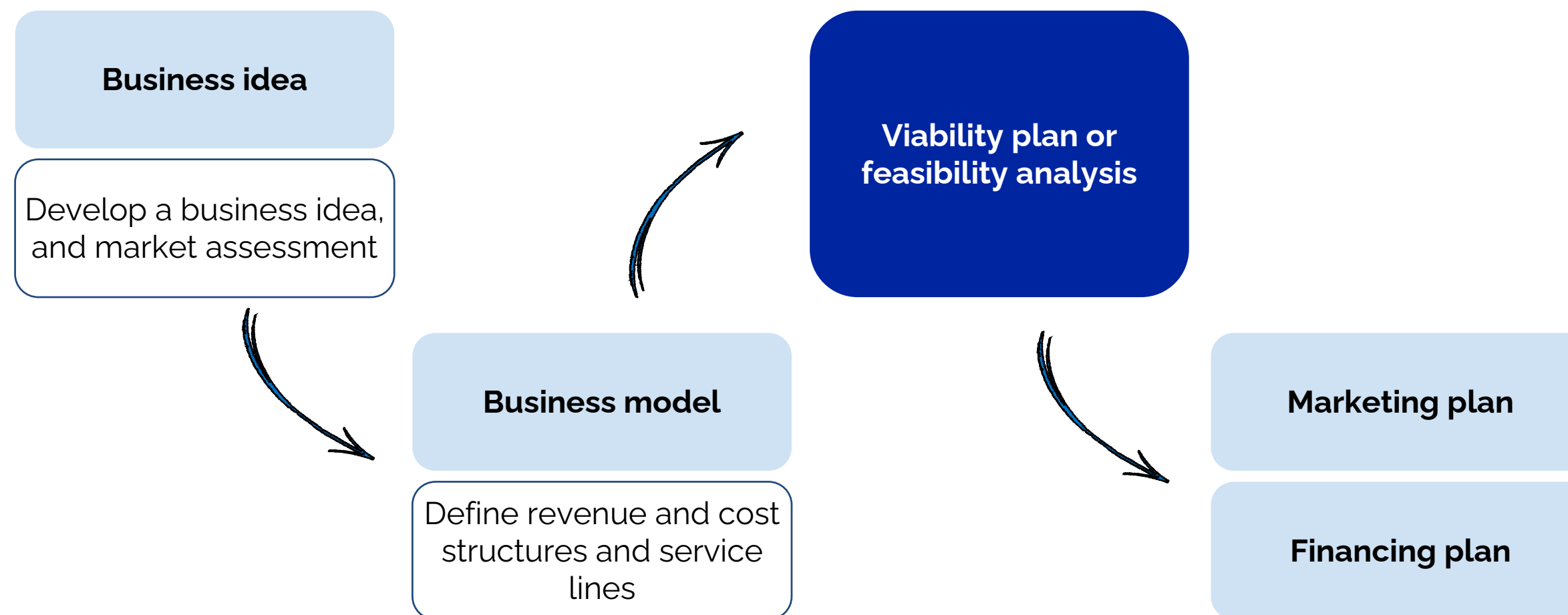
Decisions – Conditions

- At what price should I sell my products?
- How much do I need to produce?
- How much can I pay for materials or workers?
- What initial investment does this idea need?
- Can I function with the cost of external financing?
- Do I need the market to grow annually?

Key concepts to develop a feasibility analysis

What is the economic feasibility?

Feasibility analysis is done **after business idea and business model**, because it allows us to test the feasibility and adjusting the business model based on results.



Key concepts to develop a feasibility analysis

Main tools

Eina	What does it show?	What is it for?
Income statement	<ul style="list-style-type: none"> • The result of the management of ordinary operations (income and expenses) 	<ul style="list-style-type: none"> • To give a clear image of the expense structure of our activity • To see the progress of profits/losses to look for anomalies or improvements • To evaluate the self-sustainability of the organization
Balance sheet	<ul style="list-style-type: none"> • The "snapshot" of the company at a specific moment • It shows the company's equity, properties, and how it finances all of its activity 	<ul style="list-style-type: none"> • To see the "economic muscle" of the company • To compare assets and rights with duties and obligations • To visualize what the capital has been invested in and its origin (organization's equity or debt)
Cash Flow statement	<ul style="list-style-type: none"> • Inflow and outflow of cash in a given period 	<ul style="list-style-type: none"> • To show the company's liquidity • To see the reality of the money coming in and going out • To see if the organization is in a position to pay debts at the appropriate time • To prevent in which time periods financing is needed

**With the three tools we can understand the functioning of the company (in economic terms) in its entirety and realize possible problems or aspects to improve.
It will help us understand the financing needs and be able to choose the most appropriate instrument for each moment of the company.**

Key concepts to develop a feasibility analysis

Type of expenses

Fixed costs

These are those that are not sensitive to small changes in the activity levels of a company (production of goods and services), but rather remain invariable in the face of these changes. They should be assumed regardless of production levels.

Variable costs

These are those in which the company incurs and maintains a significant dependency on manufacturing volumes. A change in production levels implies a change directly related to these costs.

Key concepts to develop a feasibility analysis

Type of expenses

Fixed costs

These are those that are not sensitive to small changes in the activity levels of a company (production of goods and services), but rather remain invariable in the face of these changes. They should be assumed regardless of production levels.

Administration

Financing

Depreciation

Indirect materials

General expenses

Indirect workforce

Taxes

Patents

Variable costs

These are those in which the company incurs and maintains a significant dependency on manufacturing volumes. A change in production levels implies a change directly related to these costs.

Raw material

Distribution

Direct materials

Direct workforce

Key concepts to develop a feasibility analysis

Type of expenses

When are fixed costs assumed?

ALWAYS. Fixed expenses are assumed whether or not there is production/sales in the business.

What amount of variable costs should we consider?

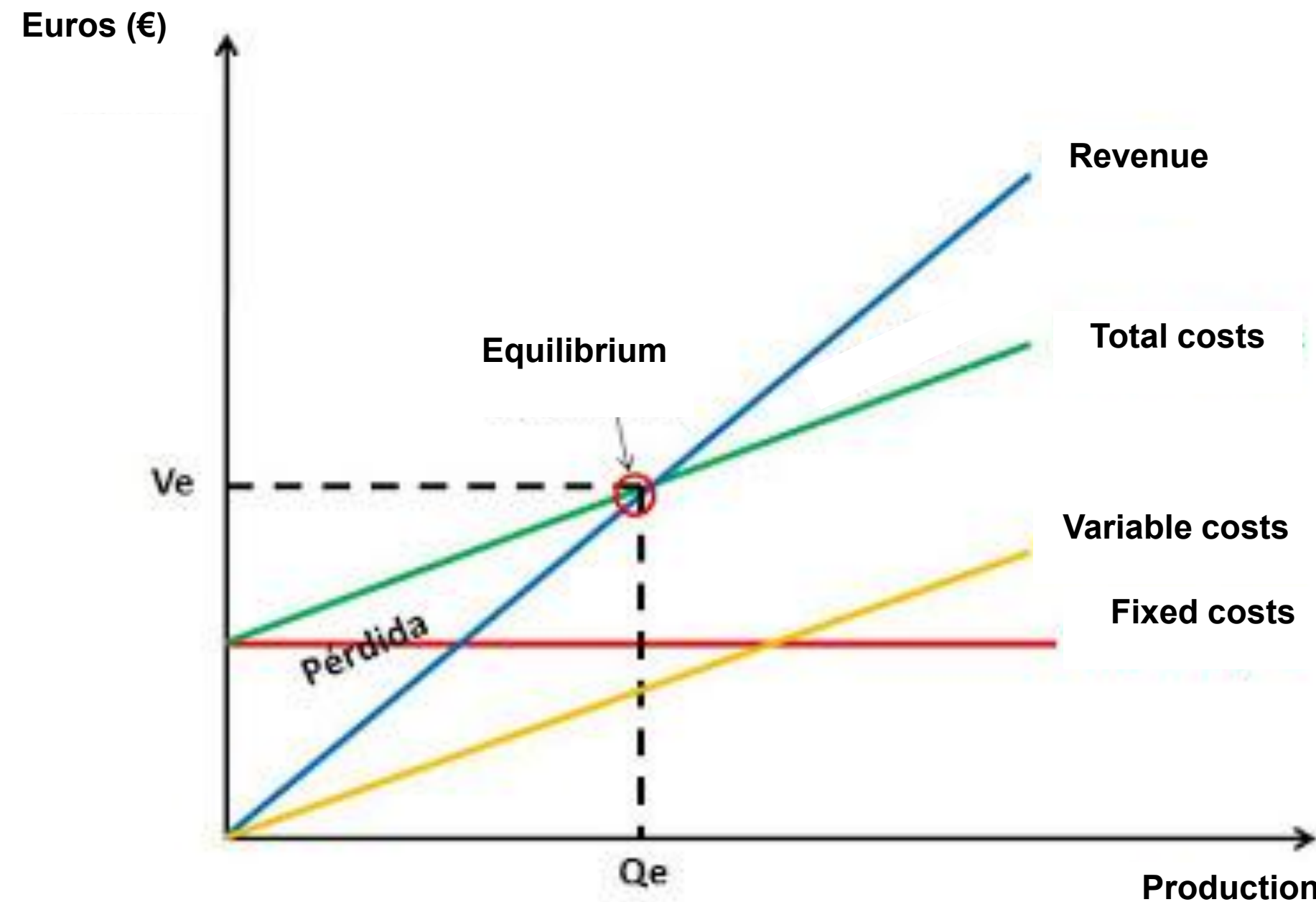
Based on the pre-established **sales projection** (estimate).

Are we missing any costs to consider?

It is important to know the **cost structure of the activity sector** in which we are working to know if the costs we estimate are realistic and to ensure that we do not forget to allocate any cost.

Key concepts to develop a feasibility analysis

Break-even point



Key concepts to develop a feasibility analysis

Investments

Investments

These are assets that have a utility for a period of time longer than the fiscal year (1 year). They are recorded as assets on the Balance Sheet. Investments depreciate, which means that a loss of value occurs systematically and responds to their use, the passage of time, or obsolescence.

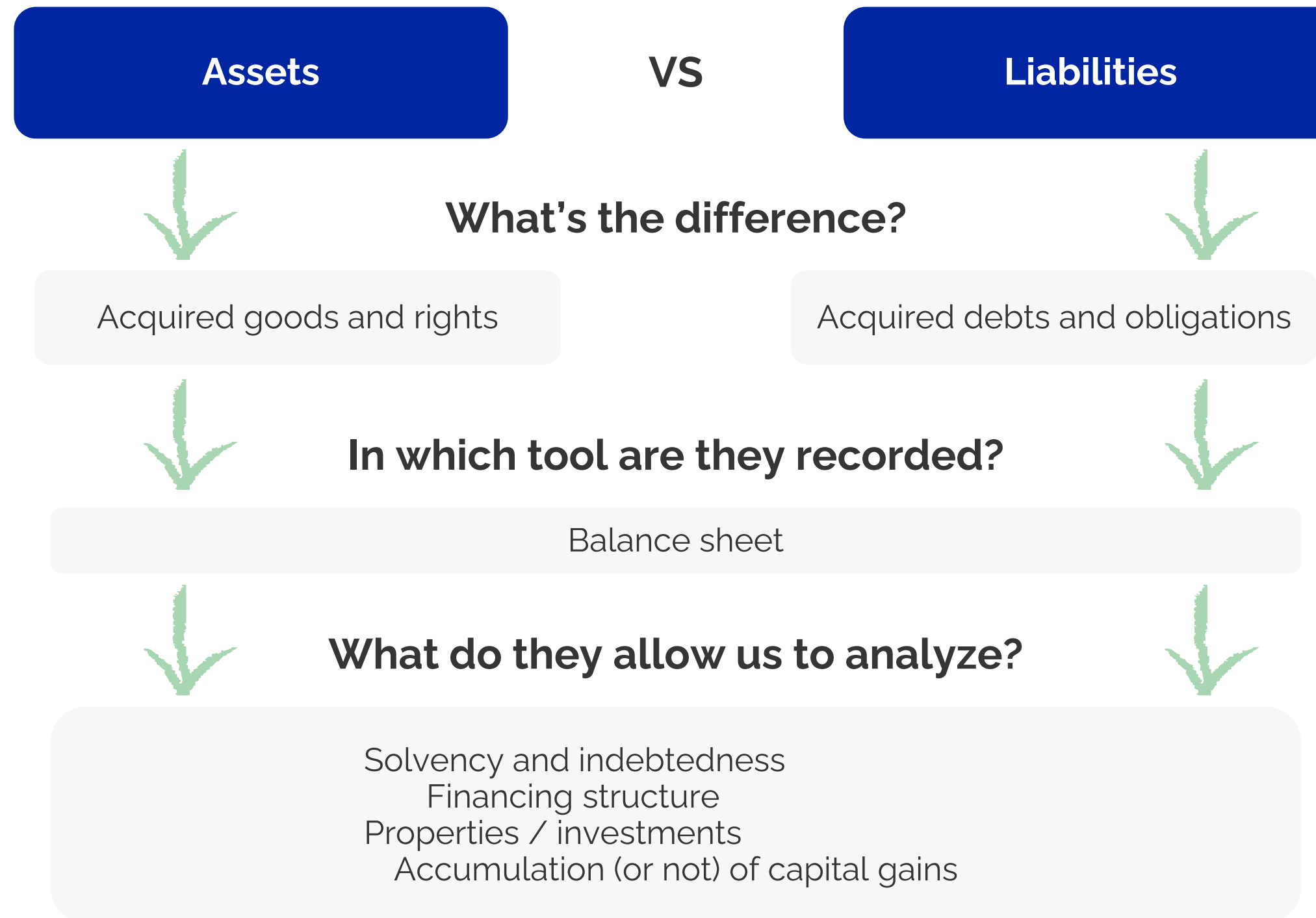
Amortisation

It is an accounting term referring to the process of distributing the expense over time of a long-lasting value. The accrual of the expense or wear and tear of the asset, its distribution among all the years of the element's useful life, is amortization. This depreciation is reflected as an expense in the income statement through the "Amortization allowance."

Useful life of the asset / obligation

The useful life of an asset/obligation is its period of use in service.

Key concepts to develop a feasibility analysis Investments



Key concepts to develop a feasibility analysis

Time differences

Income and expenses

VS

Earnings and payments

What's the difference?

Key concepts to develop a feasibility analysis

Time differences

Income and expenses

VS

Earnings and payments

What's the difference?

- It is recorded when it is "accrued"

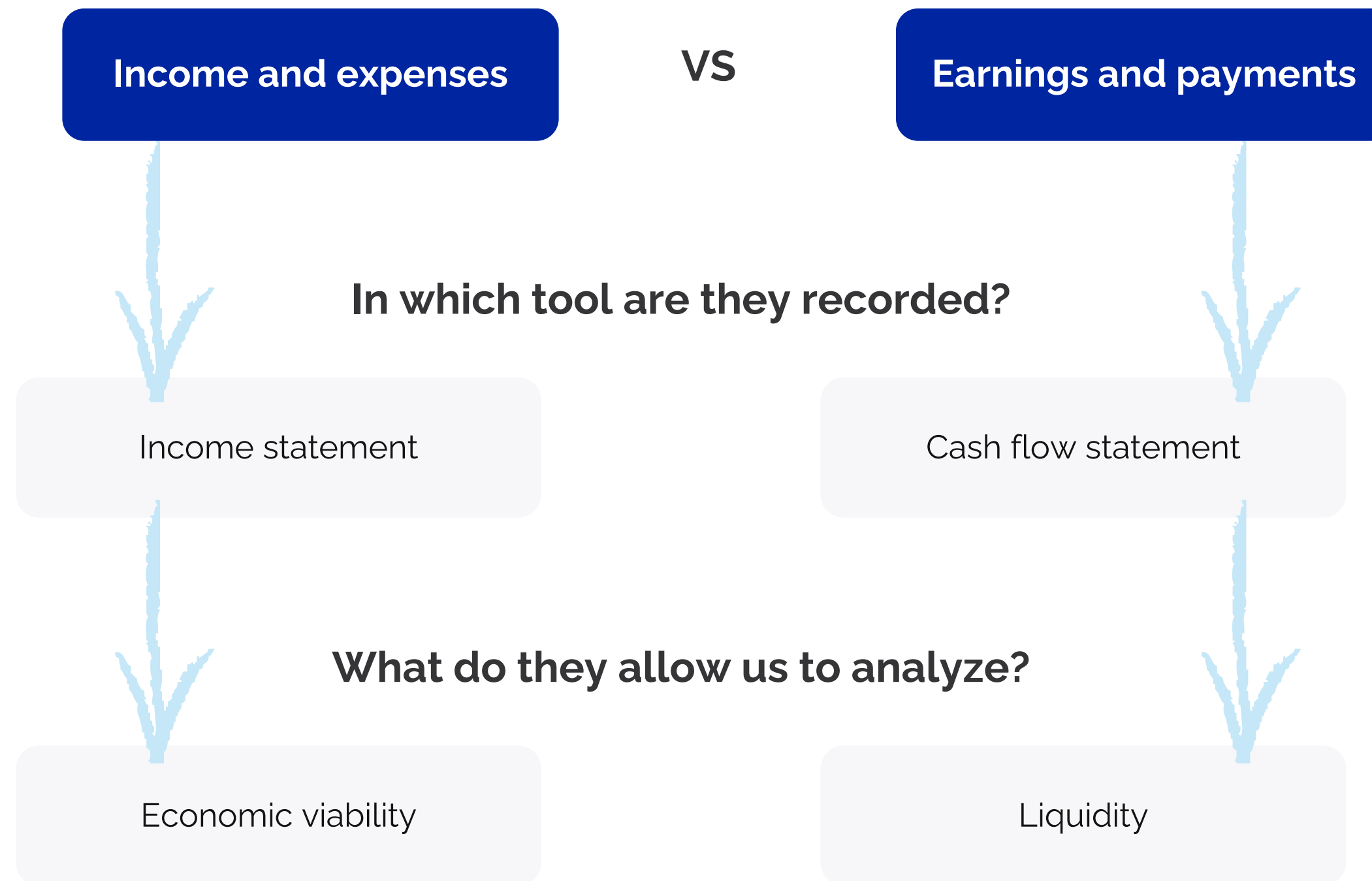
- It is recorded when the monetary transaction takes place

Income $\neq$ Earnings

Expenses $\neq$ Payments

Key concepts to develop a feasibility analysis

Time differences



Key concepts to develop a feasibility analysis

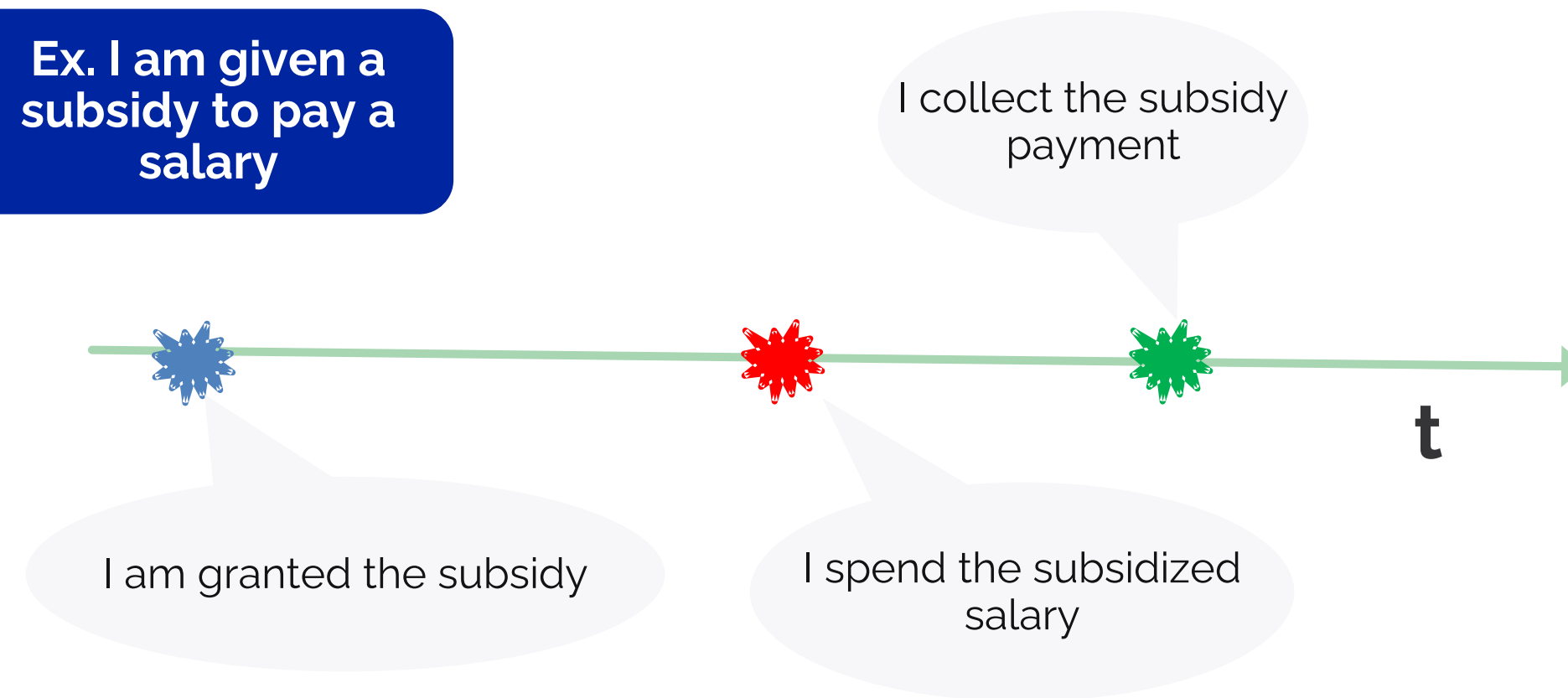
Time differences



Key concepts to develop a feasibility analysis

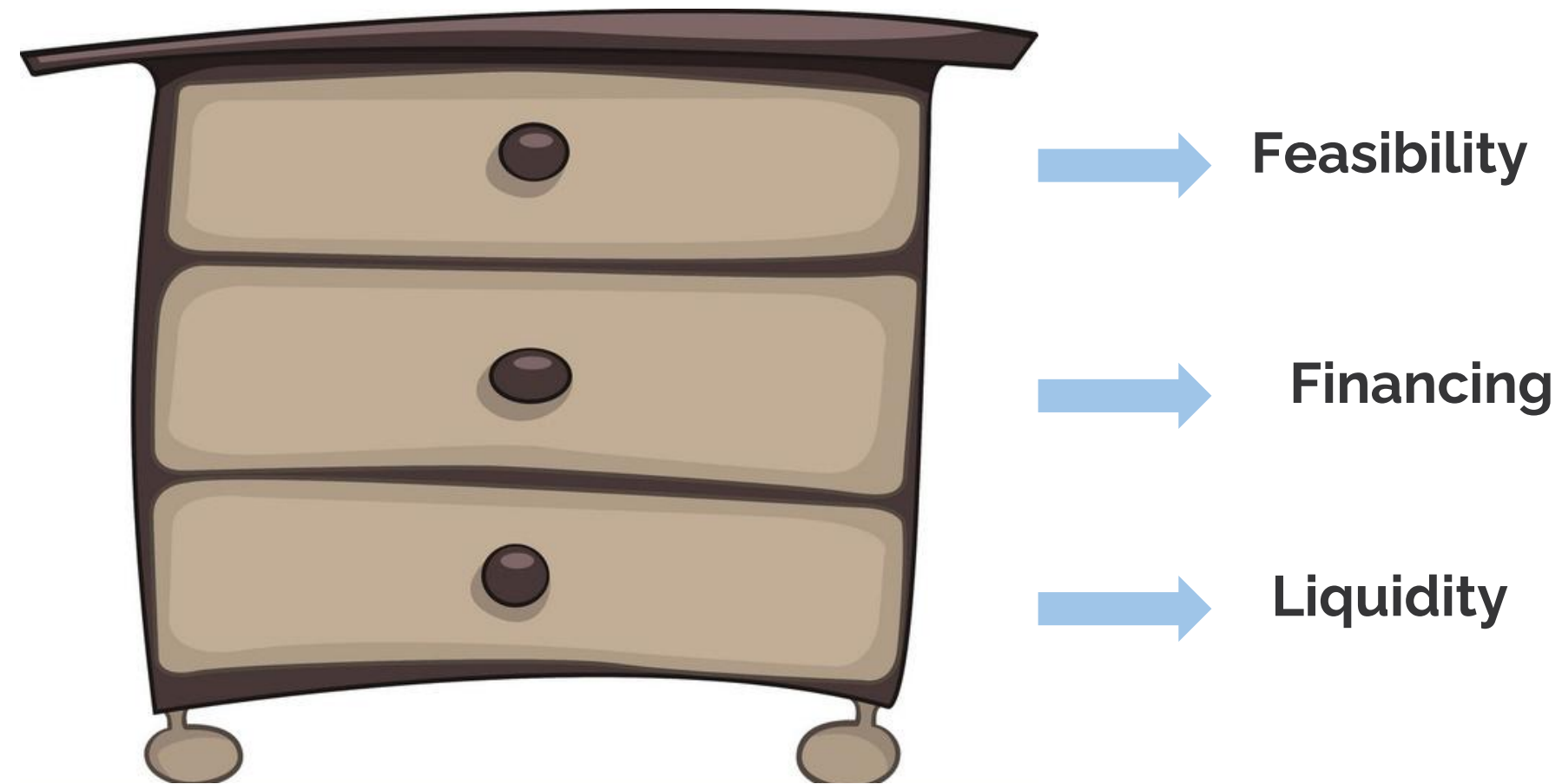
Time differences

Ex. I am given a
subsidy to pay a
salary



Key concepts to develop a feasibility analysis

The economic and financial plan



02

Feasibility through the profit and loss account

Feasibility through the income statement

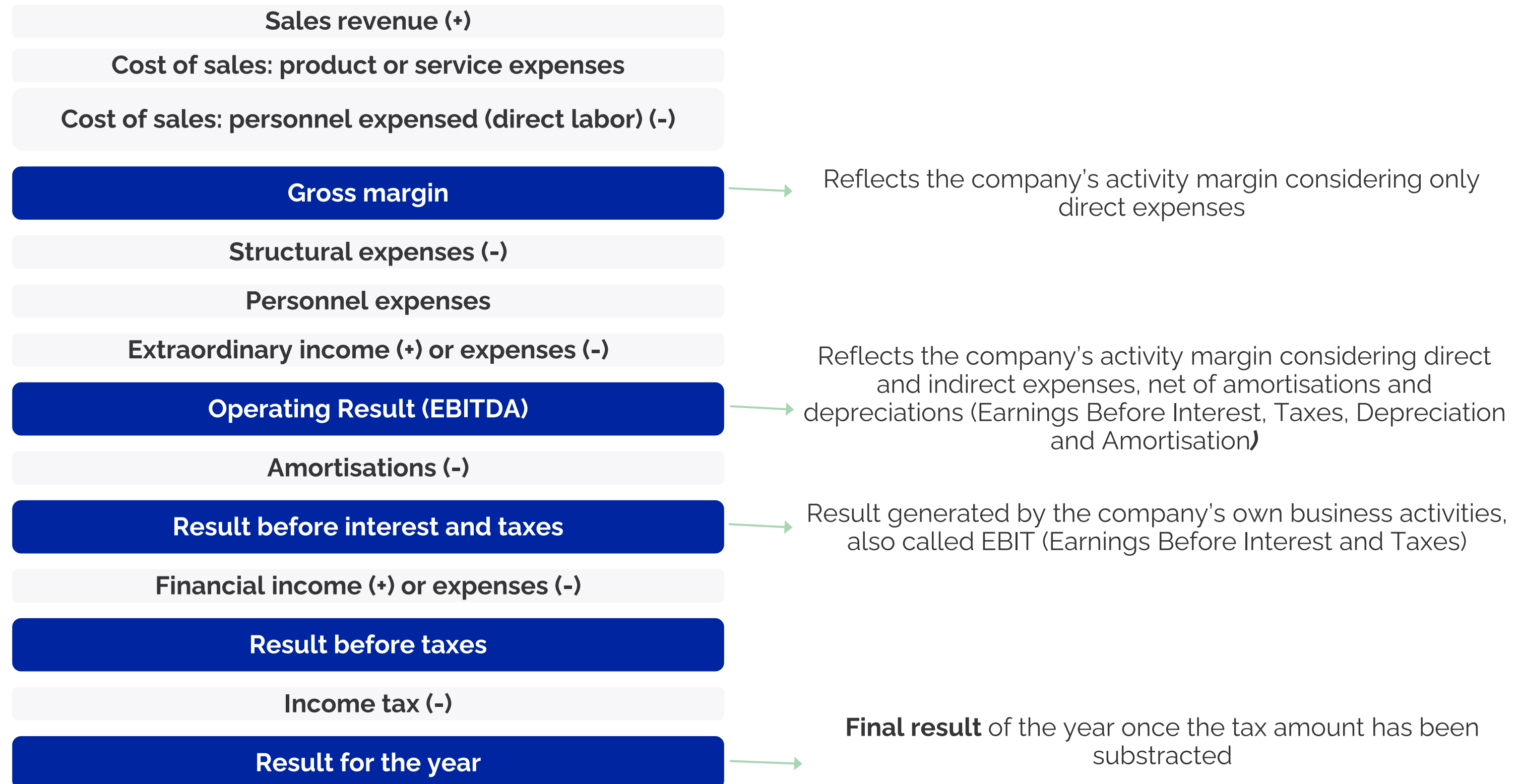
Profit and loss

Income Statement

Operating income (+)	Income generated by the company's own business activities
Net turnover	
Change in inventories	
Other operating income	
Operating expenses (-)	Expenses generated by the company's own business activities
Supplies	
Personnel expenses	
Amortization of fixed assets	
Other operating expenses	
(A) Resultat d'exploració (+/-)	Result generated by the company's own business activities. Also called EBIT (earnings before interest and taxes)
Financial income(+)	
Financial expenses (-)	
(B) Financial result (+/-)	Results generated by activities of a financial nature and not specific to the company's business
© Result before taxes (A+B) (+/-)	Sum of the operating result and the financial result
Income tax (-)	Amount of income tax accrued during the fiscal year
(D) Result for the year (+/-)	Final result of the year once the income tax amount has been deducted

Feasibility through the income statement

Operational profit and loss



Feasibility through the income statement

Operational profit and loss

	Current year	Year 1	Year 2	Year 3
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Sales revenue (+)
Cost of sales: product or service expenses
Cost of sales: personnel expensed (direct labor) (-)
Gross margin
Structural expenses (-)
Personnel expenses
Extraordinary income (+) or expenses (-)
Operating Result (EBITDA)
Amortisations (-)
Result before interest and taxes
Financial income (+) or expenses (-)
Result before taxes
Income tax (-)
Result for the year

- By business line
- By project or area of activity
- By funding source

Feasibility through the income statement

Operational profit and loss

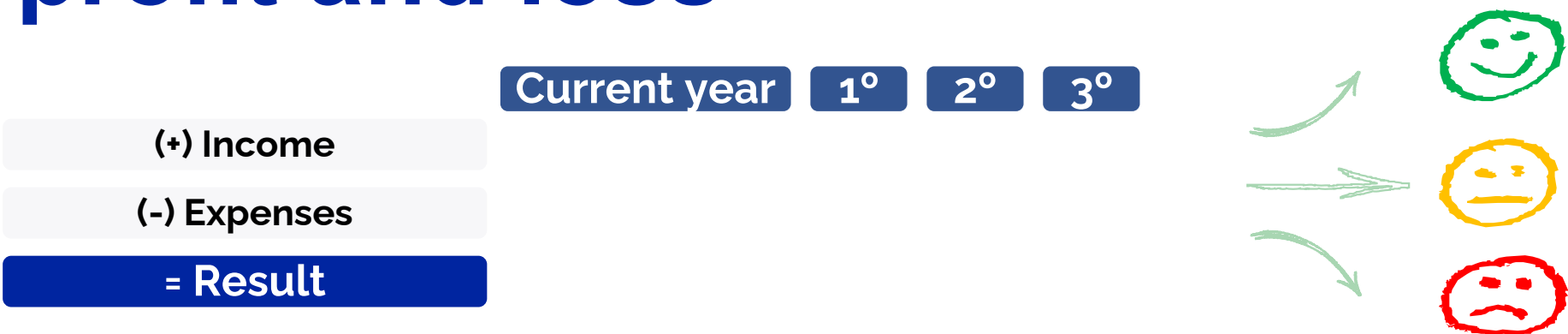
	Current year	Year 1	Year 2	Year 3
Sales revenue (+)				
Cost of sales: product or service expenses				
Cost of sales: personnel expensed (direct labor) (-)				
Gross margin				
Structural expenses (-)				
Personnel expenses				
Extraordinary income (+) or expenses (-)				
Operating Result (EBITDA)				
Amortisations (-)				
Result before interest and taxes				
Financial income (+) or expenses (-)				
Result before taxes				
Income tax (-)				
Result for the year				

Key ideas

- Make reasonable hypothesis. If doubtful, be conservative
- Try to reduce uncertainty
- Correlate revenue and expenses
- Create scenarios

Feasibility through the income statement

Operational profit and loss



Let's imagine scenarios...

	By service line	Chances of sales
Key questions:	Minimum income to maintain the structure or to survive?	Which projects/products/services have I sold and which am I likely to sell?
	<ul style="list-style-type: none">What is the minimum I must maintain to survive and keep generating impact? (no. of people and activities)	<ul style="list-style-type: none">Which projects/products/services do I already have guaranteed sales for?
	<ul style="list-style-type: none">Which projects am I interested in saving in the second instance? (criteria: economic viability, level of social impact, no. of payrolls it allows me to pay)	<ul style="list-style-type: none">Which projects/products/services do I already have guaranteed sales for and which do I have a high probability of converting into sales?
	<ul style="list-style-type: none">In addition to the previous ones, which projects would I like to try to maintain?	<ul style="list-style-type: none">In addition to the previous ones, which new projects/products/services can I manage to materialize? (maximum realism possible)

Feasibility through the income statement

Viability problems

Detection tool

income statement

What type of problem do I have?

- In a specific business line/project
- In the entire organization
- Negative gross margin
- Negative EBITDA
- Negative EBT

↑ Sales

↓ Expenses

What actions can I take?

- Boost sales/projects that are quick to execute and monetize
- Innovate income sources: change of client/funder?
- Boost sales/projects of existing clients/funders
- Increase sales prices
- Cost reduction (non-personnel)
 - Procurement contingency (cheaper or less quantity)
 - Structural expenses contingency (Covid-19 measure for deferring expenses)
- Low-cost production (efficiency)
- Personnel reduction (structural/direct)

If we find ourselves in a global economic viability scenario, but with a loss-making line, we can assume the cost if it compensates us by having a high capacity for social impact.

03

Balance sheet and cash-flow

Balance sheet and cash-flow

Balance sheet

Balance sheet

Represents the equity of the company at a given moment (usually as of December 31).
Represents the financial health of the organization.

Equity

Set of assets, rights, and obligations of the company at a given moment.

Goods

Set of assets (tangible and intangible) owned by the company.

Rights

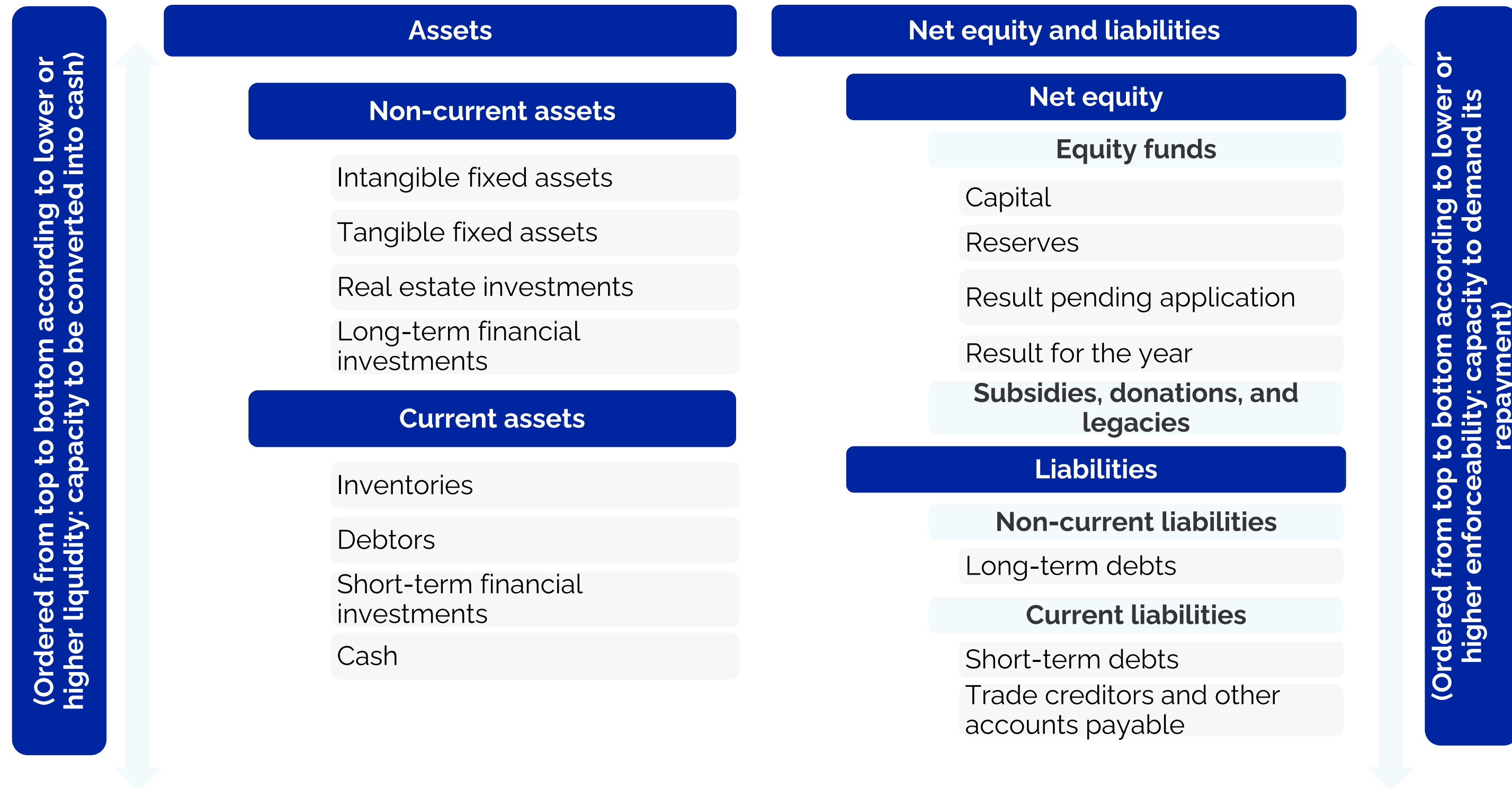
Set of debts granted by the company to third parties (rights to collect).

Obligations

Set of debts granted by third parties to the company (obligation to pay).

Balance sheet and cash-flow

Balance sheet



Balance sheet and cash-flow

Cash-flow

Cash Flow Statement

Tool that helps manage all inflows and outflows of money produced monthly during a year of a company's activity and that allows for meeting all payment commitments on time.
Helps to visualize if there will be sufficient cash for the things that need to be paid each month.

Cash

All the money the company possesses in liquid form (cash, current account...) including VAT.

Earnings

Inflow of money into the treasury.

Payments

Outflow of money from the treasury.

Treasury Balance

Liquid availability of the company, derived from the difference between treasury collections and payments.

Balance sheet and cash-flow

Cash-flow

	Month 1	Month 2		Month n
Initial treasury balance	Balance with which the current month begins (the initial balance of month 2 is the final balance of month 1, and so on).			
Earnings ordinary activities (+)	<i>Increases in the treasury from ordinary activities.</i>			
Payments ordinary activities (-)	<i>Decreases in the treasury from ordinary activities.</i>			
Treasury variation from ordinary activities	Treasury increase or decrease generated by the ordinary activities of the company's business.			
Other collections (+)	<i>Increases in the treasury from non-ordinary activities.</i>			
Other payments (-)	<i>Decreases in the treasury from ordinary activities.</i>			
Treasury variation from other activities	Treasury increase or decrease generated by the non-ordinary activities of the company's business.			
Final treasury balance	Final amount available in the company's treasury at the end of the month.			

04

Activity: let's build a feasibility plan

Viability plan

Activity

The objective of this activity is that you...



- 1** Discuss the **hypothesis of a business model and viability plan**
- 2** Observe how the **viability of our project evolves**
- 3** **Share your thoughts** about the business model. We will fill in the template collaboratively!

05

Conclusions

Closure

2 key ideas you keep
from this sessions

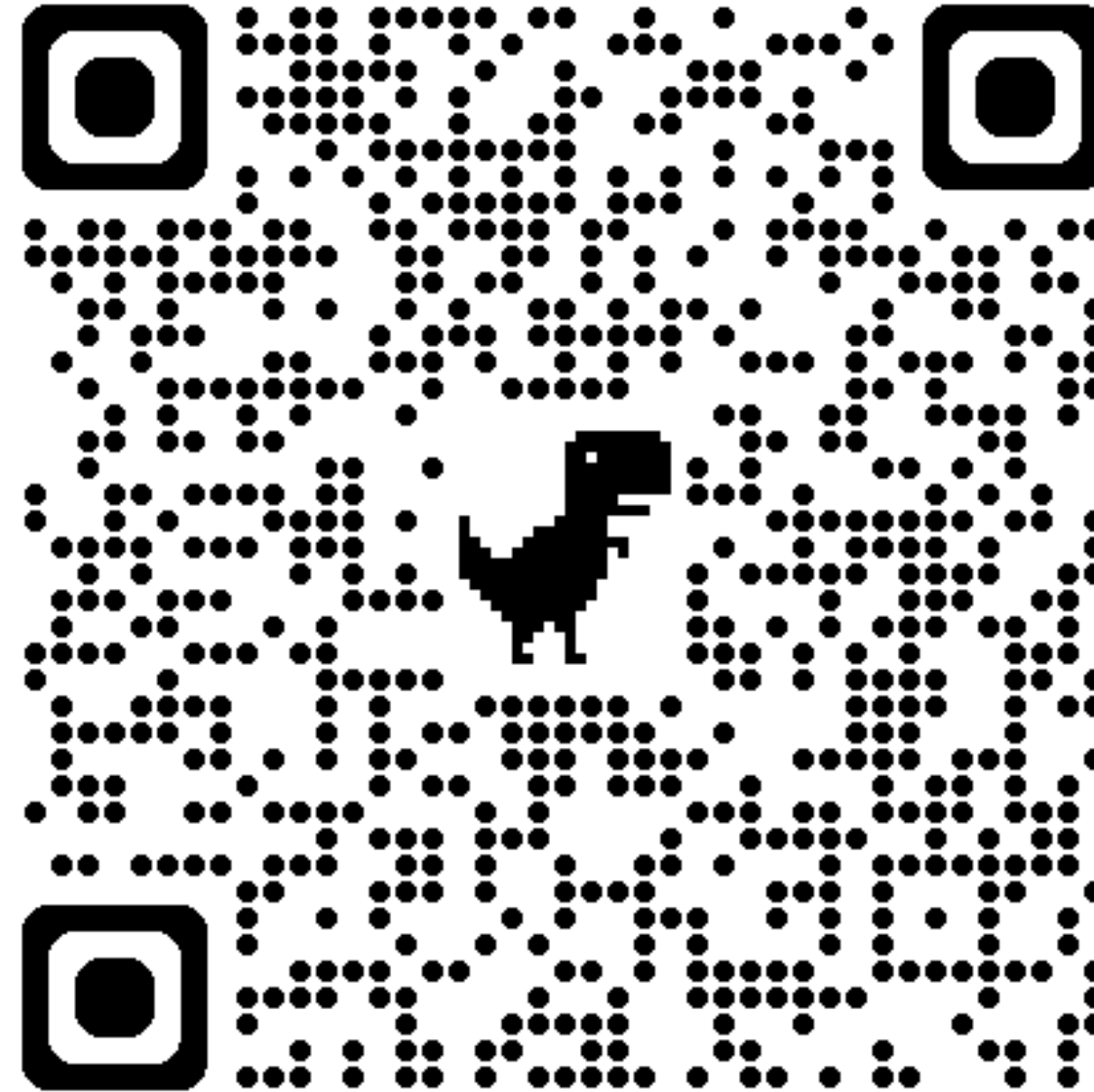
Any **doubt** you would like
to discuss with the group?

Thanks for your **attention**
and participation!



We strongly encourage you
to work **on the practical**
exercises before next
session 😊

Closure



Next session



Marketing plan

***Date:** Tuesday 5th May*

***Link:** <https://meet.google.com/vcg-jpaz-ohx>*

06

Tools