CHAPTER-I

INTRODUCTION

1.1 Background of the Study

Nepal is an agricultural underdeveloped country located between two huge countries India and China. It is located on the southern flank of the Himalayan range. Due to having poor industrial status, political instability and dependability to foreign countries, its economic strength is not so satisfactory. Per capita income of Nepalese people is low due to poor economic condition. Nepal is highly dependent to other countries to resolve its necessities.

Nepal contains more than a dozen ethnic groups originating from three major ethnic division; Indo-Aryan, Tibeto-Burman and Aborigine. They all live in harmony with their own culture and tradition respecting each other norms and values. Thus, due to this variation in its geography and ethnic diversity, Nepal has both opportunities and constraints side by side. Ecologically Nepal is divide into Himalayan region, Hilly region and Terai region as three regions. The Himalayan region constitutes the highest Himalayan ranges in the world lying in the northern part of the country. Nepal is also rich in natural resources. The evergreen forest, the non-stoppable flowing water and various kinds of flora and fauna have truly made this country rich in natural resources. Only the need is to identify them and utilize in a proper way. Mineral potential of the country is yet to be properly assessed. Due to lack of scientific and extensive geological survey of the country, the actual statistics of the mineral resources are not available yet.

1.1.1 Industrialization in Nepal

Industrialization is an important factor for achieving the basic objective of a country's economic and social progress. Industrialization not only provides goods and services but also creates employment opportunities. It facilitates an effective mobilization of resources of capital and skill, which might otherwise remain unutilized. Industrialization plays a crucial role in achieving high rate of economic growth in developing countries. Economic development of a country is contingent to the industrialization, which is conventionally measured by increment in the share of industry and a rise in per capita income. Industrial development a phenomenon more than what has been traditionally defined is a function of interaction among the set of parameters comprising resources, human capital and natural technology and management dynamism. In the history of industrialization, especially after the Second World War a very few developing countries in Asia witnessed especially newly industrialized economies. Nepal, a developing region in Asia, where development efforts have been thwarted by amazingly increasing population growth rate, acute disguised unemployment and object poverty, unstable politics and other many factors that have halted the aspirations of better future of this region.

Industrialization is a comparatively new phenomenon in Nepal. The Biratnagar Jute Mill set up in 1936 marked the beginning of organized industry in the country. In the years that followed, industrial growth was accelerated. Industries like the Morang Cotton Mills (1941), the Morang Sugar Mill (1946), the Raghupati Jute Mill (1946) and the Juddha Match Factory (1946) were set up in Biratnagar in collaboration with Indian businessmen. These industries set a milestone in the industrialization history of Nepal. Before 1950, the environment was not favorable to develop the industrial sector and the government had no vision about this matter. Those that were established early were liquidated later. They could not sustain for long period. Industrial development in Nepal however started getting regular attention of the government under the aegis of the development plans after the dawn of democracy in 1951. Prior to 1962, there was no conducive environment for industrial development in Nepal. In 1962, Nepal formulated its first industrial policy to provide incentives to industries so that the development could be insured. In 1974, the government came out with a new industrial policy, which had the fundamental objectives of contributing to the growth of imports substitution and exported industries. Several industries were establishes in the public sector mostly with the financial and technical assistance of the then USSR and China. As a result, Nepal witnessed the development of quite a large number of manufacturing industries in the public sector. The industrial development strategy of the government, however, changed after mid 1980s. The government then shifted its development strategy from state-led development to market-led open economy. As a result, many of the public sector industrial units privatized in the early 1990s.After the restoration of democracy in 2007 B.S., later 5 years was the stagnant period for political and development of the country. Only from 2013 B.S., the government came out with distinct vision. From then on 5 years development plans were Carrie out. Now Nepal is in twelve plans and up to this period the country has achieved a lot but not as expect (Economic Survey, 2007).

1.1.2 Nepalese Economy and Agriculture

Being the agricultural country, agriculture dominates the economy of Nepal, which accounts about 31% of GDP; provides employment opportunities to more than 80%of the economically active population. Truly speaking, agriculture is the backbone of our country. Economy and the agriculture are synonyms of each other in the context of Nepal. More than 80% of population depends upon the agriculture but today this number has decreased. Still more than 70% of the population depends on the agriculture. Due to urbanization and industrialization in the country, slowly people are shifting from the agricultural sector to industrial sector and service sector. There is no doubt that until and unless there is full development and fully skilled people in these sectors, agriculture will dominate in the economy of Nepal in coming days. In an agriculture country like Nepal, effective mobilization of agricultural resources is very necessary. For the economic development of the country, agriculture sector must be developed. Nepal once recognized as a food grain exporting country is in the situation of being recognized as a food grain-importing country (Economic survey, 2010).

This situation may be regarded as a challenging one. From the very beginning of planned development efforts, the government of Nepal has given priority to the agriculture sector in every plan period considering the fact that the sustainable economic development was not possible without the development of agriculture. Nepal's industrial base is limited. Most of the industries are based on agriculture raw material. Large manufacturing plants are owned and operated by the government. Major manufactured products include jute, sugar, cigarettes, beer, matches, shoes, cement and bricks. Traditional cottage industries such as basket and carpet weaving are also important to Nepal's economy, which are based in agriculture material. Thus, directly or indirectly agriculture sector has played an important role in the economy of the country (Economic Survey, 2010).

Long-term agriculture development plan is under implementation aiming to reduce poverty and increase economic growth by means of increasing employment opportunities and agriculture production. Recently Nepal has adopted "one-village one-product" policy aiming to increase the production of exportable under the modality of public-private partnership. The main objectives of this program are to help reduce the level of poverty and boost economic development at the local level by increasing the export of value added products. The twelve plans have set the objectives for the development of agriculture. Increase mobilization of agricultural and rural credit in an integrated manner to help rise in gross domestic product by increasing the agricultural productivity, and micro credit to check the rampant rural poverty by involving maximum number of deprived people in production oriented and income generating micro enterprise (Economic Survey, 2010).

1.1.3 Historical Background of Nepal Food Corporation

The effort of the government to provide the food in the country was seen only after the establishment of "Rasad godown" in Thapathali. The rasad godown was established by the Rana prime minister to collect the food grains (paddy) from the land such as “guthi” and “raikar” to provide to the army, police and to the government employees as per their demand. It is also heard that the rice from the rasad godown is also used in the religious event and in the school. The fact that the Commander in chief being the head of the rasad godown reflects the importance given by the government in the supply of food at that time. “Rasad Adda” had helped the earthquakes victims in 1990 B.S. Due to the increasing demand of food in the Kathmandu valley, the system of distributing the food by the coupon system to those who cannot afford to buy the rice was seen at that time. The place where Bishal Bazzar is now located, there was a sales department and this provides the facility of distributing the food grain and is called “Janasewa Hall”. After the change of political system in 2007 in the country the defense law was outlawed and the administrative law was implemented. Under this act “Milling and Sales Department of Paddy” and the “Rasad godown” of paddy were merged and was called “Sadar Paddy godown”. For this separate budget system was introduced. It was later termed as “Pradesik Khadhya Niyantran” in 2008 B.S. In 2013 B.S. the Pradesik Khadhya Niyantran was changed to “Khadhya Sanchya Bikri Bibhag”. It helps to store the food grain. To manage the growing demand of food in the valley the name was again changed into “Upathayka Khaddanna Bandobast Samiti” in 2018. The importance of the distribution of food grain to the district, which is deficit in food grain, was felt. Thus, according to the corporation act 2021, in the same year the name was again changed in to the “Khadhya Bewasta Sasthan”.

In 2028\029 B.S the country has to face the drought resulting an unexpected low production in the crops. This makes a serious problem in the country. There was a deficiency of food grains in the country. Since there was no organizational network of Khadhya Bewasta Sasthan, it became difficult in operation and in distribution of the food grain. Realizing the fact, Agriculture Supply Corporation and the Food Management Corporation was merged together to solve the problem. Later on it was felt that the single corporation couldn't operate the work effectively having two different natures of work. Thus the responsibility of supplying of food was taken out from the agriculture sales and Purchase Corporation to form the different corporation, which can operate separately with full authority. HMG of Nepal, realizing the need of a specialized organization taking care of proper food supply and distribution in the country including the Kathmandu valley established the Nepal Food Corporation (NFC) in 2031 B.S (1972 A.D) Mangsir 17 under the full ownership of the government which is running till to date. The Nepalese Ministry of industry, commerce and supply is responsible for supplying essential commodities such as petroleum products along with coal, timber, food grains through National Trading Limited, Nepal Oil Corporation, Nepal Food Corporation, Nepal Coal Limited and Timber Corporation of Nepal and others. Nepal Food Corporation is one of them and operates under the ministry of industry, commerce and supply (NFC Prospectus, 2010**).**

1.1.4 Objectives of Nepal Food Corporation (NFC)

Despite of being an agricultural country, Nepal faces the problem of food shortage for a long time. Due to great variation in the topography of Nepal, all the land acquired by it is not suitable for the agriculture. Nepal is divided into three topographical regions; mountainous, hilly and terai. Only the hilly and terai region are suitable for cultivation. Hilly region is also not that much suitable for the cultivation as compare to the terai region. Thus, terai region is the sole contributor in the supply of food grains in the country. In terai, of the total land only one- third of the land is used for the cultivation. Thus Nepal cannot depend fully on its production resulting in great import of food grains from the neighboring country and the third world, which provides the food grain as donation. Out of the total population, almost 40% of the Nepalese are facing with the food shortage every year. Hence management of the food economy is the major function of the ministry.

The distribution of food grains to the food deficit area and to the remote hilly area in the fair prices is the main responsibility of the Nepal Food Corporation. With a view to fulfill this responsibility, various activities such as procurement of food grains, building up and maintenance of food stocks, their storage, movement and delivery to the distributing agencies are undertaken. A close watch is needed on production, stock and price level of food grains. Efforts are made to ensure their adequate availability at reasonable prices in different parts of the country. Procurement and distribution of food are the strategies of the government for ensuring food security in the remote and food deficit areas. NFC procures food grains at the subsidized price announced by the government. Certain hill and mountain districts are considered low income, remote and inaccessible areas. Accordingly, NFC supplies the food grains in these areas at a highly subsidized price by providing transport subsidy. Sales of food grains are carried out in the hill and mountain districts by NFC's own field offices, sales depot and co-operatives and through private. It also helps in maintaining the price whenever the shortage of food grains appears by interfering into the market.

The major objectives carried out by NFC are as follows: -

- To implement the food policy of the government in effective way.
- To purchase the food grain by securing the interest of the farmers.
- To ensure to implement the program of price stabilization in order to prevent the interests of customers.
- To keep the appropriate stock of food stocks as per the policy of the government for the purpose of ensuring food security within the country.
- To make the arrangements of godowns at different appropriate places to purchase, procure, store and sales of food grains as per the policy of the government.
- Besides the food grains and daily essentials consumable foodstuffs, the corporation if required performs business trade for becoming self-dependent.

- To establish and to operate the mill factories to carry out the food processing activities.
- To perform the task according to the Government of Nepal in collecting, transporting, storing and making the arrangements of distributing of food stuffs obtained by Government of Nepal in time to time from different diplomatic countries, donors and international associations and other corporations.
- To export and import food stuffs from different countries.
- To perform the transactions as directed by the government.
- To remain active to gain the goal of making corporation self-dependent.
- Maximum utilization of its fixed and non-fixed assets by purchasing, selling, leasing, renting etc to make the corporation self-dependent.
- To provide food donations in any way in different critical situation like natural calamities and chronic food shortages.
- To provide extra special services in case of great festivals like Dashain, Tihar and other national occasions.
- NFC will be open petrol pump and gas supply local areas in near future.

(Source: NFC Prospectus, 2010).

1.1.5 Major Activities of Nepal Food Corporation (NFC)

The corporation operates essentially on a system of quotas for each district, set up by the government. Once the quota has been set, NFC supplies the food according to the agreed quota unless there is an abnormal situation. The annual budget is prepared on the basis of fixed quotas along with the information of field offices and the direction of the government.

After the quotas are fixed, the basic operations that NFC carried out are procurement, storage, transport and distribution of food grains to the needed person. These operations of NFC are described briefly.

A. Procurement

Procurement is the first step of operating process of NFC. Especially the head office of NFC decides to purchase the quantities of food grains at reasonable price from the surplus areas to meet the demand of the food deficit areas. The corporation normally uses the methods of procurement either through the tender procedure or by purchasing from the local pricing committee.

B. Storage

The procured food grains from different parts of the country are stored in NFC godowns. Similarly, the food grains supplied by the donor countries and the food grains purchased from other countries and neighboring countries are stored in the godowns. The NFC officers regularly inspect these storage houses. The NFC has a number of storage houses in different part of the country having total storage capacity of 97,370 metric tonne in 166 godowns (NFC Annual Report, 2012/13).

C. Transportation

After the storage of food grains in the storage house, the next operation is to transport these food grains to the food deficit areas in the different part of the country. Due to topographical and geographical condition of the country transportation of food grains has always remain a big challenge to NFC. Lack of access of roads to hilly and mountain areas obstruct the distribution of the food grains. The means of transportation are trucks, animals and porters. In the inaccessible remote hilly and mountainous region the food grains are airlifted. This increases the price of food grains. NFC for this reason has given the privilege in the transportation.

D. Distribution

The government regulates distribution of food grains by NFC. The selling prices of the food grains are fixed by the government at lower than that of market price. Sales quotas are fixed for district at the central level in consolation with FAMSD (Food Agriculture and Market Department). NFC distributes the food grains to the people on family basis or per head basis on monthly basis. The distribution process is done from the local depot and godown. In the food deficit areas district level food management committee are organized under the chairmanship of the president of DDC to organize and regulate the food distribution in the district. During the shortage time, CDO plays an important role in distribution of food grains by issuing coupon system or imposing maximum limit of purchase at a time.

1.1.6 Present Condition of Nepal Food Corporation (NFC)

One of the oldest public corporations which is fully devoted to the Nepalese people has come to this period with lots of up and downs. Despite its own problems and constraints, concentrating on consumer's needs and interest, Nepal Food Corporation grows from strength to strength in winning the heart of Nepalese people**.** NFC has enjoyed a major share of the total rice market in the country. But it cannot retain its position in the market for a long time.

Today many other companies and the individual businessman have come to the market. Today NFC has a minor share in the market but still it is the only corporation that has faith of the consumers. It has enjoyed a strong imagery and appeal amongst consumers. The extensive distribution network of NFC is the major strength. The products are available to consumers, even in the most remote places and the smallest of villages with a few populations. The corporations name conjures up fond memories across the length and breadth of the country.

During the time of its establishment, it has extended its services to all over the country from the 166 godowns located at 55districts. At present Nepal Food Corporation has established the necessary physical infrastructure all over the country for regular and effective supply of the food grains. It has one head office located in Kathmandu at Bhadrakali, 8 zonal offices, 1 modern rice mill, 30 branch offices, and 61 depot offices. Similarly there are 460 human resources. There are two Food Processing Mills having capacity of 2 ton in

Rajapur (Bardiya district) and 1/2 ton in Mahendranagar (Kailali district). But these mills are not in operation now from the time of insurgency. Today NFC has a storage capacity of 97,620 metric ton of food grains. During its established period its capital was Rs. 34, 75,000 now it has increased up to Rs. 99, 04, 96,000. In fixed assets NFC has total of 1,034 ropanies of land, 166 godown house of having a capacity of 97,370 metric tons for storage of food grains and 28 office buildings. The corporation is operating its transaction by taking loan from the commercial banks of Rs. 50 crore by keeping the corporation's land as mortgage (NFC, Annual Report 2012/13).

1.1.7 Organizational Structure of NFC

The organizational and management of NFC provides the structural framework of duties and responsibility of the personnel working in the organization. The structural pattern of NFC becomes the mechanism through which the management directs controls and coordinates the activities of the enterprise. NFC has Central office one, Zone office eight, Branch office thirty and Depot sixty-one. In addition, NFC has 460 employees. Structure of operational committee is as follows.

Table 1.1

Structure of Operational Committee

S.N	Representation of Ministry	Organization Position
1	Joint-Secretary, Ministry of Commerce Industry and supply	Chairman
2	Joint-Secretary, Ministry of Finance	Operational Member
3	Joint-Secretary, Ministry of Home	Operational Member
4	Joint-Secretary, Ministry of Agriculture and cooperatives	Operational Member
5	Joint-Secretary, Ministry of Commerce, Industry and supply	Operational Member
6	Consultant, Appointed by Government	Operational Member
7	oint-secretary, Ministry of Commerce, Industry and Supply Guest	Operational Member
8	Director General, Nepal Food Corporation	Member Secretary

(Source: NFC Prospectus, 2013)

1.2 Statement of the Problem

Nepal is a developing country in the world with very low per capita income. There are very limited number of industries and service providing sector. The economic growth rate of the country is very poor where as the population growth rate of the country is relatively higher. Most of the people depend upon the agricultural sector for living. Agriculture has been the major earning for the most of the Nepalese people for the long period in the history of Nepal. Though the agriculture has been the major profession of the Nepalese people, they were facing the problem of food shortages and malnutrition. Due to lack of enough land, modern agricultural practices, facilities of irrigation, scientific equipments, better fertilizers and improved seeds the production is not enough to fulfill the country's needs. Majority of the farmers find it hard to live with their produce more than six months. Even some farmers produce more they do not benefit due to lack of transportation and marketing facilities.

To cope with this problem the government of Nepal has established a separate organization called Nepal Food Corporation (NFC) in 17th Mangshir 2031. During its establishment it has enjoyed the lion's share of market. It has got the monopoly in the market. But the organization is running in loss which is the matter of concern. NFC is running on loss since the time of its establishment. In recent years little increment in profit has been seen but it is not sufficient to recover large amount of accumulated loss of previous years. Until the fiscal year 2069/70 the accumulated loss of the organization is Rs. 1,13,15,87,314.21 which is very difficult to recover despite the continuous support of the government. Problems faced by the organization can be stated as follows:

- Lack of consistency between planning and achievement
- High cost in administration and transportation
- Ineffective management planning

- Lack of coordination between sales and purchase plan, manpower planning. The reason for this is there are no proper budgeting and controlling techniques applied in the organization.

1.3 Objectives of the Study

The main objective of the study is to study on the current practice of profit planning and control and its effectiveness in NFC. The other specific objectives of the study are as follows;

- To analysis the trend and variance in sales and purchase of Nepal Food Corporation.
- To analyze the position of Nepal Food Corporation's in terms of expenses and sales.
- To assess the profitability and financial position of Nepal Food Corporation.

1.4 Significance of the Study

This research work is the study on the current practice of Profit planning and control of Nepal Food Corporation. This study is significant in various ways for different stakeholders.

- To explores the problems and potentialities of Nepal Food Corporation.
- To examines the application of Profit Planning and Control in the company.
- To provides the necessary theoretical and contemporary situational conceptions to make appropriate decisions for Nepal Food Corporation.
- It will be useful to the potential managers, accountants, policymakers, loan investors and foreign donors etc.
- It provides literature to the researcher who wants to carry further research in this field.
- It provides information on the application of the tools under profit planning in different circumstances.

1.5 Limitations of the Study

Maximum efforts have given for not deviating from the facts and truth while presenting and analyzing the information. But certain limitations existed which were difficult to eliminate. Following are its limitations of this study;

- This study is based on the data of five fiscal years covering 2065/66 to 2069/70.
- The whole study is based on true response and the data provided by the Nepal Food Corporation management.
- The study is based on secondary data but for the primary data, general discussions with the management were also done.
- This study is focuses on the application of Profit Planning and Control in Nepal Food Corporation.
- Due to limited time and resource constraint, this study is neither comprehensive nor extensive.

1.6 Organization of the Study

For the systematic presentation of the report, the whole study is divided into five chapters.

Chapter-I: Introduction

The first chapter of this thesis is introduction. It deals with the subject matter. It consisted of introduction, general background of the company, identification of the problem and significance of the study, objectives, limitations and organization of the study.

Chapter-II: Review of Literature

Review of Literature is the second chapter of the study. It included review of the literature obtained during the library searches. Review of literature is an essential aspect of all studies. It is a way to discover what other research in the area of our problem has uncovered. This chapter included the meaning or profit planning and other related topics of the profit planning and control under the head of conceptual framework and review of major studies related to the PPC under the head of review of earlier studies.

Chapter-III: Research Methodology

The third chapter of the study is Research Methodology. It explained the methods used in the study. It included research design, sources of data, data collection technique, methods of presentation and analysis of data and general meaning of research methodology.

Chapter-IV: Presentation and Analysis of Data

Presentation and Analysis of Data is the fourth chapter. It included presentation and analysis of collected data by using various statistical and financial tools and major findings.

Chapter-V: Summary, Conclusions and Recommendations

The fifth and final chapter is Summary, Conclusions and Recommendations. It concerned with the suggestive framework, it dealt with the summary, conclusions and recommendations of the study.

CHAPTER-II

REVIEW OF LITERATURE

2.1 Conceptual Review

Review of literature is the study of previous research, article, and book in related field or topics for finding the past studies conclusion and deficiencies that may be known for further research. This chapter will help to check the chances of duplication in the preset study. Thus, the gap between the previous research and current research can be filled.

Therefore, the chapter is categorized under three main heading. Conceptual framework is concern with fundamental of supportive text that will ensure the interpretation whether it is under the principles and doctrine of the theories related to the topic. Review of related studies is about the legislations related to NFC studies of previous thesis, related books and previous researcher in similar topics. The last is research gap, which describe the difference and missing factor of the previous thesis and this thesis.

2.1.1 Concept of Profit Planning

Before explanation profit planning it is necessary to understand about profit and planning. So these two components are explained separately below.

Usually, profits do not happen, profits are managed. Profit is controversial terms it is defined by different peoples taking into consideration aspects. "Usually profit does not just happen. Profits are managed". Before we can make an intelligent approach to the managerial concept of profit . There are, after all, several different interpretations of the term "Profit". An economist will say that the profit is the reward for entrepreneur-ship for risk talking. A labor leader might say that it is a measure of how efficiently labour has produce and it is provides a base for negotiating a wage increase. An investor will view it as a gauge of the return of his or her money. An internal review agent might regard it as the base of determining incomes taxes. The accountant will define it simply as the excess of a firm's revenue over the expense of producing revenue in a given fiscal period (Lynch and Williamson, 1997).

“A view of profit state that entrepreneur is special type of labour and profit is a special form of wages. The entrepreneur earns profit for organizing and co-coordinating the other factor of production land, labour and capital” (Lynch and Williamson, 1983).The word profit implies a comparison of the operation of business between two specific dates, which are usually separated by an interval of one year in order to optimize those cooperate source of wealth' on which national prosperity depends those cooperate financial objectives of a company is to maximize, with a socially accepted limits. No company can survive without profit for a long period. The profit is the ultimate measures of its effectiveness and in a capitalists society there is no future for a private enterprises, which always incurs losses.“Profit is the primary objectives of Business in view of the heavy investment which is necessary for the success of most enterprises, profit in the accounting sense tends to become a long term objectives which measures not only the success of a product but also of the development of the market for it” (Hilton, 2000).

Therefore, profit is the primary measure of business success in any economy. If a firm or enterprises cannot make a profit, it cannot obtain or hold capital for very long, if capital cannot obtain it cannot expand its business and it cannot competitive with other firm.

Planning is a deciding in advance what is to be done in future. It is the method of thinking out acts and purposes before hand. It is the determination of action of achieves a desired result. Planning is the basic function of management; it may be defined as the selection from among alternatives of courses for future actions. It is the functions by which the manager decides what goals are to be accomplished and how they are to be reached.

A plan is then a projected course of action. All planning involves anticipation of future course of elements and therefore bears the elements under taking in respects of its success (Munakarmi, 2003).

Planning is continuous process because conditions do not remain static, conditions change rapidly and therefore plans should be revised and reformulated to adapt to the changed conditions. Planning is a tool of developing and achieving the organizational objectives. Planning is the process of developing enterprise objective and selecting a future course of action to accomplish them. It includes (a) establishing enterprise objectives (b) developing premises about the environment in which they are to be accomplished. (c) Selecting a course of action for accomplishing the objectives (d) initiating activities necessary to translate plans into action and (e) current re-planning to correct current deficiencies.

Planning can be defined as the establishment of objectives and the formulation evaluation and selection of the policies strategic tactics and action required to achieve these objectives. Planning comprises long-term/strategic planning and short term operational planning. The latter refers to a period one year (Joshi, 2009, 1st Edition).

Planning is essential to accomplish goals it reduces uncertainly and provide dirention to the employees by determining the course of actions in advance. Formal planning indicates the responsibility of management and provides an alternative to growing without direction. Planning on the other hand involves the determination of what should be done, how the goals may be received and what individuals are to assume responsibilities and to held accountable (Grace, 1992).

In conclusion, planning is very necessary things or jobs for every family, marketing and businesspersons can no one can achieve effective goal without planning. There are two categories of plan these are tactical or short-term plan and strategy long-term plan.

Planning is predetermined course of action for achieving organization goals this is to be done within predetermined time fame through the selection of various alternatives.

2.1.2 Profit Planning

A plan, which is planned for achieving profit in a certain future period, is called profit plan. Every organization wants profit to survive long in the market but profit is not auto formulating component.

Profit planning is defined as "An estimations and predetermination of revenues and expenses that estimates how much income will be generated and how it should be spent inn order to meet investment and profits requirement. In the case of institutional operations it presents a plan for spending income in a manner that does not result in a loss" (Munakarmi, 2003).

Explaining the use of budget and profit plans; they further mentioned that. Once developed managers know that when actual expenses exceed budget limitations, there may be problems. The profit plan tells managers how much money remains to spent in each expenses category. Profit plan are also used to develop a new budgets. Information from the current profit plan, along with actual accounting information, becomes the basic for development the next fiscal accounting year's budgets.

"Profit plan is an advance decision of expected achievement based on the most efficient operating standards in effect or in prospect at the time". It is established, against which actual accomplishment is regularly compared (Fago, 2004).

The primary aim of profit planning is to assist assuring the procurement of the profit planed and to provide a guide for assisting in establishing for financial control policies including fixed assets additions, inventories and the cash position. The adoption of correctly constructed profit plans provision provides opportunity for a regular and systematic analysis of incurred of anticipated expenses, organized future planning fixing of responsibilities and simulation of effort. In short, it provides a tool for more effective supervision of individuals operations and practical administration business as a whole.

In the board concept of profit planning some of the author try to give definition in few words "The profit planning means the development, acceptance of objectives and goals moving an organization efficiency to achieve the objectives and goals" (Welsch, 2001).

2.1.3 Corporate Planning

Corporate planning was started in Unites States in 1950 at the first time in the world. Now a day it is expand rapidly on one form or another in the several companies in all over the world. Corporate planning as the systematic process of setting corporate objectives and making the strategic decisions and developing the plan necessary to achieve these objectives (Joshi, 2009).

Corporate planning thus is action oriented and not concerned with the more plans. Since, corporate planning is also concerned without a forecast whose purpose is to anticipate the future based on factors. From the forecast, one knew what one has to aim to achieve. That is he formulates the objectives and then determines the means, which must be orchestrated in order to achieve the objectives. Corporate planning therefore seems to be the technique for action now process in sequential logical manners.

2.1.4 The Main Principles and Purposes of Profit Planning

The main principles and purposes of profit planning as follows:

- To provide of realistic estimated of income and expenses and of the financial position at the close of the period, details by areas of management reflected in the budget.
- To provide a coordinate plan of action, which is, designed to achieve the estimates reflected in budget.
- To provide a comparison of actual result, which those budgeted, and an analysis and interpretation of deviation by of area of responsibility to indicate course of corrective action and to lead to improvement in procedures in building future plan.
- To provide a guide for management decision in adjusting plan and as uncontrollable conditions change.
- To provide a ready basic for making forecasts during the budget period to guide management in making day to day decisions (Richard and Williamson, 1997).

2.1.5 An Outline of the Fundamental Concepts of PPC.

The fundamental concept of PPC includes underlying activities or tasks that must be generally carried out to attain maximum usefulness from PPC. These fundamentals have never been fuller codified. An outline of the fundamental concept usually identified with PPC is given below.

- A management process that includes planning, organizing, staffing, leading and controlling.
- A managerial commitment to effective management participation by all levels in the entity.
- An organization structure that clearly specifies assignment of management authority and responsibility at all organization levels.
- A management planning process.
- A management control process.

- A continuous and consistent coordination of all the management functions.
- Continuous feed forward, feedback, follow-up and re-planning through defined communication channels (both downward and upward).
- A strategic (long-range) profit plan.
- A tactical (short-range) profit plan.
- A responsibility accounting system.
- A continuous use of the exception principles.
- A behavioral management program
  (Welsch, et all, 2000).

2.1.7 Application of PPC to Various Types of Organization

Budget is a pervasive phenomenon, which applies in every kind of organization. The term and function of budgeting were firstly developed for a states purposes. As applied in the conduct of government affairs, budget control implies a forecast of problems in future expensive. This result in the establishment of desirable totals for expenditure and revenue, coupled with plans to ensure that the actual operation are keep with in these bound. The constant comparison of actual receipt and expenditure against the budget throughout the period offers a current measure of the extent to which the perceived plans are being realized.

Some people say that comprehensive profit planning and control is applicable only to large and complex organizations. Usually it is commented, Comprehensives budgeting is a fine for most business, but ours is different or it is impossible to project our revenues and expenses, and so on. Sometimes specific industries are viewed as not amenable to profit planning and control. These views are common regarding non-manufacturing enterprise, service companies, financial institution, hospitals, certain retail business, construction companies, and real-estate enterprises. To the contrary, profit planning a control can be adapted to any organization (profit or non-profit service or manufacturing, regardless of size, special circumstance, or condition). The fact that a company has peculiar circumstance or critical problem, frequently a good reason for the adoption of certain profit planning and control procedures. In respect to size, when operations are extensive enough to require more than one or two supervisory personnel, there may be a need for profit planning and control application. The smaller company certainly has different needs in this respect than a larger one. As with accounting, a single profit planning and control system that is appropriate for all enterprises cannot be designed. A profit planning and control system must be tailored to fit the particular enterprise, and it must be continually adapted as the enterprise and its environment change.

In organization, irrespective of its type and size, budgeting is inevitable; budgets are so pervasive that they apply to all kinds of organization.

2.1.8 Profit Planning and Control in Nepalese Enterprises

Planning comprise the whole field of deciding what you want human being accomplish. This involves that careful determination of need the establishment of objectives and proper arrangement of responsibility to individual or group of individual.

Most of the corporation in Nepal suffering from lack of corporation planning which rendered them directionless and aimless and board of directors of the corporation are occupied with the routine work in minor day to day problems. Most of corporation do not perform there profit planning programmed settled by the short term and long term planning. It is to be seen in many corporation that annual targets were not fired. Based on investment and achievement are run without well determined strategic and programmers in other words without any sound planning.

Corporation planning in enterprise in Nepal is sedimentary form and limited to annual program and budget, which is most careless and without knowing the projected government product and service. The premises are not considered properly and most case they are not commander at all long term strategic planning is missing. The report of auditor general of Nepal has mentioned that most of the corporations do not perform their PPC program it is to be seen in many corporations that annual targets were not fixed based on investment and achievement and by virtue of which there is not relationship between targets and achievement. In these corporation annual budget have become just formalities.

2.1.9 Budgeting as Tool for Profit Planning & Control

A budget is a comprehensive and co-ordinate plan expressed in financial terms, for the operations and resources of an enterprise for the some specific period in the future.

"A budget is the plan of the firm's expectations in the future. As stated previously, planning involves the control and manipulation of relevant variables controllable and reduces the impact of uncertainty. It makes management action to influence the environment in the interest of enterprise. A budget expresses the plan informal terms and helps to realize the firm's expectation. It is a comprehensive plan in the sense that all activities and operations are considered". When it is prepared as a whole, Budgets are indeed prepared for various segments of the enterprises but they are component of the total budget, the master budget (Lynch and Williamson, 1983).

Budget planning is one of the methods used for preplanning and coordinating the activities of an enterprise. The budget is a technique for comparing various alternatives in terms of results and costs. It takes a consideration of all competing claims as to the directions in which the efforts of an organization should be applied. Budgeting is the heart of the cut of business decisions. It resolves objectives and compares the means of researching them.

Budgeting aims at coordinating these conflating requirements, in such a way that the best overall result is obtained in the light of the circumstances that are anticipated for a forward period and after an analysis of the probable result of all the alternative course of action that are seen to be opened.

"Budgeting, as a tool of planning is closely related to the broader system of planning in an organization. Planning involves the specification of basic objectives that the organization will pursue and fundamental policies that will guide it" (Willsmore, 1960).

In operational terms it involves the step of setting objective specifying goals, formulating strategies and expressing budget. A budget is a comprehensive and coordinated plan, expressed in financial terms. For the operation and resources of an enterprise for some specified period in the future.

A budget is predetermining statement of management policy during a given period which provides a standard for comparison with the results actually achieved.

A firm without financial goals may find it, difficult to make proper decisions. A firm with specific goals in the form of a budget makes many decisions a head of time. A budget helps a firm to control its costs by setting guidelines for spending money for unneeded items because they know at all cost will be compared to the budget. If cost exceeds the budgeted costs, an explanation will be required. Frequently exceeding the budget may even be grounds for dismissal. A budget helps to motivate employees help in setting up the budget. The complete budget for a firm is often called the master budget. The master budget consists of many functional budgets. These budgets includes a sales budgets, production budget, a purchase budget an expenses budget, an equipment purchase budget and a cash budget. One all of these budgets are completed, the master budget for the entire firm is prepared.

The nature of budget control is such that all the various estimates involved are strictly inter-dependent. It is consequently, very necessary for arrangements to be made to ensure that they are prepared in a logical sequence, and it is unwise to commerce the operation of a budget system before these arrangements are made and before a comprehensive procedure has been established to govern the preparation and use of various estimates.

In summary, the budget involves the statements of plans, the coordination of these plans into well-balanced programs and the constant watching of actual operations to ensure that they are kept in line with the predetermined plans, in this way limits are set on expenditure, standards of performance are established and forward thinking is made as essential part of business management. Care must be taken, however not to fall into the error of regarding the budget as an end itself. It means to an end it is not a method of business management, but an aid to clear thinking and its fundamental object is to enable considered intention to be substituted for opportunism in management.

Hence, profit planning and control represent an overall plan of operations, providing guideline to management and acting as signal light for the management. It enables the management to correct its policy. Profit planning and control covers a definite period and formulates the planning decision of management. It consists of four main budgets.

- **Operation Budgets**

Budget related with revenue and expenses, such as sales budget, production budgets purchase budgets.

- **Cash Budgets**

Budgets related with receipt and payment of cash.

- **Financial Budgets**

Budgets related with financial statement, such as Balance sheet, income statement, Profit and loss account.

- **Appropriation Budgets**

Budgets related with advertising and publicity expenditure, research etc.

2.2 Review of Journals and Article

Himalayan Times (2012), *NRB Permits Export Loan in Foreign Currency.* Exporters can now obtain pre-shipment and post-shipment loan from financial institution in foreign currency. The central bank has allowed commercial banks and development banks to lend $ 1 million or its multiple as pre-shipment and post-shipment loans to export-oriented industries that earn foreign currency. The borrowers need to pay both the principal amount and interest in foreign currency. The Central bank already allows banks to provide exporters and hydro projects loans in foreign currency. The move comes in line with the monetary policy for this fiscal year that had announced such a facility to encourage export industries as they need to make payments for raw material in foreign currency and then receive payments in foreign currency.

Nepal Rastra bank (NRB) has fixed a maximum of 2.25 percent addition to LIBOR. LIBOR stands for London Inter Bank Offer Rate which is fixed by leading London banks and is the benchmark for bank rates all over the world.
Moreover, NRB will also provide refinancing to the financial institutions for such loans at LIBOR plus 0.25 percent interest rate for six month against the collateral of good loans, according to the circular published today. The banks need to pay back the refinanced loans in foreign exchange. Last fiscal year, the central bank has allowed licensed hydropower companies to issue foreign- currency debentures in Nepal.
The hydropower projects that generate income in foreign currency can raise needed funds for developing a project by issuing foreign-currency bonds

through the subsidiary merchant banking arm of commercial banks and development banks. Himal Power Company has already undertaken preliminary steps to issue $ 60 million worth debentures in the domestic financial market.

The Himalayan Times (2012), *Loans to Realty Sector Remains Static*. The portion of real estate loans in the financial institutions portfolio has remained almost static even though lending to it is half the limit that what has been pre-scribed y the central bank. In the beginning of last fiscal year, the amount of loans floated to the real estate sector comprised of 13.8 percent of the total loan portfolio at Rs. 98.8 billion, which by the end of 10th month of last fiscal year covered about 12.4 percent amounting to Rs. 95.09 billion, according to Nepal Rastra Bank (NRB)'s statistics. Total lending of the financial institutions stood at around Rs, 764 billion till mid-may. Though the amount of loans floated to the real estate sector is way below 25 percent of total lending-a limit set by the NRB-Financial institutions are wary from extending ore loans. "Though there is enough space for financial institutions to further financing projects, they are wary about financing more projects due to lack of trust," lamented president of Nepal Land and Housing Developers Association Ichhya Raj Tamang.

By the 10 months of the last fiscal year, commercial banks had floated loans worth Rs. 69.84 billion to the realty sector, while development banks and finance companies had floated Rs.11.42 billion and Rs. 13.83 billion, respectively. In comparison to the beginning of the previous fiscal year, in the 10 month both development banks and finance companies were able to reduce their exposure to th the real estate sector significantly. But lending by commercial banks witnessed a little increment due to their rising deposits. Tamang pointed out that the realty sector is in need of more finance and has become stagnant due to lack of finance, and ongoing projects have been put on hold which will further deepen the real estate crisis, "If the financial institutions, that are flush with liquidity but unable to find new projects to finance, can channel their funds to the sector once again, it will be beneficial to both," he added.

In December 2009, the central bank directed the financial institutions to restrict credit flow to a single sector to up to 25 percent of their total lending due to the fear of an eventual systemic failure because of overexposure to realty business. The banking sector has taken the brunt of the cooling off of the realty market since the last two years as the loan default rate and Non Performing Loans have since then been growing. The central bank governor Dr. Yubaraj Khatiwada also expressed that there is no bar on lending to non speculative housing sector, if financial institutions portfolio has less than 25 percent of lending to the sector. The loans floated by the financial institutions to the public under the heading of Personal Home Loans comprised 14 percent of in the first 10 month of the last fiscal year. The financial institutions had lent Rs 47.6 billion till mid-may, while in the beginning f the fiscal year it stood at Rs.41.6 billion. The central bank had expanded the ceiling on home loans that are not calculated as real estate loans to Rs 10 million from Rs.8 million in January in expectation of igniting demand. Despite the raised ceiling the interest rate on home loans stood at around 12 percent to 16 percent discouraging the public.

Himalayan Times (2012), *Financial Sector Getting Professional Liberal Economic Policy Post-1990 Helps Support Growth*. When Nepal Arab Bank-current Nabil Bank-started its operations some 28 years back in July 1984, in Nepal, there were only a few banks like partially government owned Nepal Bank and completely state owned Rastriya Banijya Bank. But in the last three decades, the country has witnessed a surge in the number of modern private banks and financial institutions also due to the liberal economic policy post-1990. "In recent years, the banking system has become stronger despite issues of good governance" said chief executive of Nabil Bank. Anil Gyawali.

"Besides quality institutional development, with time both the players and regulators have become more professional" he said, adding that the increasing number of banks and financial institutions have been catering to the basic needs of the urban populace.

However, there is another side of the coin too, as the increasing number of institutions in the same pie has increased the pressure on profit, forcing the banks and financial institutions to go over their capacity said the bankers, who started his career with Nabil bank in 1984 but then went on to join City Bank branch in India in 1996. As a career banker, Gyawali also opined that there are challenges in the banking sector too. Apart from governance, there are challenges of credit quality and increasing crunch of human resources, which according to him have to be addressed immediately to maintain a robust financial system. "Otherwise it could lend to operational risk, "he added, "Similarly the financial system is facing a growing challenge of regular power outage and costly recent as they have increased operation costs"Currently, the banking and financial system is under pressure due to deposit surplus too.

"Due to low confidence among entrepreneurs, lending has slowed down, " he said, adding that if the entrepreneurs were confident, they would have discovered new sectors to borrow for, and the pressure is building on bottom line and the profit growth rate will come down due to the stress." However, the banking and financial sector has been giving good return, said the chief executive of Nabil bank, which saw its share traded at Rs. 1460 per unit today. "Depositors and investors must be more vigilant and they should not expect high dividends every years as banking is a long term business, and putting pressure on short-term gains will put pressure on the whole financial system," Gyawali suggested. With almost three decades of history, Nabil Bank- that has posted Rs. 1.51 billion profit after tax by mid June – is the benchmark setter he claimed, adding, " With local management, the bank has department from the traditional banking system and introduced more innovative products in the market". With its total assets size of Rs. 66.25 billion, Nabil has a deposit base of Rs 56.04 billion and NPL stands at 0.95 percent of the total lending of Rs. 42.57 billion.

2.2.1 Review of the Previous Studies

There has been a lot of research work in the past on PE’s of Nepal and the application of PPC in both manufacturing and non-manufacturing companies. These past studies have helped this study to be more effective and logistic in its sense. To solve the task presented in this study several concepts and theories of these past theses have been taken. Many researchers have shown interest in doing research in PPC and have carried numerous research and field observations to illuminate pertinent issues. Very few researchers have carried research in PPC of NFC. What ever the research in the areas of profit planning and control made are also not in depth and detail. Very few dissertations have been submitted in the topics of profit planning and control of NFC. Some of the researcher’s findings and suggestions of the previous studies are reviewed here.

Rimal, (2008), has conducted a research on *"Profit Planning and Control of Nepal Bangladesh Bank*", an unpublished master level thesis submitted to Shanker Dev Campus, Faculty of Management, T.U. Her objective and major findings are as follows:

Main Objective

- To analyze the trend of profit of the fiscal year 2057/58 to 2063/64 of Nepal Bangladesh Bank.
- To highlight the current profit Planning premises adopted and its effectiveness in NB Bank.
- To observe NB Bank's Profit Planning on the basis of overall managerial Budgets developed by the Bank.
- To analyze the variance of budgeted allocation and actual achievement

- To study the growth of the business of the bank over the period.

Major Findings

- The average cost of deposit of the Bank is high.
- Bank CD ratio are high, which is rather a compulsion for the bank to meet the cost of high cost deposit.
- LDO of the bank has increasing significantly but the part of proper loan assessment and monitoring aspects are not well developed.
- Bank should implement its activities with prior planning; there must be budgeting system, which enables it to achieve its objectives.
- Nonperforming assets could wreck bank's profitability but while lending to the borrower's proper analysis of the loan proposal must be done which will decrease the chance of bad loan to the bank.

Kheral (2008), conducted a research on *"Profit Planning of Commercial Banks Nepal: A Comparative Study of Everest Bank Limited, Nabil Bank Limited, and Bank of Kathmandu Limited",* an unpublished master level thesis submitted to Shanker Dev Campus, Faculty of Management, T.U. His objectives and major findings are as follows:

Main Objectives

- To find out the relationship between total investments, loan and advances. Deposit, net profit and outside assets.
- To identify the investment priority sectors of Commercial Banks
- To assess the impact of investment on profitability.
- To analyze and forecast the trend and structure of deposit utilization and its projection for five years of commercial banks

Major Findings

- The liquidity position of EBL is comparatively better than that of Nabil and BOK.

- In spite of the current ratio is average amount the other two banks EBL has maintained the cash and bank balance to meet the customers demand.
- EBL has invested highest sectors like government securities that BOK and lesser portion that that of Nabil.
- Form the analysis of assets management ration it can be found that EBL is in better position as compared to that of Nabil and BOK.

Tiwari (2009), has conducted a research entitled *"Profit Planning in Commercial Banks: A Case Study of Standard Chartered Bank Limited",* an unpublished master level thesis submitted to Public Youth Campus, Faculty of Management, T.U. The major concern of Mr. Tiwari is to study the Profit Planning in Commercial Bank by taking a case study of SCBL. His objectives and some of major findings are as follows:

Main Objectives

- To highlight the current profit planning premises adopted and its effectiveness in SCBNL Bank.
- To analyze the variance of budgeted and actual achievements.
- To Study the growth of the business of the bank over the period.
- To provide suggestion and recommendation for improvements of the overall profitability of the bank.

Major Finding

- The bank provides funds for NGOs and scholarship for the schools.
- The Bank is adopting new Accounting Policy prescribed by NRB.
- Loan, Allowance and Bill purchasing hold the highest outlet of resources Deployment.
- There is no significant relationship between budgeted and actual LABP.
- Bank's actual deposit is more variable than actual outstanding LABP.

Hence, the coefficient of variation of actual deposit is highest than actual outstanding liability LABP.

Khatiwada (2010), had conducted a research entitled *"Profit Planning in Commercial Banks: A Case Study of Himalayan Bank Limited"*, an unpublished master level thesis submitted to Shanker Dev Campus, Faculty of Management, T.U. The major concern of Mr. Khatiwada is to study the profit planning in commercial bank by taking a case study of Himalayan Bank Ltd. His objectives and some major finding are as follows:

Main Objectives

- To focus the current profit planning adopted and its effectiveness in Himalayan Bank Limited (HBL).
- To study the variance of budgeted and actual achievements.
- To analyzes the growth of the business of the bank over the period.
- To provide suggestion and recommendation for improvements of the overall profitability of the bank.

Major Findings

- Profit planning and control system of HBL is very effective.
- Budgeted achievement is always lower than actual performance since it means forecasting system of HBL is not good.
- The relationship between budgeted and actual figures is positively correlated.
- The return on assets and return on capital of the bank is satisfactory which shows the good earning capacity.

Subedi (2010), has conducted a research work on the topic of *"A Study on Planning and Control of Nepal SBI Bank limited"*, an unpublished master level thesis submitted to Shanker Dev Campus, Faculty of Management, T.U. His objectives and major finding are as follows:

Main Objectives

- To identify the profit planning process adopted by Nepal SBI Bank Ltd.
- To sketch the trend of profit and loss
- To evaluate the variance between target and actual performance
- To recommend the steps to be taken to improve the profit planning.

Major Findings

- The bank has 86% average contribution of customer deposit in the resources mobilization as per data F/Y 2059/60 to 2065/066.
- The researcher find that the almost 100% of achievement of target in deployment of resources other than LDO i.e. NLDO.
- LDO is in fluctuating trend over the period. Although the average ratio of LDO to deposit is 72%.
- The relationship between actual deposit and actual O/S LDO is in fluctuating trend over the period.

Khang (2014), has conducted a research work on the topic of "*Practice of Profit Planning and Controlling Procedure of Everest Bank Limited*". an unpublished master level thesis submitted to Shanker Dev Campus, Faculty of Management, T.U.

Main Objectives

- To examine Everest Bank Limited's profit planning based on overall managerial budgets of the Bank.
- To analyze the variance of budgeted distribution and real achievements.
- To study the growth of the business of Everest Bank over the time.
- To grant idea and recommendation for improvements of the overall profitability of Everest Bank.

Major Findings

- The bank has been extending its branches countrywide since its establishment.
- Net profit and Operating profit of the bank have been increasing yearly.
- Total Income and Total Expenses of the bank have been increasing yearly.
- The Bank has able to maintain proper expenses by optimum utilization of available resources which help to generate more profit.
- The bank has deposits from various sources but saving deposits is more than other deposits.

2.3 Research Gap

Most of the past research studies about profit planning system are related to profit planning system of manufacturing sectors or production oriented activities. Very few studies were made in the field of business and service sector. Those were also not done in depath. Those research studies lack the performance analysis of the company. They dealt with either single accounting tool such as CVP analysis or they were limited in the projections of sales and production. This research study dealt with the profit planning and control of NFC as a whole and tired to find out the drawbacks of the corporation. The previous studies lacked about the profitability position and budget variance, which is focuses in the study.

CHAPTER-III

RESEARCH METHODOLOGY

3.1 Research Design

The term 'research is believed to be derived from the fresh word researchers meaning to search again. “The research work is undertaken following a systematic way, which is called the research methodology. It is the way to solve systematically about the research problem” (Agarwal, 2002). Research design provides the overall framework or plan for the collection and analysis of data during the research study. It is the plan, structure, and strategy of investigation conceived to obtain answers to research questions. This study is descriptive comparative and analytical research. This study is closely related with the various functional budget and other accounting statements that the company has adopted. An intensive analysis of historical and descriptive research design was used in this study to analyze the performance of past five years from the FY 2065/66 to FY 2069/70.

3.2 Population and Sample

There are 38 listed public enterprises. They are related with different sectors like manufacturing and trading, insurance, finance and others. It is not possible to study all of them regarding the research topic. Therefore among these, one reputed public company NFC is taken as a sample company from population for this research study.

3.3 Sources of Data

The source of data comprises both primary and secondary but the major source is secondary. The source of data is the office of NFC. The secondary data was taken mainly from annual reports, balance sheets, profit & loss accounts, cost sheets, auditor's reports of NFC and other published and unpublished data. The help of weekly magazines, daily newspapers and business journals were also taken.

3.4 Data Collection procedure

The necessary data has been collected from annual reports, balance sheet, profit and loss account. The analysis of data were done by using different accounting, financial and statistical tools. The statistical tools used are mean, correlation, and regression. Similarly different ration analysis, variance analysis etc were used as financial tools. As for the accounting tools different functional budgets were taken.

3.5 Research Variables

The research variables of the study were related with the accounting statement of NFC. Sales, production, purchase, inventories, expenses, labor, profit and loss were some of the important research variables that affect the research study.

3.6 Method of Data Analysis

The data analysis is made on the basis of various financial and statistical tools to achieve the research objectives. The researcher has used the following tool and techniques.

3.6.1 Statistical Tools

Statistical tool is very useful tool to analyze the available data to find the relation between these data and to predict about the trend and hidden fact in the relation. So, different related tools from the statistical tool are utilized in terms research objectives. They are:

- **Arithmetic Mean**

Arithmetic mean or simply a ‘mean’ of a set of observations is the sum of all the observations divided by the number of observations. Arithmetic mean is also known as arithmetic average.

Mean $=\frac{\sum x}{n}$

- **Standard deviation**

The standard deviation is the absolute measure of dispersion is which the drawbacks present in other measures of dispersion are remove. It is said to be the best measure of dispersion as it satisfies most of the requisites of a good measure dispersion.

Standard deviation (S.D) is defined as the positive square root of the mean of the square of the deviations taken arithmetic mean. It is denoted by σ.

$$\sigma = \sqrt{\frac{\sum(X - \overline{X}\,)^2}{n}}$$

X= variable
n= no. of observation.

- **Correlation**

To variables are said to have "correlation", when they are so related that the change in the value of one variable is accompanied by the change in the value of the other.

$$\text{Correlation (r)} = \frac{\text{NSXY - SXSY}}{\sqrt{\text{NSX}^2 - (\text{SX})^2} \times \sqrt{\text{NSY}^2 - (\text{SY})^2}}$$

- **Graphs and Diagrams**

Graphs and diagrams are nothing but the presentation of statistical data in the form of geometrical figures like points, lines, bars, rectangles, circles etc.

- **Trend Analysis**

Forecasting technique that relies primary on historical time series data to predict the future. The analysis involves searching for a right trend equation that will suitably describe trend of data series. The trend may be linear, it may not. A linear trend can be obtained by using a least-squares method. The line has the equation y= a + b x
y= dependent variable

a=value of y when x=0

b= slope of the trend line or amount of change that comes in y for a unit change in x.

3.6.2 Financial Tools

Several financial tools were used to measure the strength and weakness of corporation. In addition, Non-performing asset and average purchase sales and stocking trend been studied under this research work. . Financial ratio shows the long term as well as short term solvency of the concern. Financial analysis involves the three broad groups are:

- Performance Measures Ratios.
- Operating Efficiency Measures Ratios.
- Financial Policy Measures Ratios.
- C.V.P Analysis

(A)Performance Measures

Profitability Ratios

It measures management’s effectiveness by the returns generated on sales and investment

(i) Gross Profit Margin

The most common ratio in operating analyses is the gross profit margin. The gross profit ratio expresses the relationship between the gross profit and sales.

Gross Profit Margin = $\frac{\text{Gross Profit x 100}}{\text{Sales}}$

(ii) Net Profit Margin Ratio

This ratio tells how much profit a company can make for every rupee of sales. This ratio measures the overall profitability of the firm by establishing relationship between net profit and sales.

Net Profit Margin Ratio = $\frac{\text{Net Income After Tax}}{\text{Net Sales}}$

(B) Operating Efficiency Measures

1. Inventory Turnover Ratio

Inventory turnover helps to maintain a certain level of inventory to meet the requirement of the business. This ratio indicates whether the investment in inventory is efficiently used or not. This ratio is used to measure the efficiency of sales of the organization,

$$\text{Inventory Turnover Ratio} = \frac{\text{Cost of Goods Sold}}{\text{Average Inventory}}$$

$$\text{Or, Inventory Turnover Ratio} = \frac{\text{Net Sales}}{\text{Closing Inventory}}$$

(C) Financial Policy Measures Ratios

Two major types of financial policy ratios are considered.

1. Leverage Ratios

Leverage ratios measures the degree to which owners finance total assets compared with financing provided by the creditors.

(i) Debt-Equity Ratio

Debt-equity ratio measures the relative claims of creditors and owners against the assets of the firm. It is a test of long term solvency of the firm

$$\text{Debt-Equity Ratio} = \frac{\text{Total Debt}}{\text{Shareholder's Equity}}$$

(ii) Debt Assets Ratio

Debt assets ratio shows the relationship between the total debts and total assets of a firm. It measures the percentage of the firm's assets financed by creditors.

$$\text{Debt- Assets Ratio} = \frac{\text{Total Liabilities}}{\text{Total Assets}}$$

(iii) Interest Coverage Ratio

The interest coverage ratio (also called the "times interest earned ratio") is determined by dividing earnings before interest and taxes (EBIT) by the interest charges. This ratio indicates the ability of a company to pay annual interest payments out of its profits

$$\text{TIE Ratio} = \frac{\text{EBIT}}{\text{Interest Charge}}$$

2. Liquidity Ratios

Liquidity ratio measures the short term loan paying ability of the firm. It measures the ability of the firm to meet its maturing obligations.

(i) Current Ratio

The current ratio is computed by dividing current assets by current liabilities. It is a test of a company's financial strength.

$$\text{Current Ratio} = \frac{\text{Current Assets}}{\text{Current Liabilities}}$$

(ii) Quick Ratio (Acid - Test Ratio)

Inventories are typically the least liquid of a firm's assets and the assets on which losses are most likely to occur in the event of liquidation. Therefore, this measure of the firm's ability to pay off short - term obligations without relying on the sale of inventories is important.

$$\text{Quick Ratio} = \frac{\text{Quick Assets}}{\text{Current Liabilities}}$$

CHAPTER-IV
DATA PRESENTATION AND ANALYSIS

Profit planning and Control is the tool that helps a firm to achieve its objectives. It helps in effective planning of a firm. To make profit, effective planning and control of cost is necessary. PPC deals with all these aspects. NFC is a single organization that works for the benefit of poor people even at loss since the time of establishment. NFC prepares only the short-range profit plan. Tables and diagrams were used to make the result more simple, clear and effective.

To make the data presentation more simple and effective this chapter was divided into three portions:

- Budget Analysis: In this portion the various functional budgets that NFC prepares were presented and analyzed with the help of various statistical tools.
- Financial condition of NFC: In this portion the financial condition of NFC was tried to find out with the help of financial tools.
- Variance Analysis: In this portion variances between actual and planned budget goals were compared.

4.1 Budget Analysis

4.1.1 Sales Analysis

The sales plan is a necessary portion of PPC. This is the first step of budgeting process. All the organization prepares sales plan as a primary source to provide the necessary information for developing other elements of a comprehensive profit plan, to reduce uncertainty about the future revenue, and to facilitate management's control on sales activities.

NFC an organization involved in the distribution of food grains in the country has no strategic sales plan. It makes only tactical (short term) sales plan. NFC has a policy of selling various types of food grains. The food grains include Rice, Wheat, Pulses, Maize, Paddy, Mustard, and it also sells goats.

NFC considers the following sales related activities in preparing sales budget: First of all, NFC fixed quotas for each district at the central level to prevent food crisis in the food deficit areas. Then they fix the selling price of the food grains that is lower than that of the market price. The food grains are then transported to the needed place and are stored in the NFC godowns. For transportation government provides grant for transportation of food grains to remote places. NFC uses its own trucks as well as public transport for the transportation. Lastly, the food products are distributed to the needy people through the sales depots of NFC that are located in different districts of the country. For promotional campaign NFC doesn't use any type of promotional campaign for marketing its product. But general announcement about the selling of basic good grains at the reasonable price at the time of Dashain is made through different media.

NFC prepares sales budget of total food grains and non food grains as a whole. NFC has a practice of preparing short-range sales budget for every coming fiscal year. Basically NFC sales mostly comprise of rice. NFC sells more than 15 different types of rice superior grade to lower grade. Besides rice, the next item that NFC regularly sales and prepares sales budget is of goats. Other food grains are not sold regularly. The following table shows the budgeted sales and actual sales achievement for the fiscal year 2065/66 to 2069/70.

Table 4.1

Comparison between Total Actual and Budgeted Sales of NFC

(In Rs.)

Fiscal year	Budgeted Sales Amount (Rs.)	Actual Sales Amount (Rs.)	Variance		Remark
			Figure	%	
2065/66	727330000	667864006	-59465994	-8.90%	(U)
2066/67	1134869000	799086947	-335782053	-42.02%	(U)
2067/68	978525000	875411283	-103113717	-11.78%	(U)
2068/69	1028238000	718438994	-309799006	-43.12%	(U)
2069/70	1058545000	766444565.6	-292100434.4	-38.11%	(U)

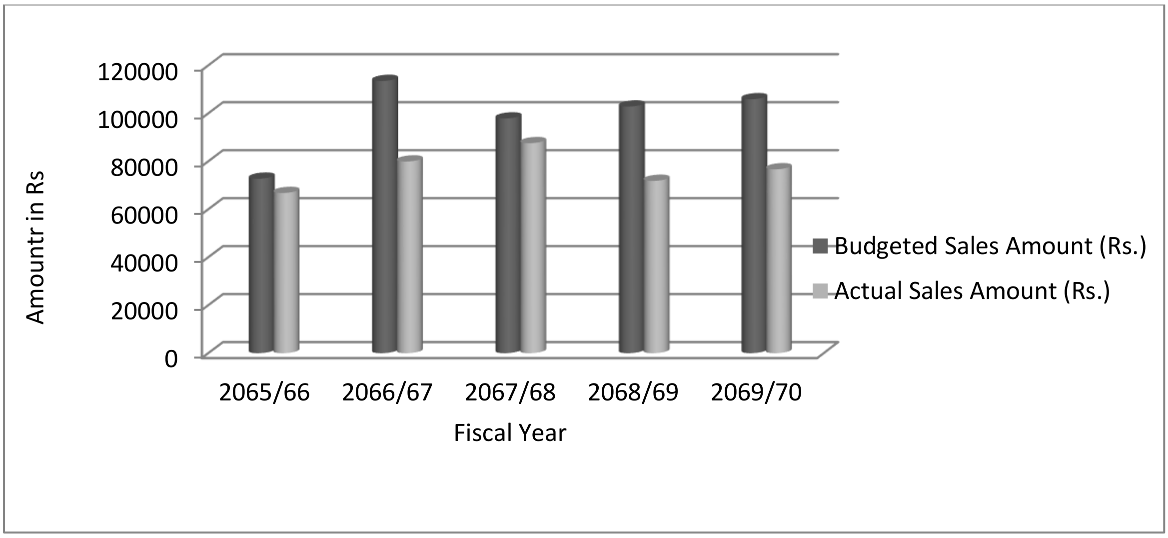
Source: *Annual Reports NFC*

Table 4.1 shows the budgeted and actual sales of NFC from the fiscal year 2065/66 to 2069/70. The nature of budgeted and actual sales is fluctuating. This shows the actual sales achievement was not consistent with the budgeted sales. In the study period’s variance of actual sales and budgeted sales is unfavorable with 59465994, 335782053, 103113717, 309799006 & 292100434.4 respectively. In fiscal year 2066/67, the actual sale was far less with other year which shows the poor sales planning in that fiscal year. As a whole the budgeted sales exceeded the actual sales in all fiscal year. The overall figure shows relatively good and optimistic situation for NF be optimistic for NFC in coming days

Table: 4.1 is more effectively described by the help of following graph.

Figure 4.1

Target and Actual Sales Trend



The above graph represents the target and actual sales achievement figure of NFC for last five year. The graph clearly shows that the target and actual sales in the fiscal year 2065/66, 2066/67 and 2067/68 is in slightly increase and in the fiscal year 2068/69, 2069/70 actual sales is too much decrease.

Calculation of Mean and Deviations

The following table shows mean, standard deviation, co -efficient of variation and correlation co-efficient to analyze the relationship between the actual sales with the budgeted sales. The summarized results of the statistical tools are presented below:

Table 4.2

Calculation of Different Statistical Tools regarding sales of NFC

(In Rs.)

	Budgeted Sales (X)	**Actual sales (Y)**
Mean (X, Y)	985501400	765449159
Standard deviation (σ)	155059348.6	78988888.5
Co-efficient of Variation (C.V)	15.73	10.31
Correlation co-efficient (r)	0.56	
Probable error of correlation(P.E (r)	0.20	

Source: *Excel formula*

Table 4.2 shows that the budgeted sales deviated from the actual sales figure. There is no consistent between the actual and budgeted sales. From the above table it is also noticed that the coefficient of variation of budgeted sales is larger than the actual sales. This means actual sales was less variable or uniformly distributed than the budgeted sales which was more variable or less uniformly distributed. That signifies the poor planning of NFC. To analyze the degree of relationship between the budgeted and actual sales, Karl Pearson's Correlation of Co-efficient statistical tool was used. It is the most widely used statistical tool for calculating the correlation co-efficient between the two variables X and Y. It is generally denoted by 'r'. The above table shows that the Correlation co-efficient (r) between budgeted sales and actual sales is 0.56. To calculate 'r', budgeted sale was assumed to be independent variable denoted by X and actual sale was assumed to be dependent variable denoted by Y. The value of 'r' which is 0.56 signifies that there is positive correlation between the budgeted and actual sales and there is moderate degree of correlation between the budgeted and actual sales.

The probable error P.E(r) of Correlation Coefficient is an old measure to ascertain the reliability of the value of Karl Pearson coefficient of correlation. It is used to test whether the calculated value of sample correlation coefficient is significant or not.

- If $r<6*P.E(r)$, the value of r is not significant.
- If $r>6*P.E(r)$, the value of r is significant.

In the above table the value of 'r' is 0.6305 which is lower than 6 X P.E(r) {6X 0.206509117=1.2390547}. It means the value of r is not significant. The actual sales will not go in the same direction as budgeted sales. There will be fluctuation in the actual sales.

Estimation of Actual Sales of 2070/71

The regression line is a useful statistical tool. It doesn't only find out the degree of relationship between budgeted and actual sales but also establishes the nature of relationship between the two or more variables. It helps to forecast the possible actual sales (dependent variable 'Y') with the help of budgeted sales (independent variable 'X'). Statistical called regression analysis of least square method can be used to analyze the trend of actual sales and to estimate the future possible sales for a given time. Time is an important factor which determines the future sales. The time series relationship can be expressed in terms of straight line trend by least square method. A line fitted by the method of least squares is the line of best fit.

Table 4.3

Estimation of Actual Sales of 2070/71

(In Rs.)

Fiscal Year(x)	Actual Sales in Amounts (Y)	X=x-2067/68	x^2	xY
2065/66	667864006	-2	4	-1335728012
2066/67	799086947	-1	1	-799086947
2067/68	875411283	0	0	0
2068/69	718438994	1	1	718438994
2069/70	766444566	2	4	1532889131
n=5	∑y=3827245796	∑x=0	∑x2=10	∑XY=116513166.14

Source: *Annual Reports NFC*

The following formula has been used to determine the regression equation. The straight line trend equation is given by,

Y= a+bX

Where,

b= The slope of the regression line which measures the change in Y per unit change in X. Two normal equations are solved to get the value of constants 'a'

And

'b' according to least square method.

∑Y= na+b∑X……………..i

∑XY = a∑X+b∑X2………..ii

By solving these two equations (i &ii) the value of 'a' and 'b' is determined and found to be,

$$a= \frac{\sum Y}{N} = \frac{3827245796}{5} = 765449159.2$$

$$b= \frac{\sum XY}{\sum X^2} = \frac{116513166.14}{10} = 11651316.61$$

Substituting the value of 'a' and 'b' in the equation Y=a+bX, the trend line equation is,

Y= 765449159.2 + 11651316.61 X

The trend line of NFC is Rs. 765449159.2 + 11651316.61 X. That means the sales will increase by Rs 11651316.61 every year if the sales of past trend continuous in the future. By using this trend equation it can be estimated that the sales of the fiscal year 2070/71. The value of 'X' will be 3 (base year being 2067/68=0).

Actual sales of 2070/71= 765449159.2 + 11651316.61 *3 = Rs.800403109 It shows that the sales of NFC in FY 2070/71 will be of Rs.800403109. Likewise, the sales of other coming fiscal year can also be calculated.

4.1.2 Inventory Plan

Inventories are the assets available for the creation of revenue either directly through their sale such as finished goods or indirectly by their use such as raw materials. Inventories are the stock of finished goods or raw materials remained in the store for the smooth and continuous supply whenever and wherever required. There should not be more stocks than needed which cause high handling cost and not even low which will hamper in the effective and smooth running of the organization. Hence, inventory is cushion between sales and production for manufacturing companies while it's a cushion between a sales and purchase for non-manufacturing organization like NFC. Inventory management, inventory level, inventory policies and control depend upon the nature of organization.

Organizations like NFC have to be more careful in inventory management. NFC stores food grains in different parts of the country in its godown. NFC has enough godowns to store food grains. There are 166 godowns all over Nepal which has a storage capacity of 97370 metric ton. NFC has to store adequate amount of food grains because for the natural calamities, acute shortage of food grains in different part of the country and for other reasons. Another important reason for storing the food grains by NFC is storage of food grains out of total 2, 40,580 metric tons. These stocks are stored in 5 different godwons located in Terai and Kathmandu. The following table shows the opening and closing inventory amounts of NFC from the fiscal year 2065/66 to 2069/70.

Table 4.4
Opening and Closing Stock

(in Rs)

Fiscal year	Actual Opening Stock	Actual Closing Stock	Changes	%
2065/66	396055359	673833639	277778280	70.13623
2066/67	673833639	731732369	57898730	8.592437
2067/68	731732369	1,044,977,309	313244940	42.80868
2068/69	1044977309	625390747	-419586562	-40.1527
2069/70	625390747	626575185	1184438	0.189392
Average	**694397884.6**	**740501849.8**	**46103965.21**	**16.31481**

Source: *Annual Reports NFC*

In the above table, opening and closing stock are Rs. 396055359 and 673833639 respectively in FY 2065/066 with change in inventory Rs 277778280. In FY 2066/67 change in stock is Rs 57898730 which is increase by 8.59 % but in the FY 2068/69 stock has decrease by Rs 419586562 that means 40% decrease. In the FY 2069/70 opening and closing stock are Rs. 625390747 and 626575185 respectively with increase in stock by Rs 1184438. In overall study period average change (increase) in stock was Rs 46103965.21.

4.1.3 Purchase Budget

In non manufacturing companies instead of converting raw materials into finished goods the products are directly purchased and sold in the market in the same form. Therefore a merchandising business does not make raw material purchase budget, direct labor and factory overhead budget. They only make a purchase expense budget.

Purchase = sales+ ending inventory-opening inventory

While making purchase expense budget NFC considers the following purchase related activities.

- Procurement of food grains: NFC procures food grains either directly from the farmers or from the registered cooperatives or merchant. They procure by means of Fiscal Year Opening Stock Closing Stock tendering from local market. NFC procures food grains from India, Bangladesh, and they also procure from Japan, Thailand, and America as donation.

- Product consideration: NFC mostly purchases rice. They purchase different grades of rice like Aruwa mota, Usina mota to high grade of rice like Sona Mansuli, Basmati and Indian Fine rice. There are more than 15 different types of rice that NFC deals with. Apart from rice NFC also purchase other items like Goats, Wheat, Maize, Sugar, Flour etc.
- Policy of purchasing: NFC has a policy of purchasing of food grains from the primary and open market. There are many depot established in the country for purchase of food grains. A purchasing committee is form under chairmanship of CDO of the concerned district.

Table 4.5 shows the actual and budgeted purchase of NFC from the fiscal year 2065/66 to 2069/70s.

Table 4.5

Comparison of Budgeted and Actual Purchase of NFC

(in Rs)

Fiscal year	Budgeted	Actual	Variance		Remark
			Figure	%	
2065/66	642898000	766089555	123191555	19.16191293	(F)
2066/67	919349000	669936682	-249412318	-27.12923145	(U)
2067/68	1325905157	1003047251	-322857905.6	-24.34999999	(U)
2068/69	1661193042	107230010.8	-1553963031	-93.545	(U)
2069/70	8219132005	581503589.4	-7637628416	-92.925	(U)
Average	2553695441	625561417.7	-1928134023	-43.7574637	(U)

Source: *Annual Reports NFC*

Table 4.5 shows the purchase budget of NFC. The actual purchase exceeded the budgeted purchase in the fiscal year 2065/66 which was a good result. But in other fiscal year actual sales is lower than budget sales especially in last two year of the study period it were unexpected decreased. Only in FY 2065/66 there is favorable with 19.16% but in 2066/67, 2067/68, 2068/69 & 2069/70 it is unfavorable with 27.12%, 24.34%, 93.54% & 92.92 respectively. There is a great variation between the actual and budgeted purchase of NFC in most of the fiscal year especially in poor planning in purchase of food. The data above is presented in a diagram.

Figure 4.2
Budgeted and Actual Purchase of NFC

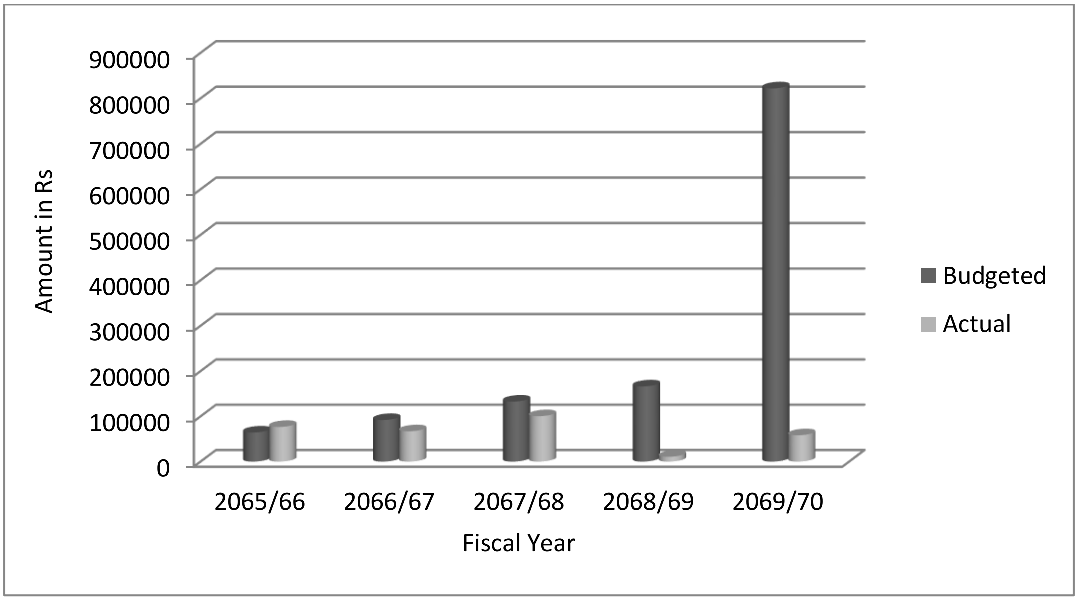


Table 4.6
Calculation of mean and Standard Deviation Regarding Purchase of NFC

(In Rs.)

	Budgeted Purchase(X)	Actual Purchase(Y)
Arithmetic Mean (X, Y)	2553695441	625561417.7
Standard Deviation (σ)	3190745843	329704949.8
Co-efficient of Variation(C.V)	124.946	52.705
Correlation Coefficient (r)	-0.14	
Probable Error of Correlation Coefficient (P.E of r)	0.295	

Source: *Excel formula*

Table 4.6 shows the co-efficient of variation of the actual purchase of NFC is 52.705 which is lower than the coefficient of variation of budgeted purchase 124.946. This shows that the actual purchase is more homogenous or uniformly distributed than budgeted purchase which is more heterogeneous.

Correlation of coefficient is determined by widely used statistical tool "Karl Pearson's Correlation Coefficient". Correlation coefficient is denoted by 'r'. For calculating 'r' budgeted purchase was assigned X (independent variable) and actual purchases was assigned Y (dependent variable). The value of r is -

0.140. This shows that there is low degree of negative correlation between budgeted and actual purchase.

The probable error of the coefficient of correlation is used to test whether the calculated value of sample correlation co-efficient is significant or not. The calculated value of P.E (r) is 0.295.

The value of ‘r’ is smaller than 6 x P.E(r) (6*0.2956) =1.7736). This means the value of ‘r’ is not significant.

Estimation of Actual Purchase of Rice of 2070/71

Another statistical tool which is used to know the relation of variation of one series with the other series is regression analysis. Regression analysis determines the nature and the strength of relationship between two variables. Least square method is best method of regression analysis to analyze the actual purchase and to estimate the future likely purchase for a given time.

Table 4.7

Calculation of Least Square Trend

(In Rs.)

Fiscal Year(x)	**Actual purchase in Amounts (Y)**	**X=x-2067/68**	**x^2**	**xY**
2065/66	766089555	-2	4	-1532179110
2066/67	669936682	-1	1	-669936682
2067/68	1003047251	0	0	0
2068/69	107230011	1	1	107230011
2069/70	581503589	2	4	1163007179
n=5	∑y=3127807089	∑x=0	∑x2=10	∑XY=-931878602

Source: *Annual Reports NFC*

The equation of straight line of Y on X is given by,

Y= a+bx

Where,

b = slope of the regression line which measures the change in Y per unit change in X.

X= Time factor

The equation will give the future trend line equation. Two normal equation is considered to find the value of ‘a’ and ‘b’.

ΣY= na+b ΣX………………..i

$\Sigma XY = a\ \Sigma X + b\ \Sigma X2$…………..ii

By solving these two equations the value of ‘a’ and ‘b’ is obtained as follows;

$a = \frac{\sum Y}{N} = \frac{3127807089}{5} = 625561418$

$b = \frac{\sum XY}{\sum X^2} = \frac{-931878602}{10} = -93187860.2$

Substituting the value of ‘a’ and ‘b’ in the equation Y= a+ bx, the trend line equation is,

Y=625561418 + (-93187860.2)X

The trend line of NFC is Rs. 625561418 + (-93187860.2) X. That means the purchase will increase by Rs -93187860.2 every year if the purchases of past trend continuous in the future. By using this trend equation the purchase of the fiscal 2070/71 can be estimated. The value of ‘X’ will be 3 (base year being 2067/68=0) for the fiscal year 2070/71.

Actual Purchase of the FY 2070/71= 625561418 + (-93187860.2) *3

= Rs. 345997837.4

It shows that the total purchase of NFC in FY 2070/71 will be Rs. Rs. 345997837.4 Likewise the purchase of other coming fiscal year can be calculated.

4.1.4 Administrative Expense Budget

Administrative expenses include those expenses other than manufacturing and distribution. They are incurred in the responsibility centers that provide supervision and service to all function of the enterprises rather than in the performance of any one function. In other words, administrative expenses are those expenses which are not assigned in the product but without those expenses product are not possible to produce. It includes large portion of fixed cost than variable cost.

NFC prepares the administrative budget every year. All office expenses, indirect expenses and overhead expenses are included in the administrative expenses. The following table shows the administrative budget of NFC.

Table 4.8

Budgeted and Actual Administrative Expense

(In Rs)

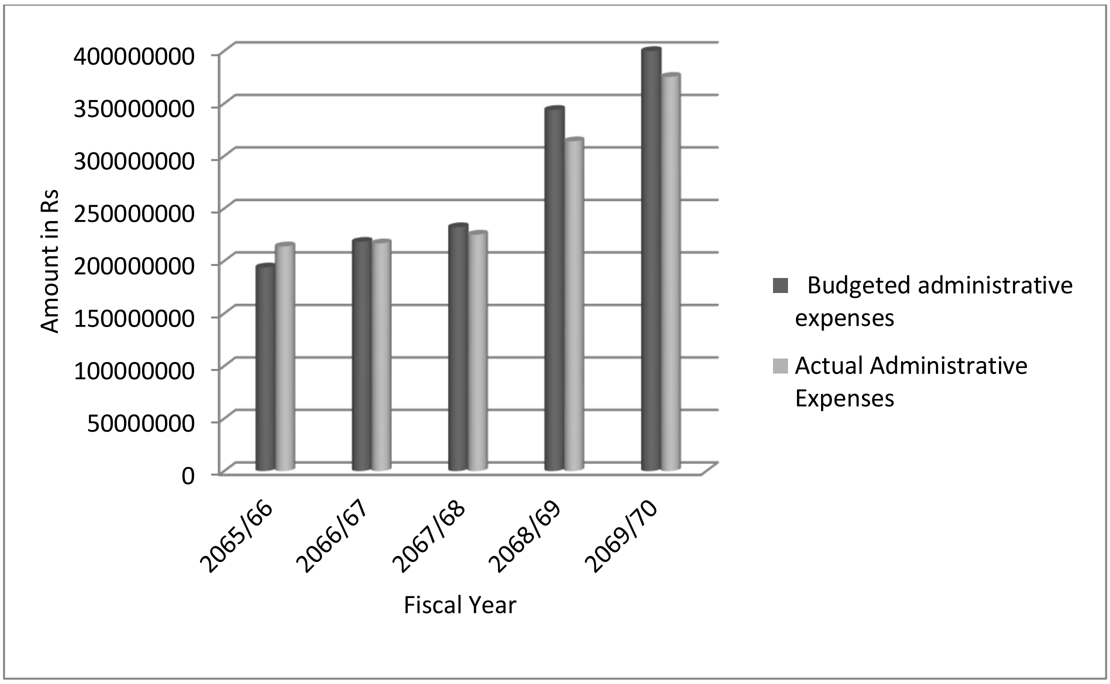
Fiscal year	Budgeted Administrative Expenses	Actual Administrative Expenses	Variance		Remark
			Figure	%	
2065/66	193850000	213885697	20035697	10.33567036	(U)
2066/67	218250000	216760308	-1489692	-0.6825622	(F)
2067/68	232149000	225098058	-7050942	-3.03724849	(F)
2068/69	343850000	314012734	-29837266	-8.67740759	(F)
2069/70	399907264	375312968	-24594296.4	-6.14999992	(F)
Average	**277601253**	**269013953**	**-8587299.88**	**-3.09339378**	(F)

Source: *Annual Reports NFC*

Table 4.8 of administrative expense budget shows that the actual expenses are higher than budgeted expenses in FY 2065/66. Since then NFC has been able put actual expenses below than budgeted expenses in following year 2066/67, 2067/68, 2068/69 & 2069/70. The high actual expense is not good for the corporation. The budgeted and actual expenses both are increasing linearly every year except in FY 2068/69 when both expenses increased with relatively higher margin as compared to previous year. The actual administrative expense was highest in the year 2065/66(10.34% of budgeted expenses) whereas it was lowest in the fiscal year 2068/69 when it was 8.67 % of budgeted expense. This fluctuating relationship between actual and budgeted expenses as well as high actual expenses indicates poor planning and implementation of NFC management.

Table 4.8 budgeting figure can be more specified through the following histogram.

Figure 4.3
Budgeted and Actual Administrative Expense of NFC



4.1.5 Selling and Distribution Expense

Selling and distribution expenses include all those expenses related to selling, distribution, and delivery of products to customers. It is a significant portion of total expenses. Distribution expenses affect the profit of the firm. Expenses like promotion expense, research and development expense are not considered by the NFC. Advertising expenses are considered in administrative expense budget. The table below shows actual selling and distribution expenses of NFC.

Table 4.9
Actual Selling and Distribution Expenses

(In Rs.)

Fiscal year	Distribution Expenses	Sales Commission	Total Selling and Distribution Expenses
2065/66	622724522	235593	622960115
2066/67	700436864	580571	701017435
2067/68	334566238	1094932	335661170
2068/69	38955339	-	38955339
2069/70	39255669	-	39255669

Source: *Annual Reports NFC*

Table 4.9 shows the budgeted and actual selling and distribution expenses of NFC. The achievement is shown in percentage. High percentage of achievement is not in favor of corporation whereas low achievement percentage is favorable for the corporation.

Table 4.10

Budgeted and Actual Selling and Distribution Expense

(In Rs)

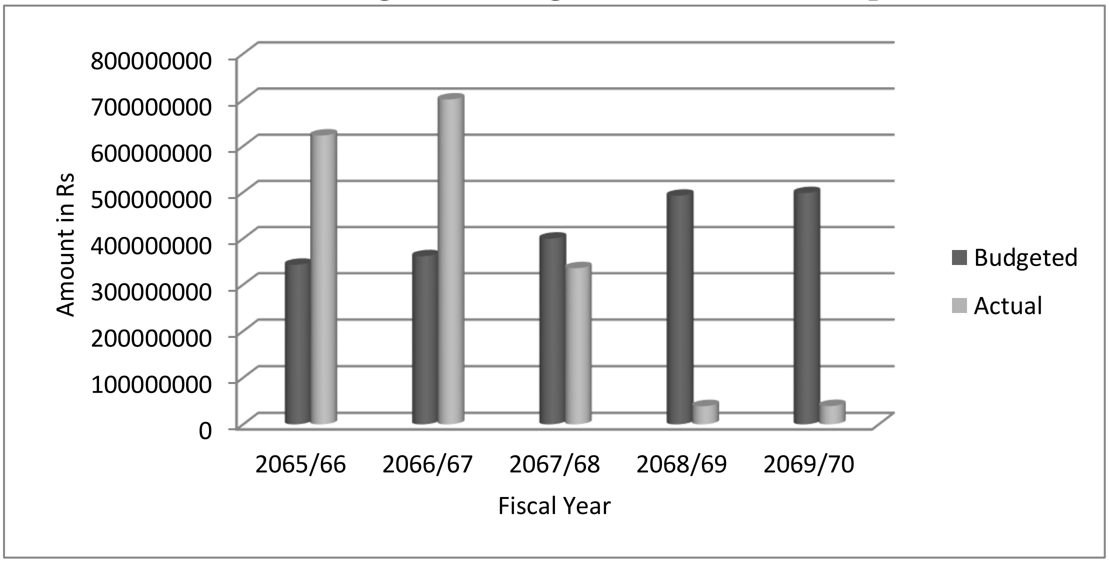
Fiscal year	Budgeted	Actual	Variance		Remark
			Figure	%	
2065/66	343027000	622960115	279933115	81.60672921	(U)
2066/67	361540000	701017435	339477435	93.89761437	(U)
2067/68	399690000	335661170	-64028830	-16.01962271	(F)
2068/69	492553000	38955339	-453597661	-92.0911376	(F)
2069/70	498255000	39255669	-458999331	-92.12136978	(F)
Average	419013000	347569945.6	-71443054.4	-4.945557302	(F)

Source: *Annual Reports NFC*

The actual selling and distribution expenses are higher than budgeted in the fiscal year 2065/66, and 2066/67. This means the corporation has not been able to manage the expenses, in those fiscal year, which reflects the poor planning of NFC. However, in the fiscal year 2067/68, 2068/69 & 2069/70 company has succeeded in managing expenses keeping actual selling and distribution expenses lower than targeted. The figure has been shown in the graph for clear view.

Figure 4.4

Actual and Budgeted Selling and Distribution Expenses



4.2 Analysis of Financial Position of NFC

Effective planning and control are central to enhancing enterprise value. The planning should be good and the good plan must be related to the firm weakness. The strength must be understood if they are to be used for proper advantage and the weakness must be recognized if corrective action is to be taken.

Financial analysis helps to diagnose strength and weakness in a firm's quantitative relations. It is the most essential factor to know the performance of the organization with present actual situation of the organization. It is a science and an art.

Financial condition of NFC is tried to find out with differs Financial analysis involves the three broad groupings:

- Performance Measures
- Operating Efficiency Measures
- Financial Policy Measures

4.2.1 Performance Measures

4.2.1.1 Profitability Ratios: Generated on Sales and Investment.

4.2.1.1.1 Gross Profit Margin Ration

The most common ratio in operating analyses is the gross profit margin. The gross profit ratio expresses the relationship between the gross profit and sales. The ratio indicates the degree to which the selling and price of goods sold per unit may decline without resulting in losses from operation to the firm. A high gross profit margin ratio to sales is a sign of good management. A relatively low ratio is definitely a danger signal. Gross profit margin ratio to sales is a sign of good management. A relatively low ratio is definitely a danger signal. Gross profit margin ratio can be calculated by the following formula:

Gross Profit Margin Ration = $\frac{\text{Gross Profit}}{\text{Sales}}$

Table 4.11

Comparative Gross Profit Margin Ratio

(In %)

Fiscal Year	Gross Profit (Rs.)	Sales (Rs.)	%
2065/66	(421810286)	667864006	(63.20)
2066/67	486823263	799086947	61.00
2067/68	200867178	875411283	22.90
2068/69	213783058	718438994	29.80
2069/70	219618841.12	766444565.57	28.60

Source: *Annual Reports NFC*

Table 4.11 shows the poor gross profit margin. It indicates the worst situation of NFC. The table shows the worst situation in the fiscal year 2065/66. In these year profit margin ratio is in negative that means they are in loss in this year. In the year 2066/67, 2067/68, 2068/69 & 2069/70 the gross profit margin ratio is little bit satisfactory but overall it indicates poor results of NFC.

4.2.1.1.2 Net Profit Margin

This ratio tells how much profit a company can make for every rupee of sales. This ratio measures the overall profitability of the firm by establishing relationship between net profit and sales. The relationship between net profit and sales indicates management's ability to operate the business with sufficient success not only to recover the cost of production, operating expenses of business and cost borrowed fund but also leave a margin of reasonable compensation to the owners for providing their capital at risk. Higher the company's profit margin compared to the competitors, the better the company is. A high net profit margin would enable the firm to withstand adverse economic condition and a low margin will have opposite implication. The ratio is calculated by dividing net profit after tax and interest by sales.

Net profit margin (%) = Net income / Sales

Table 4.12

Net Profit Margin

(In %)

Fiscal Year	Net Income (Rs)	Sales(Rs)	%
2065/66	5107798	667864006	0.076
2066/67	14992477	799086947	1.88
2067/68	1329168	875411283	0.00
2068/69	(9780802)	718438994	(13.61)
2069/70	(59407857.72)	766444565.57	(7.75)

Source: *Annual Reports NFC*

From the above table, it is noticed that the profit margin ratio is very low in most of the year and it is negative in last two year of the study period. This poor net profit margin ratio indicates the worst situation of NFC.

4.2.1.1.3 Return on Total Assets

This ratio measures the productivity of the assets. It measures the return on all the firm's assets after interest and taxes. Return on assets tells an investor how much profit a company has generated for each 1 rupee in assets. Higher the ratio higher is the return on the assets used in the business thereby indicating effective use of the resources available and vice-versa. Return on assets is calculated by following formula,

ROA= Net income/ Total Assets

Table 4.13

Comparative Return on Total Assets

(In %)

Fiscal Year	Net Profit (Rs.)	Total Assets (Rs.)	%
2065/66	5107798	1135070716	0.45
2066/67	14992477	1312069835	1.14
2067/68	1329168	1434744602	0.09
2068/69	-9780802	1079168058	(0.09)
2069/70	-59407857.72	1666403580	(3.56)

Source: *Annual Reports NFC*

In the fiscal year 2068/69 & 2069/70 the ratio is negative while from the fiscal year 2065/66 to fiscal year 2067/68 the ratio is positive yet very low. This indicates the NFC has not been able to generate profit from its available assets in full scale. Higher the ratios better is the corporation capability of utilization of the assets thus it shows poor managements of NFC.

4.2.1.1.4 Return on Equity

ROE measures the return earned on the owner's investment in the firm. It reveals how much profit a company earned in comparison to the total amount of shareholder's equity. Higher the ratio or percentage reveals the efficient use of owner's investment and vice-versa. ROE can be calculated by the following formula:

ROE= Net Profit/ Shareholder's Equity

Table 4.14
Return on Equity

(In %)

Fiscal Year	Net Income (Rs.)	Equity (Rs.)	%
2065/66	5107798	990495035	0.516
2066/67	14992477	990495035	1.510
2067/68	1329168	990495035	0.134
2068/69	-9780802	990495035	(0.987)
2069/70	-59407857.72	990495035	(6.00)
Average			**(0.964)**

Source: *Annual Reports NFC*

The comparative ratio from above table reveals the weak ROE of NFC. ROE is negative in the fiscal year 2068/69 & 2069/70 while in other fiscal year it is very low. The overall data shows the very poor condition of the corporation. In comparison to the amount of shareholder's investment the corporation is not able to generate the profit creating the shareholder's investment at risk. The average ROE is -0.00964.

4.2.2 Operating Efficiency Measures

4.2.2.1 Inventory Turnover Ratio

Inventory turnover helps to maintain a certain level of inventory to meet the requirement of the business. This ratio indicates whether the investment in inventory is efficiently used or not. This ratio is used to measure the efficiency of sales of the organization.

A high stock turnover indicates efficient management of inventory, because more frequently the stocks are sold, the lesser amount of capital is required to finance the inventory. On the contrary, a low stock turnover indicates over investment in stock, poor quality of goods, low profits as compared to total investment and inefficient inventory. Thus higher the ratio, more times a year the firm is turning over its inventory. The following formula is used to calculate the inventory turnover ratio;

Inventory Turnover Ratio= Sales (net)/ Inventory (closing)
Or, Inventory Turnover Ratio = Cost of Goods Sold/ Average Inventory

Table 4.15

Inventory Turnover

(In Times)

Fiscal Year	Sales	Inventory	Times
2065/66	667864006	673833639	0.991141
2066/67	799086947	731732369	1.092048
2067/68	875411283	1044977309	0.837732
2068/69	718438994	625390747	1.148784
2069/70	766444565.6	626575185	1.223228
Average			**1.058587**

Source: *Annual Reports NFC*

Table 4.15 shows a satisfactory result in inventory turnover except in the fiscal year 2065/66 and 2067/68 when NFC has low ratio as compared to other fiscal year. The low inventory turnover figure indicates lack of effective inventory management. The corporation's investment in industries in FY 2069/70 has been more productive in terms of generating annual sales. In the fiscal year 2069/70, the NFC has converted its stock into sales 1.223 times faster than in the fiscal year 2068/69 which was only 1.148. Similarly, the ratio is 0.991, 1.092, and 0.837 times in the fiscal year2065/66, 2066/67&2067/68 respectively.

4.2.2.2 Total Assets Turnover

The total assets turnover ratio reflects the efficiency of management investment in each of the individual asset items. This ratio indicates the extent to which the investment in total assets contributes towards sales. Higher the ratio the more effective is the utilization of assets in revenue generation. The ratio is determined by dividing sales by total assets. Formula for the ratio is given below;

Total Assets Turnover Ratio= Sales/ Total Assets

Table 4.16

Total Assets Turnover

(In Times)

Fiscal Year	Sales	Total Assets	Times
2065/66	667864006	1135070716	0.58839
2066/67	799086947	1312069835	0.609028
2067/68	875411283	1434744602	0.610151
2068/69	718438994	1079168058	0.665734
2069/70	766444565.6	1666403580	0.459939
Average			**0.586648**

Source: *Annual Reports NFC*

Table 4.16 shows that in the fiscal year 2068/69 the assets are more properly utilized in revenue generation. The ratio is highest in this year i.e. 0.666. In the fiscal year 2069/70, the assets are less properly utilized in revenue generation. The ratio is lowest in this fiscal year. The ratio is fluctuating from 2065/66 to 2069/70. The average ratio is total amount turnover 0.5866 which is satisfactory.

4.2.2.3 Fixed Asset Turnover

The fixed asset turnover ratio indicates the extent to which the investments in fixed assets contribute towards sales. This ratio measures the efficiency with which the firm is utilizing its investment in fixed assets. Higher the fixed assets turnover ratios better the performance of business and lower ratio indicates inefficient utilization of available fixed assets. In this fixed assets investment is not considered. Fixed assets turnover ratio calculated as:
Fixed Assets Turnover Ratio= Sales/ Net fixed assets.

Table 4.17
Fixed Assets Turnover

(In Times)

Fiscal Year	Sales	Fixed Asset	Times
2065/66	667864006	133313600	5.009721
2066/67	799086947	171915184	4.648146
2067/68	875411283	184725705	4.738979
2068/69	718438994	253761919	2.831154
2069/70	766444565.6	259310851	2.955698
Average			**4.03674**

Source: *Annual Reports NFC*

The fixed assets turnover ratio has fluctuating trend from the fiscal year 2065/66 to 2069/70. Fiscal year 2065/66 has the highest ratio which is 5.0097 and the corporation is in very good condition in this year. The lowest ratio is in the fiscal year 2068/69 which is only 2.8312. The overall ratio is in the table shows satisfactory utilization of the fixed assets. The average fixed asset turnover ratio is 4.037 which is good.

4.2.3 Financial Policy Measure

Two major types of financial policy ratios are considered.

4.2.3.1 Leverage Ratios

Leverage ratios measure the degree to which total assets are financed by owners compared with financing provided by the creditors.

4.2.3.1.1 Debt-Equity Ratio

Debt-equity ratio measures the relative claims of creditors and owners against the assets of the firm. It is a test of long term solvency of the firm. Debt equity ratio indicates the relationship between debt and equity. In other words, it measures how much money a company could safely borrow over long periods of time. It gives the assurance of protection to the long term creditors. Lower the debt-equity ratio, better the condition of firm, higher the debt-equity ratio higher the chance of solvency. Generally debt-equity ratio of over 40-50% should be looked at more carefully to make sure that there are no liquidity problems. Debt equity ratio can be calculated as follows;

Debt-Equity Ratio= Total Debt/ Shareholder's Equity

Table 4.18

Debt Equity

(In Rs)

Fiscal Year	Total Debt	Equity	Ratio
2065/66	1261297495	990495035	1.273401
2066/67	1423304137	990495035	1.436962
2067/68	1738948433	990495035	1.755636
2068/69	1422760312	990495035	1.436413
2069/70	1807495859	990495035	1.824841

Source: *Annual Reports NFC*

Table 4.18 shows higher debt-equity ratio. All the fiscal year have more than minimum required ratio. The ratio is in increasing trend expect in 2068/69. Fiscal year 2069/70 has the highest ratio and the fiscal year 2065/66 has the lowest ratio. A high debt-equity ratio indicates greater contribution at a firm's financing by debt holders than those of equity holders which is not a good sign for the corporation. Every year the debt is increasing. This will create great risk for the NFC.

4.2.3.1.2 Debt Assets Ratio

Debt assets ratio shows the relationship between the total debts and total assets of a firm. It measures the percentage of the firm's assets financed by creditors. The lower the ratio, the greater the protection afforded creditors in the event of liquidation. The formula for calculating debt equity ratio is as follows:

Debt-assets ratio= Total liabilities/ Total assets

Table 4.19
Comparative Debt-Assets

(In Rs)

Fiscal Year	Total Liabilities	Total Assets	Ratio
2065/66	1261297495	1135070716	1.111206
2066/67	1423304137	1312069835	1.084778
2067/68	1738948433	1434744602	1.212026
2068/69	1422760312	1079168058	1.318386
2069/70	1807495859	1666403580	1.084669
Average			**1.162213**

Source: *Annual Reports NFC*

Table 4.19 shows the relationship between total liabilities and total assets of different fiscal year. Lower the ratio, more fruitful for the company. The ratio is in fluctuating trend. Decreasing order is positive for the corporation. Since then, the ratio is in increasing orders up to 2068/69 which is not good for the company. The overall data shows NFC is at risk, since the ratio is higher than required. At FY 2066/67 & 2069/70 NFC is in less riskier position. The corporation has the highest ratio in fiscal year 2068/69.

4.2.3.1.3 Interest Coverage Ratio

The interest coverage ratio (also called the "times interest earned ratio") is determined by dividing earnings before interest and taxes (EBIT) by the interest charges. This ratio indicates the ability of a company to pay annual interest payments out of its profits. Failure to meet such obligations can bring legal action by the creditors, possibly resulting in bankruptcy. Generally interest charges should cover six or seven times.

TIE ratio= EBIT/ Interest charge

Table 4.20
Interest Coverage Ratio

(In Rs.)

Fiscal Year	EBIT	Interest Charge	Ratio
2065/66	19812620	14704822	1.347
2066/67	41905068	26912591	1.557
2067/68	28895389	27566221	1.048
2068/69	31727785	41508587	0.764
2069/70	15201590	12161272	0.8

Source: *Annual Reports NFC*

Table 4.20 we can notice that that overall ratio could not reach the standard point which is six or seven times. The worst situation NFC faced was in fiscal year 2068/69 & 2069/70 where the ratio is negative. In the fiscal year 2066/67 NFC is in good condition where the ratio is nearly 2.

4.2.3.2 Liquidity Ratios

Liquidity ratio measures the short term loan paying ability of the firm. It measures the ability of the firm to meet its maturing obligations. It gives a picture of a company's short term financial situation or solvency. Short term lenders first glance at the liquidity position for deciding to grant or not the credit.

4.2.3.2.1 Current Ratio

The current ratio is computed by dividing current assets by current liabilities. It is a test of company's financial strength. It indicates the extents to which the claims of short term creditors are covered by assets that are expected to be converted to cash in a period roughly corresponding to the maturity of the claims. In other words, it measures the availability of current assets for meeting current liabilities. The current ratio 2:1 i.e. current assets double the current liabilities, is regarded as the standard ratio. Higher ratio indicates that the firm is in liquid and has ability to pay its current obligations in time as and when they become due. And in other hand, lower current ratio represents that the liquidity position of the firm is not good and the firm face difficulty in payment of current obligations in time.

Current Ratio= Current Assets/ Current Liabilities

Table 4.21
Comparative Current Ratio

(In Rs.)

Fiscal Year	Current Assets	Current Liabilities	Ratio
2065/66	992516416	1100242627	0.902089
2066/67	1130913951	1214660155	0.931054
2067/68	1434744602	1507951847	0.951453
2068/69	1079168058	1154763452	0.934536
2069/70	1397852029	1807495859	0.773364
Average			**0.898499**

Source: *Annual Reports NFC*

The above table shows that the current ratio of NFC is very low than the standard one. That means the NFC is not capable of paying the short-run debt by the availabilities of its current assets. NFC was in poor condition in the fiscal year 2069/70 whereas the condition is increasing little by little from fiscal year 2065/66.

4.2.3.2.2 Quick Ratio (Acid-Test Ratio)

Inventories are typically the least liquid of a firm's assets and the assets on which losses are most likely to occur in the event of liquidation. Therefore, this measure of the firm's ability to pay off short-term obligations without relying on the sale of inventories is important. The purpose of this ratio is to test the ability of the firm for immediate payment of current liabilities. This ratio is calculated by deducting inventories from current assets and dividing the remainder by current liabilities. Ratio 1:1 is considered as standard ratio.
Quick Ratio: Current Assets-Stock/ Current Liabilities.

Table 4.22
Quick Ratio

(In Rs.)

Fiscal Year	Current Assets	Stock	Current Liabilities	Ratio
2065/66	992516416	673833639	1100242627	0.28964773
2066/67	1130913951	731732369	1214660155	0.32863643
2067/68	1434744602	1044977309	1507951847	0.25847463
2068/69	1079168058	625390747	1154763452	0.39296127
2069/70	1397852029	626575185	1807495859	0.42671016

Source: *Annual Reports NFC*

The table shows lower Quick ratio. The ratio is in fluctuating trend. In the fiscal year 2069/70 the ratio is highest (0.4267) and lowest in the fiscal year 2067/68. The data shows the low capability of NFC to pay off current liabilities without relying on the sale of inventories.

4.3 Performance Evaluation

4.3.1 Analysis of Variances

A basic feature of performance reports is the reporting of variances between actual results and planned or budget goals. A variance is the difference between actual results and budgeted expectations. Variances can be computed for both costs and revenues. Variance analysis involves a mathematical analysis of two sets of data in order to gain insight into the underlying causes of a variance. One amount is treated as base.

Variance can be both positive and negative, depending upon whether or actual result is greater or lesser than standard result. Any deviation from the standard or base amount is interpreted as good or bad, favorable or unfavorable. In common use favorable variance is denoted by the letter “F” and unfavorable variance is denoted by “UF”.

4.3.1.1 Sales Variances

The table shows the sales variances of NFC. If actual sales exceed the budgeted sales the result is favorable otherwise the result is unfavorable.

Table 4.23

Sales Variance Analysis Table

(In Rs.)

Fiscal year	Budgeted Sales Amount (Rs.)	Actual Sales Amount (Rs.)	Remarks
2065/66	727330000	667864006	UF
2066/67	1134869000	799086947	UF
2067/68	978525000	875411283	UF
2068/69	1028238000	718438994	UF
2069/70	1058545000	766444566	UF

Source: *Annual Reports NFC*

The above table of sales variance shows actual sales are less than the budgeted sales in all fiscal year starting from 2065/66 to 2069/70. Thus the condition is unfavorable for NFC in the all fiscal year in terms of sales.

4.3.1.2 Purchase Variance

Actual Purchase that exceeds the budgeted Purchase results in favorable Purchase variances and actual Purchase that are less than the budgeted Purchase results in unfavorable expenses variance. The table below shows the purchase variance.

Table 4.24

Purchase Variance Analysis Table

(In Rs.)

Fiscal year	Budgeted	Actual	Remarks
2065/66	642898000	766089555	F
2066/67	919349000	669936682	UF
2067/68	1325905157	1003047251.44	UF
2068/69	1661193042	107230010.83	UF
2069/70	8219132005	581503589.37	UF

Source: *Annual Reports NFC*

The above table shows the poor planning of NFC. The actual result is lower than the budgeted result except in the fiscal year 2065/66. This result shows that NFC makes plan in haste. The management is not reviewing its past experiences to formulate new plan. Corporation is not considering the principle of “a good plan is job half done”.

4.4 Major Findings

On the basis of the study it was found that the PPC was not practiced by the NFC management. NFC despite of its best efforts was not able to generate profit. Instead it was suffering from the debt and is surviving on government subsidy. The financial position of the corporation was not good.
Major findings of the research study are presented below.

- The proper use of profit planning and control was not practiced by NFC management.
- The planning was very poor. The planning was made on adhoc basis.
- The objectives set by the management were very ambiguous which resulted in the fluctuation in the actual and targeted results.
- There were fluctuations not only in the actual and targeted sales but also in the targeted sales also. The target was very high sometimes the target was very low. There was no linearity in the target figure.
- Purchase should depend upon sales but there was no relation between the sales and purchase. Purchases were made on personal judgment.
- There was high variation on actual sales of rice. That means the actual sales was not as per the targeted sales.
- The corporation has no proper inventory policies. If purchase exceeds the sales then it is considered as inventory.
- There was high administration cost which increased the expenses of NFC. This high expense made the corporation loss.
- NFC did not make flexible budget, cash budget, and capital expenditure budget without which it is difficult for NFC to identify the necessities of cash requirement and uses of cash.
- The selling and distribution cost was very high which was another reason for increase of debt.
- NFC is not practicing CVP analysis hence no segregation of cost.

CHAPTER-V
SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Summary

Profit planning and control is also known as comprehensive profit planning and control. A budget is a detailed plan of action developed in financial term for a period of one year. It is an important approach developed to facilitate effective performance of the management process. PPC provides guidelines to management and acts as signal light for the management and enables the management to enforce its policy. It is an important tool in profit oriented organization for facilitating effective performance of the management.

Profit planning or Budgeting simply refers to planning of revenues and cost. Profit plan is divided into two portions, strategic or long-term plan and tactical or short-term plan. Strategic plan is prepared for three or more than three year while tactical plan is prepared for six months to one year time horizon. Planning can be divided into two groups, a) functional plan, and b) financial plan. Functional plan includes sales plan, purchase plan, expense plan etc. and financial plan includes income statement and balance sheet.

The importance of profit planning and control is not limited to manufacturing organization only but is equally important to non manufacturing or merchandising business also. Thus, PPC is life blood of any organization whether it is large or small, manufacturing or non-manufacturing.

NFC, a public enterprise, is associated with selling and distribution of food grains in the different parts of the country. It was established in 2031 B.S. in Mangshir 17 under the full ownership of government. Nepal faces problem of food shortage every year. Out of 12 months, the people of remote areas have to face the problem of food shortage for 6 or more than 6 months. Their cultivated crops are not enough to feed them for whole year creating famine, malnutrition in children and other problems. Thus NFC has the responsibility to access the food grains to remote villages and food shortage areas. NFC a sole organization working for the benefit for the poor people is running in loss since the time of its establishment creating uncertainty of its future. To find the reason of its failure in generating income was main objective of this study.

This study focuses on the use of PPC tool by the management of NFC and its implications in the planning. This study also targeted to understand the financial position of the corporation with the help of different statistical and financial tools. This study has shown that the corporation was in loss till the time of study. And the accumulated loss was very high which was very difficult to recover by the management efforts.

The study was made with the help of secondary and primary data with historical and descriptive approach. The total period of five year, form the fiscal year 2065/66 to 2069/70 was covered in the study. For the study, various functional budgets were considered and financial condition was determined with the help of different financial tools. To make the study more clear and make the data more understandable data are tabulated and distributed and diagram and graph were used. The detailed calculation and data were presented in the Appendix and the end of the chapter.

5.2 Conclusions

The introduction of five year development plan in the country in 1956 brought about a significant increase in the government responsibilities. Different public enterprises were established then after. The government established NFC in the fields of food supply of national endeavor to gain momentum in development process to promote public welfare. From then on NFC is providing its services throughout the country. From the time of establishment its financial condition is deteriorating. NFC in spite of its best efforts is suffering from a number of internal and external problems in formulating and implementing profit plans. The achievements of NFC are not encouraging as it has committed. The achievement of actual sales has not reached the targeted sale which shows the weak planning management of NFC. Same is the condition in purchase also there is great variation in actual and budgeted purchase. Despite this NFC is also suffering from operating loss due to heavy portion of administration and transportation cost. Financial rations most are not in favorable situation. The liquidity position of NFC is weak. The profitability of NFC is also not satisfactory. As a whole the economic condition of NFC is very weak.

5.3 Recommendations

From the study and based on the findings of NFC some recommendations are made which could be important for the NFC and other stakeholders who are interested in NFC. Following are some of the recommendations.

- Firstly, NFC has to make short-term and long term planning to fulfill the goals of the corporation.
- There should be separate department for planning.

- The participatory approach in planning and decision making should be made. Employees of every level should be given participation in planning.
- A thorough analysis of historical data has to be done before planning.
- NFC should allow dealing on other food grains items also for profit generation.
- NFC has to revise its pricing policy. It should let the price set as per the market competition.
- The purchase of food grains should be made by studying the past sales but not on adhoc basis.
- The administrative expenses and transportation expenses should be managed. An extra expense in administrative and transportation should be controlled.
- NFC is giving subsidy in transportation in rice to remote areas for the transporter which has created high cost in transportation. NFC should think for transportation facility to remote areas.
- NFC should identify its strengths and weakness.
- The liquidity position of NFC was very weak. It should utilize its available resources properly.
- The profitability of NFC was also not satisfactory for this NFC should increase in sales.
- NFC has barren land and empty godown all over the country. It can earn revenues from it by leasing or lending. So, it should utilize its idle resources as far as possible.
- NFC has its old vehicles which were not in use. Those vehicles should be sold which helps in profit generation.
- The government should give full authority for decision to NFC.
- The modern rice mill at Mahendranagar and Rajapur should be brought into action as soon as possible which was blown by the Maoist in insurgency period.

- Variance analysis should be made to find out the cause of unfavorable variance and correct them in time.
- NFC should segregate the cost into fixed and variable.
- Political interference in the management of NFC should be avoided.
- The role of government should be promotional one not regulatory one.
- The storage facility should be improved. Due to lack of modern storage facility the stored food grains were wasted in high quantity.
- The main problem in food shortage in remote areas is due to delayed in transportation or difficulties in transporting during monsoon period. If there is well equipped storage facility in remote areas then the food can be transported and kept earlier during difficult situation.