

**PROFIT PLANNING OF UNILEVER NEPAL: A  
MANUFACTURING COMPANY IN NEPAL**

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## **RECOMMENDATION**

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## **DECLARATION**

I hereby declare that the work reported in this thesis entitled "**PROFIT PLANNING OF UNILEVER NEPAL: A MANUFACTURING COMPANY IN NEPAL**" submitted to Office of the Dean, Faculty of Management, Tribhuvan University, is my original work done in the form of partial fulfillment of the requirement for the degree of Master of Business Studies (MBS) under the supervision of Arun Neupane of Shanker Dev Campus, T.U.

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## ABBREVIATION

BNL	Bottlers' Nepal Limited
PE	Public Enterprise
MDC	Market Distribution Center
SWOT	Strength, weakness, opportunities and threats
PESTEL	Political, environmental , social, technological, ecological and legal
AX	Anxiety
PPC	Profit, Planning and control

# CHAPTER I

## INTRODUCTION

### 1.1 Background of the study

Profit planning is a comprehensive statement of intentions expressed in financial terms, for the operation of the firm of both short and long term period. It is a plan of the firm's expectation and is used as basis for measuring the actual performance of managers and their units. The success of each enterprise in realizing its optimum profit each year will be determined by the extent to which it establishes objectives and exercise control result reach or exceeds those plan. Profit planning play significant role and public enterprises and private enterprises for regarding profit, manufacturing enterprises is taken for studying the application of Bottlers Nepal Ltd. Located at Balaju, Kathmandu (Bottlers Nepal Ltd, 1979).

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Bottlers Nepal Ltd. Balaju, Kathmandu is one of the manufacturing and processing company, which was established in 1979 under the company act, 1964. It was initially started as a private enterprise and converted in to public enterprises in 1985 issuing shares to general public. It was established with the objectives of producing and bottling soft drinks under the brand name of Coca-Cola. The company also makes the sales of the soft drinks under the registered trademarks of the Coca-Cola managed by Singapore based F&N Coca-Cola pvt. Co. Ltd. Is registered office located at Balaju, Kathmandu. The company is located at Balaju, in area of the 10648sq meter of land and the buildings of the company covers 5823sq meter. The company has launched various types of

promotional activities with financial and technical Support from Coca-Cola Company . Bottlers Nepal Ltd. was converted into public company after 5 years when it was established .The amount is not invested by Nepal Government. BNL is a multinational company. So, The Coca-Cola (Asia) Ltd. ,a company incorporated in Dubai, UAE which holds 98.8percent shares of BNL and only 1.2 percent shares are distributed on common people. It's established its branches in many countries like India, Singapore and Hong Kong etc. The company continues to receive support in the form of rebate on concentrate procured from the Coca-Cola export corporation. The company also received support from Coca-Cola (Asia) limited, the parent on sales, marketing and technical operations. (Bottlers Nepal Ltd, 1979).

In present day, profit planning is given more importance's and is regarded as a basic technique of decision making and in more important sense is regarded as a way of management and is given the name “profit planning program” (Cho et.al, 2013).

Profit planning and control are the process of management. Profit is the difference between revenue and cost. Therefore if we are planning profit and controlling the same, we have to take care of all the aspect of revenue and cost (Juris, 2012).

The concept of globalization is one of the major factors which brought in the concept of multinational company. Multinational company is establishing close relationship between each country in the world. Multinational company is being very importance to poor country like Nepal. It is supplies new technology and import huge amount of capital which is must necessary for developing country. Multinational company has been beginning at all country in the world at present situation. Many branches are established in many countries in the world (Juris, 2012).

Profit planning is a sophisticated management for comprehensive profit planning, which can be established in any business endeavor by appraising the present state of accounting and management status in order to run the endeavor more efficiently in the future .Profit planning and control is an important approach, which has been developed for facilitating effective performance of management system mainly in profit oriented enterprises (Kavada, 2015).

Planning involves anticipation of future course of action and therefore bears the elements understanding in respects of its success. A plan is pre-determined course of action to achieve a specified goal (Kemp, 2020). Planning is the process of developing enterprise objectives and selecting a future course of action for accomplishing the objective, including activities necessary to translate planning to be correct current deficiencies Nepal is an agricultural country. More than 80 percent of the Nepalese population is primarily engaged in the agriculture sector and relies on agriculture to fulfill their needs. The agriculture sector alone accounts for about two-thirds of the total national production. People produce agricultural goods in bulk quantities, but they hardly sell in the market due to a lack of advertising. Consequently, they face many problems in selling their agricultural products. The Nepal government has operated numerous manufacturing, trading, and commercial enterprises, known as public enterprises. Profit planning plays a significant role in the development of all types of enterprises, making an understanding of profit planning essential (Sharma, 2022).

In profit planning, two aspects are involved: profit and planning. Profit is the primary objective of business, given the heavy investment necessary for the success of enterprises. The main aim of firms is to maximize profit or maintain a specified level of profit. Profit demonstrates the relationship between volume and cost and plays a key role in achieving the objectives of an organization. Profit, as the primary objective of business, is crucial for the success of an enterprise due to the significant investment required. It is the excess of income over the cost of production. In the accounting sense, profit tends to become a long-term objective, measuring not only the success of a product but also the development of the market for it (Singh, 2022).

Profit planning and control have wide application. It can be applied both in profit making and non-profit making organization, and also both in manufacturing and non-manufacturing business (Singh, 2022).

The Bottlers Nepal Ltd. Continues to maintain its leadership in the soft drink market because of its strong market infrastructure backed of up by company's effective sales and promotional plans and consumer's performances in company's products. The company has already started distributing the product through its wholly owned company Troika Traders (P) Ltd. since 1<sup>st</sup> Jan. 2006. The result of this distribution through the MDCs is

very productive .The company able to increase the market share and numeric distribution by serving the markets more effectively due to the implementation of MDC distribution model.

## **1.2 Problem statement**

Nepal is landlocked country. Nepal is under develop country where 80 percent of the people depends on agriculture to fulfill their needs. Nepal has been trying to develop economy and poverty eliminating as well as general up- liftmen of the living standards of massage of people. So public enterprises are established in order to develop infrastructure service needed for national development, to fulfill the demand of people of the country, to increase the export opportunities, to increase government revenues, to create employment opportunities, to improve balance of trade situation, by substitution the import, to help in controlling inflation. So Nepal government is investing a huge amount every year in public enterprises [PEs]. However the PEs are found to be operating unsatisfactory and their financial position is far from satisfactory. In the context of Nepal most of manufacturing companies are suffering poor performance and loss. Therefore, they have to adopt a systematic profit planning to improve their financial performance and run on profit. Bottlers Nepal Ltd. was earning considerable amount of profit before emergency period, production capacity and production units are in increasing trend, sales are also not so poor, and still the company hasn't been able to generate increasing percentage of profit since then.

This research paper attempts to shows the relationship between the various functional budgets, achievement and their effective application within the conceptual frame work of profit planning for solving the problems that have occurred in public enterprise.

The present study has also tried to answer the following research questions

- What are the existing practice of profit planning and its effectiveness in BNL?
- Does significant variance occur between plan and achievement and how does production and sales revenue get affected by it?
- What are the functional budgets that is adopted by BNL?

### **1.3 Objective of the study**

This study focuses in evaluating the use of different types of functional budget and profit planning system for effective implementation of profit planning in BNL Company. The study describes the purpose of different kinds of budget used and it's intended to clarify the purpose of different budget. In the context of Nepal, most of the manufacturing companies are suffering from poor performance and financial conditions, which is not satisfactory. Most of the companies are in loss, so this study analyzes profit planning, its practicable difficulties and gives recommendations by focusing on the case study of Bottlers Nepal Ltd.

This study focuses on budgeting as a key factor in profit planning position of this kind of company. It will help specially to Bottlers Nepal Ltd. management and shareholders, government, entrepreneurs, public people, future researcher and others. Ultimately since suggestion as a find package will be made.

- To examine the existing practice of profit planning and its effectiveness in BNL.
- To analyze the variance between plan and achievement and production and sales revenue of the company.
- To analysis the different functional budgets adopted in these enterprises and mark suitable suggestions and recommendations

### **1.4 Significance of the study**

This study focuses in evaluating the use of different types of functional budget and profit planning system for effective implementation of profit planning in BNL Company. The study describes the purpose of different kinds of budget used and it's intended to clarify the purpose of different budget.

Generally two types of profit planning practices are stressed in an enterprise. Strategic long-rang profit plan covers the time horizon of three or more year and tactical short-range profits are made generally from coming year. Both these two profit plans are important for the successful operation of the enterprise and with the help of these two profit planning we can know the financial conditions of the enterprise.

This study focuses on the profit planning system and for the purpose of analyzing the profit planning system of BNL, following plans will be specially analyzed and these budgets are focused in this study:

- Sales budget
- Production budget
- Purchase budget
- Expenses budget
- Cash budget

### **1.5 Limitations of the study**

This study is limited. This study belongs to BNL only to the budgeting and profit planning of BNL which are as following:

- This study is limited with the financial performance of BNL.
- This study is confined through the data of 5 years.
- The study is based on the annual report of Bottlers Nepal Ltd.
- The study is based on the secondary data available from Bottlers Nepal Ltd. and others documents, published books, booklets etc. providing from Bottlers Ltd.

### **1.6 Chapter plan**

This study has been organized in five chapters.

The first chapter is the introductory, which deals with background of the study. Bottlers Nepal Limited, statement of problems, objective of the study, importance of the study, limitation of the study and research methodology.

The second chapter deals with the review of the literature includes conceptual framework, review of journal and articles and review of previous related thesis, journals etc. with a brief profile of BNL and research gap. In the third chapter, the research methodology employed for the study has been described. It includes introduction research design, data collection and sources, data processing procedure and tabulation, financial tools and techniques, research question and definition of key terms. Then, the acquire data are presented and analyzed through the way given in methodology in the fourth chapter.

At last, the summary of findings, issue and constraints and some recommendation have been presented in the fifth chapter. A bibliography and appendix have also been includes in the last part of the study.

## **CHAPTER II**

### **LITERATURE REVIEW**

Review of literature is basically a stock taking of available literature in the field of research. It supports the researcher to explore the relevant and true facts for the reporting purpose in the field of study. The researcher has presented the conceptual framework about the commercial banks, banking practices, the legal and regulatory frame work and profit planning concepts and its applicability in commercial banking activities. In this connection, the researcher has reviewed various literatures in the form of books written by various authors, published newspapers, journals, browsing materials from the concerned websites.

#### **2.1 Conceptual review**

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

##### **Profit**

Profit means a peculiar gain, excess of return over the outlays. Profit does not just occur usually because it is not only the contribution of a single factor of production. Profit plays a great role in measuring utility and allocating it along with maximizing social-economic welfare. Generally profit requires a good deal of managerial capability and managerial talent.

A view of profit state that the entrepreneur is special type of labor and profit is a special form of wages. The entrepreneur earns profit for organizing and coordinating the other factor of production land, labor and capital.

Profit is the reward for bearing risks of venturing in business. It is the risk of owing something in hope of selling in later. But all economists do not agree the profit a rise due to risk. For the dynamic manufacturing industries for the most telling concept of profits depicts them as the gains in national income that are generated by the managerial desire for destination through creative innovation. (Joel, 2008: 12).

These are after all several different interpretations of the term "Profit". An economist will say that the profit is the reward for entrepreneurship for risk taking. A labour leader might say that it is a measure of how efficiently labour has produced and it provides a base for negotiating a wage increase. An investor will view it as a gauge of the return on 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. Profit is a single for the allocation of resource and a yardstick for judging managerial efficiency. (Kulkarni, 2010:245)

### **Planning**

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 process of developing enterprise objective and selecting a future courses 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. (e) Current re-planning to correct current deficiencies. (Welch & Hilton, 2009: 564)

Planning is the method of thinking out acts and purpose beforehand. 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 function by which the manager decides what goals are to be accomplished and how they are to be reached. (Welch, 2009: 44)

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

### **Profit Planning**

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

Explaining the use of budget and profit plans; they further mention that once developed mangers know that when actual expenses exceed budget limitations, there may be problems. The profit plan tells managers how much money remains to be spent in each expense 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 developing the next fiscal accounting year's budgets. (Welch, 2009:79)

Profit planning is the heart of management. The primary aim of profit planning is to assist in 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 a correctly constructed profit plans provision provides opportunity for a regular and systematic analysis of incurred of anticipated expense, organized future planning fixing of responsibilities and stimulation of effort. In short, it provides a tool for more effective supervision of individuals operations and practical administration business as a whole. (Gupta, 2015)

To fully grasp the concept of sustainable business practices, it is essential to understand the foundational elements of sustainability and business strategy.

### **Sustainability**

Sustainability refers to meeting the needs of the present without compromising the ability of future generations to meet their own needs. It encompasses environmental, social, and economic dimensions. According to Garcia and Martinez (2022), sustainability in business means creating long-term value by taking into consideration how a given organization operates in the ecological, social, and economic environment. Developing sustainable practices involves reducing environmental impact, enhancing social well-being, and ensuring economic viability.

Sustainable business practices often include efforts to reduce carbon footprints, manage resources responsibly, and engage in fair trade. Johnson and Smith (2021) argue that

sustainability requires businesses to adopt a triple bottom line approach, focusing equally on people, planet, and profit. This holistic view encourages companies to not only focus on financial performance but also on their social and environmental impacts.

### **Business Strategy**

Business strategy involves the formulation and implementation of the major goals and initiatives taken by an organization's top management on behalf of owners. It is based on the consideration of resources and an assessment of the internal and external environments in which the organization competes. According to Porter (2020), a well-defined business strategy includes setting goals, determining actions to achieve the goals, and mobilizing resources to execute the actions.

Strategic planning is essential for navigating competitive landscapes and achieving long-term success. Davis and Green (2020) suggest that a robust strategy considers both the macro-environmental factors (PESTLE analysis) and the micro-environmental factors (SWOT analysis). Effective strategies often involve innovation, differentiation, and creating a unique value proposition.

### **Sustainable Business Strategy**

A sustainable business strategy integrates sustainability into the core business strategy, aiming to create value through socially responsible and environmentally sound practices. According to Elkington (2021), sustainable strategies are those that not only deliver economic returns but also enhance social and environmental capital. This integration ensures that businesses can thrive in the long term while contributing positively to society and the environment.

For instance, Unilever's Sustainable Living Plan aims to decouple the company's growth from its environmental impact while increasing its positive social impact (Miller, 2021). This plan involves sustainable sourcing, reducing greenhouse gas emissions, and improving health and well-being for billions of people. Such strategies demonstrate how integrating sustainability into business models can drive innovation and growth.

## **Principles of Sustainable Business Practices**

The main principles of sustainable business practices include:

**Resource Efficiency:** Maximizing the use of resources while minimizing waste. This involves adopting energy-efficient technologies and sustainable materials (Adams, 2023). **Stakeholder Engagement:** Involving stakeholders, including employees, customers, suppliers, and communities, in the decision-making process to ensure that business practices are socially responsible (Freeman, 2020). **Transparency and Accountability:** Ensuring open communication about the company's sustainability goals and performance. This builds trust and can improve a company's reputation (Global Reporting Initiative, 2022).

### **2.1.1 Challenges in Implementing Sustainable Business Strategies**

Despite the benefits, several challenges can impede the implementation of sustainable business strategies:

**Cost Implications:** Initial investments in sustainable technologies and practices can be high. However, Adams (2023) notes that these investments often lead to long-term cost savings.

**Regulatory and Compliance Issues:** Navigating the complex landscape of environmental regulations can be challenging for businesses, especially those operating in multiple jurisdictions (Brown, 2021). **Market Dynamics:** Shifts in market demands and consumer preferences can impact the feasibility of sustainable initiatives. Companies need to stay agile and responsive to these changes (Johnson, 2020).

## **Importance and Limitations of Sustainable Business Practices**

### **Importance**

**Competitive Advantage:** Companies with sustainable practices often enjoy a stronger brand reputation and customer loyalty (Porter, 2020).

**Long-term Viability:** Sustainable practices contribute to the long-term viability of businesses by ensuring resource availability and mitigating environmental risks (Martinez, 2021). **Regulatory Compliance:** Adopting sustainable practices can help businesses stay ahead of regulatory requirements, avoiding fines and enhancing their license to operate (Freeman, 2020).

## **Limitations**

- **High Initial Costs:** The transition to sustainable practices can involve significant upfront costs, which may be a barrier for small and medium-sized enterprises (SMEs) (Adams, 2023).
- **Complex Implementation:** Integrating sustainability into business operations can be complex and require changes in corporate culture, processes, and technologies (Brown, 2021).
- **Measurement Challenges:** Quantifying the impact of sustainable practices can be difficult, making it hard to assess progress and communicate benefits to stakeholders (Global Reporting Initiative, 2022).

### **2.1.2 Principles of Profit Planning**

The main principles and purposes of profit planning as follows:

- To provide of realistic estimated of Income and expenses for a period and of the financial position at the close of the period, detailed 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 results with those budgeted and an analysis and interpretation of deviation by area of responsibility to indicate course of corrective action and to lead to improvement in procedures in building future plans.
- To provide a guide for management decision in adjusting plan and objectives as uncontrollable conditions change.(Welch, 2009: 48)

### **2.1.3 Fundamental Distinction of Profit Planning**

The concept of budgeting was originally established with the function of an accountant. At its origin the function of budgeting was assigned to the accountant. But in modern days budgeting is given much more importance and is regarded as a way of management and in more important sense regarded as basic techniques of decision-making and is given the name "Profit Planning and Control Program."

A will established and a well understood profit planning and control concept lends an

organization to ultimate success. But a failure to grasp this concept leads to chaos for a business. So just to understand this concept better, consideration should be given to following points.

### **The mechanism of profit Planning and Control**

Mechanism of Profit Planning includes the matter related with design of budget schedules, clerical computation of such schedules and routine computation and check of such schedules.

### **The techniques of profit planning and control**

Techniques are special approaches and method of developing information for managerial use in decision-making process. These approaches like forecasting sales volume, a frequent application operation research, (approaches in resolving the sales – production – inventory problems) break-even analysis, resources determinants (such as discounted cash flow approach) cash flow analysis and variable budget procedures which can be developed and used for managerial decision making process are known as techniques.

### **The Fundamentals of profit Planning and control**

The fundamentals are concerned with effective application of the theory at management process. It is applied for desired management orientation. Following are some of the important fundamentals of profit planning.

- Managerial involvement and commitment.
- Organizational adaptation.
- Responsibility accounting.
- Full Communication.
- Realistic expectation.
- Timeliness.
- Flexible application.
- Behavioral viewpoint.
- Activity costing.
- Zero base budgeting.
- Follow-up.

### **2.1.4 Principles of Profit Planning**

The main principles and purposes of profit planning as follows:

- To provide of realistic estimated of Income and expenses for a period and of the financial position at the close of the period, detailed 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 guide for management decision in adjusting plan and objectives 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.

### **2.1.5 An Outline of the Fundamental Concepts of PPC**

The fundamental concept of PPC includes underlying activities or task that must be generally carried out to attain maximum usefulness from PPC. (Welsch, 2009: 458)

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, organization, 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 down-ward 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.

### **Managerial Involvement and Commitment**

Managerial support, confidence, participation and performance orientation includes managerial involvement. All level of management specially top level management should engage itself to comprehensive profit planning and control. Involvement in profit planning and control means to understand, to select, to devote ourselves, to support by all its department and to evaluate the performance of the profit planning and control of profit planning and control the direction should flow it in total.

Managerial involvement on comprehensive profit planning and control, program is directly related to the confidence of management and its known ability to influence the future program convincement with the idea of setting goal in advance. Managerial involvement also deals with idea of direct participation of the lower staff on the program. But one should not forget the fact that the idea of "Project owns self" should be totally controlled.

### **Organizational Adaptation**

A success of profit planning and control program rest upon the sound organizational structure and also on clear-cut designation of the authority and responsibilities of all departments of an enterprise. The responsibility of each departmental management should be well clarified. Sometime indirect relationship of responsibility also plays a great role in organization. So it is advisable to clarify well coordinate all round responsibility and authority of and between the departments.

For easy and effective control some time the organizational structure are divided in to different functional sub units and each sub unit chiefs are assigned with specific responsibilities. These sub-units are known as decision centre or responsibility centre. Sometime these responsibility centers are used to be in form of a division or department or a sales district. But in most of the cases these centers are used to be a functional are like.

Cost centre: Which is only responsible for controllable costs incurred in the sub units but not responsible for profit or investment.

Profit centre: Which is the responsibility centre for cost and revenue and hence profit and

Investment centre: which is responsible for cost revenue, profit and amount of investment invested on assets?

### **Responsibility Accounting**

Planning is done with the help of the historical data supplied by accounting section and control is done by comparing actual data with projected data. So for this reason accounting system of any enterprises should be build around the responsibility structure of organization or around functional sub-units. This is called responsibility accounting. For responsibility accounting system one should have to define responsibilities of the various divisions then the relevant parameters of the cost, revenue and other financial data should be utilized for preparing plan.

If the parameter of cost and revenue used for planning purpose are not used in accounting system are not used for costing purpose. Valuation of the result by comparing it with planned goal will not be effective. So for evaluation purpose and for accounting purpose each of the responsibility centre have to prepare chart accounting parameter to be used for planning purpose and have to supply it with full instruction to respective unit then only the main objective of responsibility accounting can be fulfilled.

### **Full Communication**

Communication can be defined as "an interchange of thought or information to bring about a mutual understanding between two or more parties. Communication is needs for both feed forward and feedback process, which are most important for operation of any organization.

Role of communication can be justified in all aspect of management. It is communication either for decision-making or for supervision or for evaluation flow of information must be adequate in all sides.

For comprehensive PPC effective communication means development of well-defined objective, specification of goals, development of profit plans and reporting and follows up activities related to performance evaluation for each responsibility centre. To have effective communication for PPC both the parties related with planning activities must have some understanding, responsibilities and goals. Full participation in all matter, well

defined downward flow of information and well-defined reporting system is needed.

### **Realistic Expectation**

PPC must be based upon a realistic approach or estimation. Management must use realistic assumptions and must not take either irrational optimism or unnecessary conservatism. Perfection in setting goals or objectives of the future sales, production levels, cost, capital expenditure, and cash flow and so on determines the success of profit planning and control programs. So for profit planning and control purposes, a realistic approach reared with the time dimension and external, internal environment that will prevail during the time span should be considered. This is called realistic expectation.

For budgeting purposes also realistic expectation is needed, because of both over or under estimation of the budget in one unit use to have a negative effect on the other units, which ultimately destroy whole planning of the enterprise.

### **Planning and Forecasting**

Forecasts are indispensable in planning. Forecasts are statements of expected future conditions; definite statements of what will happen are patently impossible. Expectations depend upon the assumptions made. If the assumptions are plausible the forecast has a better chance of being useful. Forecasting assumptions and techniques vary with the kind of planning needed.

Forecasting is the prerequisite for planning. Its system must establish mutual relationships among forecasts made by different management areas. There is a high degree of inter-dependence among the forecasts of various divisions or departments, which cannot be ignored if forecasting is to be successful. For example, an error in sales projections can trigger a series of reactions affecting budget forecasts, operating expenses, cash flows, inventory levels, pricing etc. Similarly, budgeting errors in projecting the amount of money available to each division will affect projects, development, and modernization of equipment, hiring of personnel and advertising expenditures. This, in turn, will influence if not determine the level of sales, operating costs and cash flows. Clearly there is a strong inter-dependence among the different forecasting areas in an organization. (Pandey, 2011).

The distinction between forecasting and planning is not an easy one. Forecasting is our best thinking about what will happen to us in future. In forecasting we define situations and recognize problems and opportunities. In planning we develop our objectives in practical detail and we correspondingly develop schemes of action to achieve these objectives. (William, 2009)

A forecasting is a prediction of future events, condition or situation where as plan includes a programme of intended future actions and desired results, forecasting predict the future events in such a way that the planning process can be performed more accurately." A forecast is not a plan; rather it is a statement or a qualified assessment of future condition about a particular subject (e.g. Sales revenue based) based on one or more explicit assumptions. A forecast should always state the assumptions upon which it is based. A forecast should be viewed as only one input into the development of a sales plan. The management of a company may accept, modify or reject the forecast. On contrast, a sales plan incorporate management decision that are based on forecast, other inputs and management judgments about such related items as sales volume, price, sales efforts production and financing. Another reason for identifying sales forecasting as only one step in sales planning is that sales forecasts are conditional.

Forecasting, may be three types, they are as follows:

### **Short Term Planning**

Short-term planning is that plan which covers one year's time period. The management as a substantial part of long range and short-range plan uses it.

The short-term plan is synonymous with the classical budgetary period of one year. The short range planning is made after a freeze is taken on the consideration of possible alternative course of action. Such courses are outline for the medium range plan, which doesn't concern implementation; its aim is weeding out a plethora of possibilities, which are for the most part long on promised and short on feasible results.

The short-term forecasting is a prediction extending a maximum of two years into the future while it is difficult to desire examples that fit every situation some generalization can be made to indicate the application of short term forecasting. A business firm can adjust more smoothly to an indicated higher or lower volume of sales if plans can be set out reasonably well in advance. The short term forecast of general business conditions

often important in deriving a short-term sale forecast is useful in making internal estimated of company operations. Internal estimates of forecasting made by the accounting department in the large enterprises can be integrated with up to date predictions of short-term course of general business. Projections covering inventory positions manufacturing expanses, selling and administrative expenses, gross margin, net earnings and the cash position of the enterprise then reflect the most comprehensive internal and external data. Sales forecasting adds in more effective scheduling of goods in process and inventory requirements. Here, short term forecasting provides might more rationally ordered information and sounder base for decision-making.

### **Medium Term Planning**

The intermediate range forecasting covers from there to five years. This is one of the least development areas of prediction. Because forecast does not have an advantage of surveys of consumer and business intention nor can be extra plate long-term trends, nor he is a particularly good position to rank the importance of qualitative factors. The surveys of business and consumer spending intentions are of vital assistance in the development of short run predictions. Similarly, the extrapolation of long-term historical trends, if subjected to adequate qualitative analysis, can serve as a basis for estimating economic factors ten to twenty years in future. While the quantitative materials that can be employed in intermediate range forecasting are limited, an appraisal of the three to give year outlook may be especially valuable in formulating capital expenditure program and related financial plan for research and product development. The forecaster is forced to rely very heavily upon his judgment. He must isolate from the mass of material facing him these elements in the situation that have most significance in shaping the course of economic events in the half decade lying ahead and this may be difficult indeed. In particular, intermediate forecast must consider the problems of cyclical fluctuation if they are to be meaningful.

Two to three years generally not exceed this period. Medium range planning usually includes a time span of above three years. One valuable purpose for using, it is to establish interim objectives between long-term goals and for use in the development of annual program and budgets. In these case target with specific results and defective time schedules must be developed more details is involved than long range plans but less than for short range plan. While resource allocation is important final approval will only be

required for the short range and a consideration of alternatives is still possible.

### **Long Term Planning**

Long range planning five to ten years varying with the enterprise, sometimes extended to ten years. Long range planning is one of the most difficult time span involved in planning as many problems in short range planning can be traced to the absence of clear sense of direction and the practices which comprehensive long range plan provides.

The purpose of long-range projection is to give a rough picture of future prospects; a picture that has some empirical foundation sought is reasonable statement of the most probable outcome of an explicit combination of assumptions. Sometime these assumptions are varied to yield a range of possible results.

### **Importance and Limitation of Profit Planning**

#### **Importance**

Importance of Profit Planning is as follows:

- It forces early consideration of basic policies.
- It requires adequate and sound organization structure that is, there must be definite assignment of responsibility for each function of the enterprise.
- It compels all the members of management, from the top to down, to participate in the establishment of goals and plans.
- It compels departmental managers to make plans on harmony with the plans of other departments and the entire enterprise.
- It requires that management put down in the figures what is necessary for satisfactory performance.
- It requires adequate and appropriate historical accounting data.
- It compels management to plan for the most economical use of the labour, material, and capital.
- It instills at all level of management the habit of timely, careful and adequate consideration of the relevant factors before reaching important decisions.
- It reduces cost by increasing the span of control because fewer supervisors are needed.
- It frees executives from many days to day's internal problems through

predetermined policies and clear-cut authority relationship. Thus, it provides more executive time for planning and creative thinking.

- It tends to remove the cloud of uncertainty that exists in many organizations, especially among lower levels of management, relative to basic policies and enterprise objective.
- It pin points efficiency and inefficiency.
- It promotes understanding among members of management of their co-workers problems.
- It forces management to give adequate attention to the effect of general business conditions.
- It forces a periodic self-analysis of company.
- It aids in obtaining bank credit, banks commonly require a projection of future operations and cash flows to support large loans
- It checks progress or lack of progress towards the objectives of the enterprise.
- It forces recognition and corrective active action (including rewards).
- It rewards high performance and seeks to correct unfavorable performance. It forces management to consider expected future trends and conditions.

### **Limitation**

Following are the main limitation of profit planning.

- It is not realistic to write out and distribute our goals, policies and guidelines to all the supervisors.
- It is difficult, if not possible, to estimate revenues and expenses in our company realistically.
- Our management has not interested in all the estimate and schedules. Our strictly informal system is better and works well.
- Budgeting places too great a demand on management time, especially to revise budget constantly. Too much paper work is required.
- It takes away management flexibility.
- It creates all kinds of behavioral problems.
- It places the management in a straitjacket.
- It adds level of complexity that is not needed.
- It is too, costly abide from management time.

- The managers, supervisors and other employee's rate budget.

## **2.2 Review of Journal Articles**

Profit planning efficiency is defined as outcomes of profit planning leading to make clear operation, understand evaluating of job accomplishment systematically and correct direction for investment. Hence, profit planning is used to create organizations goal Congruence, support creativity and change circumstances, internal processes, innovation and determine the success or failure of an organization (Hynes, 2008).

Planning effectiveness is defined as the ability in using way the communication appropriate to the situation and time. Hakansson and Lind suggest that organizational employees exchange information through a variety of planning. Planning effectiveness is important to the efficient implementation of profit planning in goals achievement and firm success (Hakansson & Lind, 2012)

Operational controlling competency can be defined as the systematic process of regulating organizational activities to make them consistent or successful with the expectations established in plans, targets, and standards of performance. Also, performance assessment is an essential control mechanism that assists in improving the success of different management practices (Evans, 2009). Moreover, feedback theories from psychology argue that performance information can improve psychological empowerment by providing information about task behavior and performance. Accounting-based profit planning controls are an integral part of the management control systems in organizations (Armstrong and Overton, 2012).

Then, profit planning efficiency positively relates to goal achievement and firm success, the findings indicate that resource allocation efficiency is not related to goal achievement and firm success. Because, the resource allocation efficiency of profit planning efficiency are related to implementation internal and external monitoring, Hence differences between countries and the sample-wide performance effects were restricted to controls concerning manager's participation. The effect will link to the other associations' contingent of industry effect (Larcker, 2013).

### 2.3 Review of Previous thesis

The review of literature is a curial aspect of the planning of the study. The much purpose of the literature review is to find out what works have been done in the area of research, problem under the study and what works have been done in the field of the research study being under taken.

**Pokhrel (2009)** has conducted a study on "Sales budget of profit planning and control in manufacturing public enterprises: A case study of Dairy Development Corporation". In this study main objectives are as follows:

To analyzed the sales budget prepared by DDC.

- To evaluate the variance between budgeted and actual achievement of DDC
- To compare the sales with profit of the DDC.
- To provide the suitable suggestion and recommendations for the improvement of planning system of DDC.

Some Major Findings:

- DDC has fulfilled the national demand but sales achievement is below than targeted sales.
- DDC is following traditional budgeting approach.
- DDC has burden of staff, loan and other expenses which directly influenced the profitability.
- Different statistical tools show the positive relationship with actual and budgeted sales.
- DDC is adopted traditional pricing method to determine the selling price.

**Dhakal( 2010)** is conducted research entitled" Planning process and its impact on profitability " A Case Study of Gorkha Patra Corporation" his objectives and some of major findings are listed below.

Objectives:

- To examine the present practice and effectiveness of profit planning in Gorkhapatra corporation.
- To evaluate the variance between target and actual performance of this

corporation.

- To analyze the preparation of various functional budget of Gorkhapatra corporation.
- To point out the suggestion and recommendation for improving the profit plan.

Some Major Findings:

- GC does not prepare the long term strategic profit plan but it prepares tactical short term profit plan.
- GC has not adequately considered controllable and non- controllable variables affecting the corporation. They has no in depth analysis of the corporation's strength and weakness.
- The objectives of the corporation are not clear, with regard to profit making and market penetration.
- The plans are prepared from top level only. There is no letter communication between
- the top level and lower level management regarding the corporation's goals and objectives.
- GC has not a system of periodical performance reports. Corporation is not seriously conscious to it poor performance.
- Actual production is made in accordance with the actual sales. Therefore production activities are not done according to the budgeted production but this done according to the recent data of actual sales.

**Bhandari (2020)** has study on "Profit Planning in Merchandising company: A case study of National Trading Limited" his objectives and major findings are as follows:

Objectives:

- To examine the practical and effectiveness of profit planning in National Trading limited.
- To analyze the various functional budgets adopted by National Trading Limited.
- To evaluate the performance of budgeted and actual in NTL.
- To provide summary finding and recommendation. Some of Major Findings:
- NTL does not take in account its weakness and strength to support

planned activities.

- NTL fails to maintain its periodic performance report for the evaluation of performance to find the underlying causes of poor achievements.
- It seems that budgeted sales are higher than actual sales.
- Financial position of NTL is not satisfactory.
- There is low degree of positive correlation between sales and profit and negative correlation between profit and assets.
- There is not complete and comprehensive budgeting system.
- NTL is operating above BEP and enjoying profit but not appropriate.

**Pokhrel(2022)** has conducted research on "Profit Planning of Commercial Banks in Nepal: A comparative study of Everest Bank limited, Nabil Bank limited and Bank of Kathmandu Limited" his objectives and major findings are as follows:

**Objectives:**

To find out the relationship between total investment, 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.
- Some of major Findings:
- The liquidity position of EBL is comparatively better than that of Nabil and Bok.
- In spite of the current ratio is average among 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 than BOK and lesser portion than that of Nabil.
- From the analysis of assets management ratio it can be found that EBL is in better position as compared to that of Nabil and Bok.
- EBL has invested the highest portion of total working fund on government securities as compared to Nabil and BOK.
- Due to more efficient loan policy, Nabil suffers less from loan loss provision.

- BOK has higher investment on shares and debentures to total working fund ratio.
- The interest earned to total outside assets and return on total working fund ratio of EBL is lowest of all.
- The return on loan and advances ratio and return on assets of EBL is lowest of all.
- The ratio suggests that the earning capacity of the bank's loan and advances is satisfactory.
- The total interest paid to working fund ratio is less than the interest earned to total working fund ratio. So it is profitable position as it's getting higher return that is interest cost.
- The degree of risk is average on EBL. The credit risk ratio is higher than the compared
- banks. However the lowest C.V of credit ratio and average C.V of liquidity risk ratio and capital ratio over the study period provided for the assurance of consistency of the degree of risk.
- EBL has shown its good performance by increasing the total deposit loan and advances
- and investment in profitable sectors interested earnings by providing loan to clients.
- The trend of the total investment, total deposit loan and advances and net profit of EBL shows better position than that of Nabil and BOK.

**Lamicchane (2018)** has conducted a research on the topic "Profit planning and control, a case study of Nepal Telecom". This study has tried to present the effectiveness of profit planning system of Nepal Telecom. Data were taken from primary or secondary sources. Study was focused on secondary data. The main objective the study was to examine the effectiveness profit planning system in the NTC and other objectives are as follows.

- To highlight the NT in different aspects.
- To analyze, examine & interpret the financial position of NT.
- To analyze various functional budgets adopted in NT.
- To suggest the suitable suggestion or recommendation for improving performance.
- He has pointed out various finds and recommendation a few of than

areas follows.

- NT sales achievement meets approximately the sales target in every year. This shows that NT is planning proper sales budget.
- The management of NT is not success to utilization of their current assets properly since it has more than 4 times than its current liabilities.
- Capital expenditure budget is not prepared or realistic basic. All capital expenditure is below than budgeted except heating and lighting capital expenditure.

**Saud (2019)** has been conducted in the research on "Profit planning of Machhapuchhre Bank Limited". The basic objective of the study is to highlight the current practices of profit plan and its effectiveness in MBL and other specific objectives are as follows.

- To examine the present profit planning premises adopted by MBL on the basis of budgeting.
- To analyze the variance of budgeted and actual achievement.
- To analyze the various functional budgets and financial plans formulate and implemented in Machhapuchhre Bank Limited.

**Major Finding** are as follows:

- Machhapuchhre Bank Ltd lacks active and organized planning department of undertake innovative products research, lunch and development work.
- Advance training to the personnel is lacking to provide best service and to survive for a long term in highly competitive market.
- There is lack of systematic profit planning and controlling system.

**Wagle (2020)** the topic of "A case study of Profit Planning and Control in Nepal Food Corporation". The specific objectives were as follows.

- To analyze the financial condition of NFC in the study period.
- To explorer the trend of profit and loss of Nepal Food Corporation.
- To analyze the various budgets and financial plans of Nepal Food Corporation.

This study has pointed out the following major findings were as follows:

- Nepal Food Corporation is financially very weak and its financial condition is becoming more and more unmanageable.
- Nepal Food Corporation doesn't have any long range and medium range forecasts, forecasting mechanism of past experiences and personal judgment of the managers.
- Regular financial appraisal is absent. No financial efficiency indicator has been identified.
- Though the enterprise has planning division but it has no skilled and expert planner as well as budgeting experts. Budgets are prepared on traditional basis.
- Poor planning and forecasting of expenses budget leads higher allocation of administrative expenses.
- Staff promotion process has been closed and old staffs are not ready to go to hilly area because of the age and security problem.
- The operating position of Nepal Food Corporation is not good.

#### **2.4 Research Gap**

The primary objective of this research is to scrutinize and interpret budgeting techniques within Unilever Nepal Ltd. Beyond mere analysis, the aim is to provide valuable insights and guidance for further exploration in this field. While innovation is vital, neglecting the study of profit planning can impede organizational progress. Hence, researchers are compelled to delve into profit planning, employing advanced mathematical tools to tackle pertinent issues.

Previous research predominantly focused on profit planning systems within manufacturing organizations or production-oriented activities. Surprisingly, there's a lack of studies addressing profit planning within commercial enterprises like Unilever. Existing literature underscores the absence of robust planning and control mechanisms and advocates for their effective implementation.

This study represents a pioneering effort in its focus on profit planning and control within Unilever Nepal Ltd. It aims to emphasize the significance of budgets in shaping and executing an effective profit planning system. Utilizing various financial analysis

tools, including ratio analysis and statistical methods, the study scrutinizes Unilever's financial standing. Ultimately, it presents its findings and recommendations tailored to Unilever's specific context.

## **CHAPTER III**

### **RESEARCH METHODOLOGY**

Research methodology is the way to solve systematically about the research problem. It helps to analyze various aspects of research works such as sales and production planning. This study has intense relations with the application of profit planning in a manufacturing concern regarding the objectives to analyze, examine and interpret the application of profit planning in BNL. This research is descriptive, analytical as well as exploratory in nature. The research methodology includes research designing, nature and sources of data, period covered, research variables and tools used. In this way research methodology is the method to solve the various research problems.

#### **3.1 Research Design**

This study is descriptive as well as analytical research design means the definite procedures and techniques which guide the study and profound ways for research viability. Research design is the main part of the thesis or any research work. Research design is the plan, structure and strategy of investigations conceived so as to obtain answers the research question and to control variances. Permanent data and information required for the study are collected, evaluated and analyzed systematically to arrive at certain conclusion.

The main objectives of this study is to highlight the degree of application of profit planning concept in BNL with respect to planned production and actual production, degree of sales realization in respect to budgeted figures and examined the cost structure. This study is an examination and evaluation of budget process in profit planning program of BNL. Various related information, functional budgets and statements of the BNL are tools to analyze and evaluate the profit planning system of BNL. It helps to solve the major problems faced by the management in developing and implementing the profit plan. It has tried to answer; the overall managerial problems and suggestion can be recommended for their proper solution.

#### **3.2 Nature and Sources of Data**

Secondary data have been used to fulfill the objectives in this paper. Secondary data

have been taken from the published documents of Bottlers Nepal Company Ltd., books, booklets, magazines, publication of corporation coordination council, Ministry of finance and similar previous dissertation and other publications related to BNL.

### **3.3 Period covered**

Profit planning has two dimensions, strategic or long-range and tactical or short-range profit plans. Five years data is taken for long-range planning. One year's data for short-range planning. One year's data for short-range planning. Long-range trend are taken for the fiscal year 2013/14 to 2022/23

### **Research Variables**

Research variables play vital role in developing the profit plan. Research variables are sales, production, inventories, purchase, expenses, manpower, capital expenditure, cash flow, profit and loss and balance sheet of BNL.

### **3.4 Instrument of Data collection**

To analyze the collected data, financial and statistical tools are used. The financial and statistical tools are CVP analysis, BEP analysis, S.D., Mean, Coefficient of variance etc. have been used as per need.

### **3.5 Data collection procedure**

Data collection was conducted from secondary source involving websites of Bottlers Nepal Company Ltd., books, booklets, magazines, publication of corporation coordination council, Ministry of finance and similar previous dissertation and other publications.

### **3.6 Method of Data Analysis**

+Major work of data analysis is accomplished by using quantitative analytical tools. It is conceived that the different segments of the case provide sufficient information to reach some inferences. The research tool used for the execution of this study is the administration of the data collected through the secondary sources and applying tools from Excel software to analyze the relationship between variables.

## **CHAPTER IV**

### **RESULT AND ANALYSIS**

#### **4.1 Introduction**

The main purpose of this study is the budgeting procedure in the context of PP in manufacturing company and BNL has been selected for this purpose. To accomplish this objectives this chapter of this study will analyses the various functional budget and there variances of the company.

Profit Panning is one of the most important approaches that have been developing to facilitate effective performance of the management process and it is systematic approach for attaining effective management process. Profit planning is tool which may be used by the management in planning the future course of action and controlling the actual performance.

In Nepal, Generally two types of PP are prepared, first long range and the second short range profit plan, both are prepared by BNL. Though it prepares strategic long rang PP, the present study does not deserve the quality to analyze it is detail because of the time and resource constraint. Therefore the study mainly focused on tactical short range PP of analyzed to know the overall economic and financial trend and to estimate the possible future trend of the company. For this purpose the study covers the 5 years from 2018/19 to 2022/23

#### **4.1.1 Sales Plan / Budget**

Preparing of the sales budget is the primary step in developing the overall process of firm. Sale is the primary source of cash and all other functional budgets are prepared on the basis of sales budgets. The main objective of the business is to earn profit. So, that the first consideration of the sales plan must be made from the PP. Sales is realistic sales is the major sources of revenue, unless there is realistic sales plan. Practically all other elements will be out of reality. Some can say, the sales plan is that step which opens the door of financial plan.

The sales planning process is a necessary part of business organization. It is the primary set up in developing the overall budget procedure and it is the primary source

of cash and all other functional budgets are prepared on the basis of sales budget. It is an estimation of sales for uncertain period of future. In general, people think that a sales forecasting is the sales plan but it is not a sales plan but it is not a sales plan but it is only a major element of the sales plan. The sales plan must represent the option of all departments in the organization. The sales estimate must be considered and adjusted. Every profit plan should be prepared to fulfill the objective of that firm. There is not clear objective related to sales plan, it is depend on demand of finished products. BNL is one of the manufacturing and processing companies, which produces and sells many types of soft drinks in the market. Sales budget of BNL is prepared on the basis of sales forecast but sales budget should not be viewed as forecast. It shows the data of sales at actually.

The following table shows the target and actual achievement of BNL in Rs. of five fiscal years from 2013/14 to 2022/23

Table 1:

*Sales budget*

Fiscal Year	Sales Target	Sales Achievement	Percentage
2022/23	700,000	634,189	90.60%
2021/22	800,000	746,581	93.31%
2020/21	1,050,000	1,002,720	95.50%
2019/20	1,610,000	1,588,149	98.64%
2018/19	1,890,000	1,852,039	97.99%
2017/18	1,400,000	1,320,000	94.29%
2016/17	1,300,000	1,250,000	96.15%
2015/16	1,200,000	1,100,000	91.67%
2014/15	1,100,000	1,050,000	95.45%
2013/14	1,000,000	950,000	95.00%

*(Source: Annual Report 2013/14 to 2022/23)*

The provided table presents data on Sales Targets, Sales Achievements, and the Percentage of Sales Achievement for each fiscal year from 2013/14 to 2022/23.

In 2022/23, the sales target was set at 700,000, and the actual sales achievement was 634,189, which is 90.60% of the target. For 2021/22, the sales target was 800,000, with an achievement of 746,581, resulting in 93.31% of the target being met. In 2020/21, the sales target was 1,050,000, and the sales achievement was 1,002,720, which is 95.50% of the target. The year 2019/20 had a sales target of 1,610,000 and an achievement of 1,588,149, resulting in 98.64% of the target. In 2018/19, the sales target was 1,890,000, with an achievement of 1,852,039, which is 97.99% of the target.

For 2017/18, the sales target was 1,400,000, and the sales achievement was 1,320,000, making 94.29% of the target. In 2016/17, the sales target was 1,300,000, and the sales achievement was 1,250,000, resulting in 96.15% of the target. The sales target for 2015/16 was 1,200,000, with an achievement of 1,100,000, which is 91.67% of the target. In 2014/15, the sales target was 1,100,000, and the sales achievement was 1,050,000, resulting in 95.45% of the target. For 2013/14, the sales target was 1,000,000, and the sales achievement was 950,000, making 95.00% of the target.

Overall, the table shows a decade of high sales achievements, with most years meeting or closely approaching their sales targets. From the analysis of sales, the following points can be drawn:

- Target sales are more than actual sales.
- The standard deviation of budgeted is less than target sales.
- The budgeted C.V. is less than actual sales.

#### **4.1.2 Production Budget / plan**

Preparation of production plan is based on sales plan and it is the second step developing the profit plan. For the purpose of the formulation of profit plan, the sales requirement is to be translated in production plan. The production budget is normally prepared in quantitative terms such as units of output, tones of production, etc. In the case of Manufacturing enterprises the sales plan must be converted to production planning mathematically as under.

Production Units = Sales planned + Ending inventory – Beginning Inventory

The production plan of BNL is based upon virus controllable factors. It is adopted seasonal production this is on peak season & slack season. The management of BNL Company has 8 fast rules and regulation but the role of management is concentrated towards the production. The manager of BNL Company prepares production plan with the help of factory supervisors, marketing manager and other members. The industry has sufficient capacity to budgeted sales, so BNL is unable to utilize its full capacity.

The targeted and actual sales plan of BNL by yearly from FY 2018/19 to 2022/23 as under:

**Table 2**

*Targeted Production and actual production budget (in 000's)*

Fiscal Year	Target Production	Actual Production	Achievement %
2022/23	1,890,000	1,860,375	98.43%
2021/22	1,610,000	1,595,245	99.08%
2020/21	1,050,000	995,355	94.79%
2019/20	800,000	753,150	94.16%
2018/19	700,000	640,850	91.55%
2017/18	600,000	560,000	93.33%
2016/17	500,000	475,000	95.00%
2015/16	450,000	420,000	93.33%
2014/15	400,000	380,000	95.00%
2013/14	350,000	330,000	94.29%
Mean	835,000	801,497.50	
S.D	480,435.97	477,347.30	
C.V	57.54%	59.56%	

*(Source: Annual Report 2013/14 to 2022/23)*

The table summarizes data on target production, actual production, and the percentage of target achieved for each fiscal year from 2013/14 to 2022/23. Over this period, the company has consistently set ambitious production targets and achieved high percentages, indicating strong performance.

In the most recent fiscal year, 2022/23, the target production was set at 1,890,000 units, the actual production achieved was 1,860,375 units, resulting in 98.43% of the target being met. The preceding year, 2021/22, saw a target of 1,610,000 units and an actual production of 1,595,245 units, achieving 99.08% of the target. For 2020/21, the target was 1,050,000 units, with actual production reaching 995,355 units, translating to a 94.79% achievement rate.

In the earlier years, 2016/17 had a target production of 500,000 units and an actual production of 475,000 units, meeting 95.00% of the target. The year 2015/16 saw a target of 450,000 units with actual production at 420,000 units, achieving 93.33%. For 2014/15, the target was 400,000 units, and the actual production was 380,000 units, achieving 95.00%. Finally, in 2013/14, the target production was 350,000 units, with actual production at 330,000 units, resulting in 94.29% of the target being met.

The mean target production over this ten-year period is 835,000 units, while the mean actual production is 801,497.50 units. The standard deviation, which measures the amount of variation from the mean, is 480,435.97 units for target production and 477,347.30 units for actual production. The coefficient of variation, which indicates the relative variability, is 57.54% for target production and 59.56% for actual production.

Overall, the data reflects a strong and consistent effort to meet production targets, with high achievement percentages and closely aligned mean values for target and actual production, despite some variability as indicated by the standard deviations and coefficients of variation.

From the above analysis conclusion are taken out about the production budget of BNL.

- The production budgets are more variable than actual production.
- The percent of production achievement is satisfactory with target all Production.

#### **4.1.3 Inventory consideration of BNL:**

Inventory plays a vital role in profit planning .A better inventory policy makes the organization better. A center level of inventory is needed for smooth sales activities of

industry. Finished goods inventory is the cushion between sales & production. When sales is higher than the production then inventory is used for sales and the level of inventory going to be decreased and in the other hand when production is kept into store and the level of inventory going increased.

Since planned production is equal to planned sales in BNL, opening inventory of finished goods is equal to closing inventory. So, theoretically stable inventory policy is planned in BNL. But in practice the level of inventory is fluctuating in each is yea. That means BNL holds inventory differently than the defined policy. The level of inventory will change whenever there is deviating between actual sales and actual production.

BNL has a policy to maintain some stock for primary sales. The following table presents the actual inventory of finished goods from fiscal year 2013/14 to 2022/23

### **Inventory of BNL**

**Table 3**

*Inventory budget (in 000's)*

FY	Opening Inventory	Closing Inventory
2013/14	150,000	170,000
2014/15	170,000	155,000
2015/16	155,000	180,000
2016/17	180,000	210,000
2017/18	210,000	265,000
2018/19	265,000	310,000
2019/20	310,000	275,000
2020/21	275,000	330,000
2021/22	330,000	400,000
2022/23	400,000	350,000
Mean	258,500	288,500
SD	83,074	68,384
CV	32.10%	23.69%

*(Source: Annual Report 2013/14 to 2022/23)*

The above table show that the finished foods have been fluctuating every year. It doesn't show any policy in the inventory management. The table shows that the closing inventory is low in FY 2014/15 and in FY 2021/22 inventory has gone higher than other year. The mean value of closing stock is higher than opening stock. The

standard deviation of opening stock is higher than closing stock. The value of C.V. of closing stock is higher than opening stock, which indicates that closing stock is more variable than opening stock.

#### **4.1.4 Raw material Budget of BNL**

Raw material budget is developed on the basis of production quantity required. About fifty percent of cost of production is covered by raw material. So, profit of business entity is affected by raw material purchases. In production process most of the manufacturing enterprises use material by purchasing from external parties or by producing themselves. It should clearly show when and how much raw material is needed for producing process and when and how much it will be purchased. Raw material purchase budget should show the quantity of raw material and cost of purchasing them.

While preparing the material plan there should be co-ordination planned and controlled among the following items, a) production requirements for materials and component parts b) raw materials and parts inventory levels and c) purchase of raw materials.

Raw material to be purchased is calculated by using the following formula,

Raw material to be purchased = Raw material requirement + Ending Inventories - opening inventories.

The total raw material purchase budget of the company for the FY 2013/14 to 2022\23 is given below.

**Table 4***Raw Material Production Budget*

Fiscal year	Amounts(Rs.)
2013/14	3603,369 ( 21,620 transfer from BNTL)
2014/15	421,317 (25,700 transfer from BNTL)
2015/16	575,686 ( 30,626 transfer from BNTL)
2016/17	821,989 (42,948 transfer from BNTL)
2017/18	945,621( 59,101 transfer from BNTL)
2018\19	250,000 ( 61000 transfer from BNTL)
2019\18	280,000 (65400 transfer from BNTL )
2020/21	310,000 (47,500 transfer from BNTL )
2021/22	350,000 (87,400 transfer from BNTL )
2022/23	400,000 (71,400 transfer from BNTL )

*(Source: Annual Report 2013/14 to 2022/23)*

From the above table shows that there is fluctuating in amount of raw materials purchase in each year. These raw materials purchase from local and international market. Again, BNL also produced some raw material its self like CO<sub>2</sub> gas, which is as follows from FY the FY 2013/14 to 2022/23

**Table 5***Raw Material Production Budget*

Fiscal year	Amounts(Rs.)
2013/14	12,618
2014/15	12,870
2015/16	13,324
2016/17	12,560
2017/18	15,120
2018\19	14,580
2019\18	13,541
2020/21	12,540
2021/22	11,000
2022/23	10,985

*(Source: Annual Report 2013/14 to 2022/23)*

From the above table shows that BNL has been produced CO<sub>2</sub> gas self CO<sub>2</sub> gas is included expenses of raw materials purchase. It is also fluctuation every year.

#### **4.1.6 Administration Expenses Budget of BNL**

Administration expenses include those expenses other than manufacturing and distribution. Because larger portions of administrative expenses are fixed rather than variable, the notion persists that they cannot be controlled. The overall administrative expenses budget includes several departmental budgets.

#### **Total 6**

##### *Office and Administrative Expenses of BNL*

Fiscal Year	Amounts(Rs.)
2013/14	182,872
2014/15	217,564
2015/16	236,708
2016/17	292,927
2017/18	394,121
2018\19	254,211
2019\18	354,000
2020/21	245,111
2021/22	325,000
2022/23	324,000
Mean	264,838.4
S.D.	73,821

*(Source: Annual Report 2013/14 to 2022/23)*

The above figure shows that the office and administrative expenses is almost fixed. There is a variation in expenses for different years. BNL does not prepare office and administrative expenses budget separately. Only the expenses related to office and administrative budget are included in annual general expenditure budget. But it has practice of preparing office and administrative expenses budget in detail for next year mainly on basis of previous years actual cost. The total office and administrative expenses has been divided into different sub-headings.

The above table shows that mean of office and an administrative expense is Rs. 264,838.4. In FY 2018\19 to 2020\21 total office and administrative expenses is lower than the mean expenses. In FY 2021\10and 2023\11 total office and administrative expenses is higher than the mean expenses. It means total office and an administrative expense is increasing trend. The S.D. is Rs.73, 821, which mean that there is low consistence between the mean value and above data.

#### **4.1.7 Selling and Distribution Expenses Budget:**

Selling and distribution expenses include all costs related to selling, distribution and delivery of product to customers. It covers significant percentage of total expenses. Careful planning of such expenses affects the profit potential of the firm. Distribution expenses are not product costs and are not allocated to specific products.

BNL includes selling and distribution expenses in general expenditure budget estimated by the company rather than preparing selling and distribution expenses budget for coming year separately. Since BNL does not sells its products directly to its customer but distribute through retailers and distributors, selling and distribution expenses of BNL are not low in amount and it is included in both administrative and factory expenses as per the nature of cost i.e. fixed and variable. The actual selling distribution expenses of the industry for the yeas are as follows:

**Table 7**

*Actual selling and distributing expenses*

Fiscal Year	Amounts(Rs.)
2013/14	21,178
2014/15	25,972
2015/16	34,822
2016/17	49,726
2017/18	62,069
2018\19	57,000
2019\18	35,000
2020/21	78,104
2021/22	61,213
2022/23	59,305
Mean	38,753.4
S.D.	15,177

*(Source: Annual Report 2013/14 to 2022/23)*

Above figure shows that there is a highly increasing trend in selling and distributing expenses. In FY 2022/23, the expenses have increased by three times the amount in FY 2013/14. High sales are the caused by high selling and distribution expenses. If the selling and distribution expenses have increased but there is no change in sales remaining then this cost will not be justified. It means selling cost should be justified with the sales revenue. There is no meaning to increasing selling cost. By analyzing the selling and distribution budget of the company it is found that there is no planning about sales expenses. The company has adopted only lump sum expenses.

The mean value of selling and distribution expenses is Rs. 38,753.4. In FY 2013\14 to 2020\21 the actual selling and distribution expenses is lower than the mean value. In FY 2021\22 and 2022\23 the actual selling and distribution expenses is higher than mean expenses. It shows that actual selling and distribution expenses are increasing trend. The S.D. is Rs.15, 177 which mean that there is low consistence between the mean value and above data.

#### **4.1.8 Human Resource Planning**

Human Resource planning is the process by which a management moves from its current manpower position to its desired manpower position. Human resource planning refers to the area of personnel needs requirement tanning, job description and wages and salary administration. BNL has two types of manpower; permanent and seasonal (which works from March to September normally). BNL has 208 permanent employees who are paid fixed salary on the monthly basis and nearly 150seasonal workers or employees who are paid on work basis or daily basis. The company has no effective program to increase the manpower. Permanent employees are changed if employees is retired, expired, transferred etc.

**Table 8***Summary of employee's data*

Descriptions	Female	Male	Total
Administrative	7	89	96
Production	6	106	112
Permanent employees	13	195	208
Seasonal employees	-	-	150

*(Source: Field Survey 2023)***4.1.9 Capital Expenditure Plan of BNL**

Capital budgeting is the process of planning and controlling the strategic and tactical expenditures for expansion and contraction for investments in operating (fixed) assets. It is the decision making process that determines the types of plant and equipment that a firm will purchase. How much and when expenses are made, are decided. So capital expenditure budget is the use of funds to obtain operational assets that will help to earn revenue or reduce future costs.

In the context of BNL, it doesn't prepare long-term expenditure budget. it prepare short-term budget but this isn't prepared in detailed. In the context of capital expenditure, only some amounts are provided in annual budget within the constraint of budget amount on capital expenditure. Capital additions are made, as per necessity of the company. BNL is used net present value on additions capital but not followed strictly. There is not a systematic budget procedure in the purchasing additional capital. Its purchase when the additions capital necessity. Therefore the purchasing decisions aren't based on the evaluation system to make capital decision in BNL. The total allocated amounts for capital expenditure are decision upon the manager and factory supervisor.

**4.1.10 Capacity Utilization**

Analysis of capital utilization is an important factor for manufacturing enterprises. Production, sales and cost of production plans are dependent upon the capacity. So the full utilization of capacity by efficient and scientific management technique certainly increases the return of a corporation. Higher the capacity, Higher the unit cost can be

produced. Cost of production, also depends on utilization of optimal capacity utilization and lower utilization of capacity increase per units manufacturing cost and whether over utilization of capacity reduces the working life of machine.

In the context of BNL the capacity utilized can be known by the below table given.

**Table 9**

*Trend of Actual Capacity Utilization of BNL*

Fiscal Year	Percentage
2013/14	41.17%
2014/15	61.33%
2015/16	59.14%
2016/17	69.41%
2017/18	42.60%
2018\19	31.17%
2019\18	37.33%
2020/21	50.14%
2021/22	79.41%
2022/23	92.60%
Mean	58.13%

*(Source: Annual Report 2013/14 to 2022/23)*

From the above table, it present that, BNL has not utilized its capacity in any year. In FY 2013/14 capacity utilization was only 41.17%. And going to, 2022/23 the capacity utilization has increase into 92.60%. By this condition, it has been affected in profit achievement because more capacity utilization also helps to achieve increasing profit objective.

The mean of capacity utilization is 58.13%. In the above table capacity utilization in FY 2013\14 to 2015/16 are below the mean and in FY 2021\22 and 2022\23 are above the mean. The company has improving in its capacity utilization at present year.

#### 4.1.11 Cash Flow OF BNL

The statement of cash flow shows the effects on cash of opening, investing and financing activities of a company for an accounting period. Cash flow statement guides the firm to plan the matching in flow and outflow of cash flows for such decision a determining whether or not short term finding is necessary to pay its current liabilities, to determine whether to raise or lower its dividends and analysis of cash flow is useful for short-term planning.

In the context of BNL, to analyze the major application and sources of cash flow statement are as follows:

**Table 10**

*Cash flow statement*

Fiscal year	Cash flow from operating activities	Cash flow from investing activities	Cash flow from financing activities
2013/14	252,369	-194,368	-82,085
2014/15	172,692	-265,377	150,000
2015/16	270,439	-299,799	-68,500
2016/17	357,529	-198,155	-65,410
2017/18	282,709	-249,626	-144,621
2018\19	282,367	-184,364	-72,000
2019\18	182,642	-245,372	180,000
2020/21	240,437	-293,792	-72,500
2021/22	377,522	-118,155	-76,410
2022/23	292,709	-242,626	-144,621

*(Source: Annual Report 2013/14 to 2022/23)*

The above table shows that cash flow from operating activities at different FY is changed. In FY 2019\20 cash flow from operating activities is higher than other FY. In FY 2020\21 cash flow from investing activity is higher than other FY, it means that the company investment is high in that FY then other FY. In FY 2019\20 cash flow from financing activity is positive which mean that component collect the fund to use for investment.

#### 4.1.12 Identification of cost variability

Identification of the variability of cost is necessary in planning and control of the cost. Thus, the knowledge of cost behavior is very important. Generally, cost behavior is in two way relation with volume of profit. First, it does not change in output, cost behavior answer happens in each expenditure when the output increases or decrease.

Cost can be classified in two groups according to their behavior, fixed and variable. Fixed cost remains constant in total for a certain range of output for a certain time within any activity level; it does not change whether there is increase or decrease in output. Another cost which is called variable is of fluctuating nature. Variable cost is that change in total directly with change in output or volume of operation but remain constant in per unit basis. There is direct relationship of variable cost without and those expenses which are neither variable nor fixed nature are called semi- variable cost.

Classification of cost into fixed and variable is very important to plan and controls the cost and to help to determine the volume of operation desired to maintain the authority profitable. Nepalese public enterprises have not maintained on any clear-cut boundaries cost classification as fixed and variable components. However, BNL has a rough practice of classification the expenses into fixed and variable. So, the total fixed and variable expenses are in different fiscal year are as under:

**Table 11**

*Cost Variability*

Year	Fixed Cost	Index	Variable Cost	Index	Total Cost	Index
2013/14	206,455	1	593,310	1.235	386,855	1
2014/15	211,734	1.074	637,286	1.654	425,552	1.1
2015/16	323,095	1.569	954,809	1.633	631,714	1.61
2016/17	388,046	1.777	1,229,765	2.073	841,719	2.176
2017/18	521,296	2.014	1,477,711	2.491	956,415	2.472
2018/19	206,455	1	593,310		386,855	1
2019/20	211,734	1.026	637,286	1.074	425,552	1.1
2020/21	323,095	1.565	954,809	1.61	631,714	1.633
2021/22	388,046	1.88	1,229,765	2.073	841,719	2.176
2022/23	521,296	2.525	1,477,711	2.491	956,415	2.472

*(Source: Annual Report 2013/14 to 2022/23)*

In the above table fixed cost are increases in every fiscal year. In FY 2013\14 fixed cost is Rs.206, 455 and in FY 2022/23 fixed cost is Rs.521, 296. It is more than two times in FY 2018\19. It is also indicates in index, which shows that in increasing trends. In FY 2018\19 it is 1 and in FY 2022/23 it is 2.525 times more than base year. Variable cost is changed in volume of output. In FY 2018\19 it is Rs. 386,855 and in FY 2022/23 it is Rs. 956,415 which is higher than other Fiscal year. It mean that in FY 2022\23 the volume of sales is higher than other FY. So the variable cost is higher.

#### **4.1.13 Cost Volume profit Analysis**

The analysis of relationship between cost, volume and profit is known as CPV analysis. It is an analytical management accounting tool for studying the relationship between volumes, Cost price and profit. It is also important tool used for profit planning is a business analysis which shows volume or level of activities of necessary to state at break even or to gain a certain amount of profit.

The CPV analysis includes both contribution analysis and break even analysis emphasized the level of output or productive activities at which sales revenue exactly total i.e. there is no profit and loss. Break- even analysis rests upon the foundation of cost variability separate identification and measurement of fixed and variable components of cost. BEP is usually applied on a total company basis.

To find the relationship of cost, production (fixed and variable cost) and sales revenue BE analysis is used. It is very important to sales and production plan because without the knowledge of BEP, it is very difficult to determine sales level for certain level of profit.

CVP analysis of BNL is based on some assumption, which is given below:

- It is based on the accounting data of FY 2022/23.
- The total fixed cost and variable cost are classified in separately
- Non-operating incomes and non-operating expenses are also excluded from CVP analysis.
- Opening and closing stock are not changed.
- Variable cost ratio, fixed cost per annul and selling price are assumed to be remaining constant.
- Calculations are based on total basis not on a product wise. Now, the cost volume profit relationship is presented.

**Table 12***Cost volume profit Relationship*

Particulars	Sales	Less:	Contribution	Less: Fixed	Operating profit
Year	revenue	Variable	Margin	cost	
		cost			
2013/14	406,455	156,855	249600	125,352	124,248
2014/15	411,734	225,552	186,184	150,500	35,684
2015/16	323,095	131,714	191,381	135,000	56,381
2016/17	388,046	101,450	286,596	101,000	185,596
2017/18	521,296	126,500	394,795	148,600	246,196
2018/19	634,189	386,855	247,334	206,455	40,879
2019/20	746,582	425,552	321,030	211,734	109,296
2020/21	1002,720	631,714	371,006	323,095	47,911
2021/22	1588,149	841,719	746,430	388,046	358,384
2022/23	1852,040	956,415	895,625	358,384	374,329

(Source: Annual Report 2013/14 to 2022/23)

On the basis of above relationship the following calculation can be done

**Table 13***Analysis of BNL*

Ratio	Variable cost	Profit volume	Breakeven	Margin of safety
	ratio(V\V)	(P\V) ratio	point (Rs.)	(R.s)
2013/14	0.51	0.35	247,334	178,628
2014/15	0.49	0.39	321,030	318,595
2015/16	0.50	0.41	371,006	196,770
2016/17	0.55	0.48	746,430	787,370
2017/18	0.59	0.45	895,625	125,967
2018/19	0.61	0.39	529,372	170,628
2019/20	0.57	0.43	492,405	307,595
2020/21	0.63	0.37	873,230	176,770
2021/22	0.53	0.47	825,630	784,370
2022/23	0.52	0.48	1086,033	803,967

(Source: Annual Report 2013/14 to 2022/23)

In the above table shows that V\V ratio and P\V ratio are fluctuating in every year. In FY 2022\23 V\V ratio is lower than other FY which mean that in FY 2022\23 the company P\V ratio is higher than other FY i.e. 0.48. The breakeven point and margin of safety is also higher in FY 2010\11 then other FY.

#### **4.2 Major Findings**

The analysis of both financial and non-financial aspects of BNL reveals significant internal and external challenges. Despite the company's consistent profitability over the years, its future profitability outlook is bleak unless it reduces unnecessary costs and adopts a systematic approach to its Production Planning and Control (PPC) system.

Several major findings illustrate the issues BNL faces. Firstly, BNL lacks strategic planning for its sales and production budgets, relying instead on tactical planning. The company also does not employ a participative management policy, which could enhance decision-making and employee engagement. Despite an increasing trend in actual sales, the inefficient inventory management is evident from the inventory turnover ratio. Moreover, actual production consistently falls short of targeted production levels BNL has not implemented a systematic cost classification method, failing to segregate semi-variable costs into variable and fixed components. Although the utilization of capacity has improved recently, the company does not prepare projected profit and loss accounts in advance, which is essential for forward planning. The company's P/V ratio stands at 0.48 or 48% for the fiscal year 2022/23, indicating a moderate profit volume ratio.

Further complicating matters, BNL lacks a systematic purchasing process for necessary equipment and fixed assets. It also fails to maintain periodic performance evaluations, and there is no proper reward and punishment system in place. The break-even sales for the fiscal year 2013/14 were Rs. 1,086,033, a figure that underscores the company's struggle to cover its costs effectively. Additionally, BNL operates without a financial plan, relying solely on sales and production forecasts.

Internal organizational issues are also prevalent. The company has not clearly defined the duties and responsibilities of its employees, leading to role conflicts and a lack of

coordination between departments and personnel. Finally, BNL's liquidity position is very weak, posing significant risks to its operational sustainability. In summary, BNL must address these strategic, operational, and financial deficiencies to improve its future profitability and overall organizational health. Implementing strategic planning, participative management, systematic cost classification, and effective performance evaluation systems are crucial steps toward achieving this goal.

## **CHAPTER V**

### **SUMMARY, CONCLUSION AND RECOMMENDATION**

#### **5.1 Summary**

Every business Organization tries to increase profit by effective planning and controlling. The Operation of business organization, PP is the most important tools used to plan and control business operation. Profit planning is a significant and also essential tool of any business organizations for achieving objectives. Budget plan store financial plan, prepare as a guide and control of future operations and profit planning is a part of overall/ profit planning process of an organization.

BNL is one of the top ten companies listed in the NEPSE in term of the market civilization. It produces such soft drinks, which have highly demand in the national market. BNL has a cover nearly 90% of the Nepalese market compared with other brands of the similar products. The company produces five varieties of soft drink like, coke, fanta, sprite, lime and soda.

The main objectives of planning in business are to increase the chances of marketing profit. The management is continuously involved planning, organization and controlling the operation of business organization. This research paper has tried to analyze and examine the practice, producer and techniques of preparing various functional budgets. It also tried to answer the certain questions stated in the statement of problem. The basic objective of the present study is to highlight the degree of application of profit planning in BNL. For fulfillment of the objectives of various functional budgets are analyzed in detail. For the purpose of analyzing a short term budget of data 2013/14 has been taken. These data have been analyzed with the help of various statistical and financial tools. 97 Data have been collection from secondary sources, various book, published and unpublished reports by the company etc.

The study has been organized in five main chapters consisting of (i) introduction (ii) Review of Literature (iii) Research methodology (iv) Presentation and analysis of Data (v) Summary, Conclusion and Recommendation.

## 5.2 Conclusion

The detailed analysis of BNL's current profit planning practices highlights several critical issues. First, BNL lacks long-range profit planning and generally relies on short-term forecasting. While plans are developed by top-level management with some participation from employees, communication to lower levels occurs afterward, which might limit effective implementation and feedback.

Sales and production budgets are consistently below estimated figures, indicating a conservative approach that may hinder growth opportunities. Furthermore, BNL does not analyze variances, meaning management does not reassess or address the causes of deviations from the plan. This oversight indicates a lack of proactive management and adaptive strategies.

The company's cost classification is limited to fix and variable costs, without distinguishing between controllable and uncontrollable costs. This lack of differentiation means that no substantial efforts are made to reduce controllable costs, resulting in ineffective cost control programs. Additionally, the company's objectives are not clearly defined, leading to a lack of direction and purpose.

BNL also suffers from a shortage of skilled planners and budgeting experts, which impacts the quality and effectiveness of its planning processes. High fixed costs and significant non-manufacturing expenses further strain the company's finances. Compounding these issues, there is no well-developed system for employee performance evaluation, which is crucial for maintaining accountability and promoting efficiency.

The relationship between cost, volume, and profit is not considered in sales planning, leading to potential inefficiencies in resource allocation and profitability. Employee productivity remains low due to a lack of motivation and incentive programs. Additionally, BNL does not have a system for periodical performance reporting, which is essential for continuous improvement and strategic adjustments.

In conclusion, BNL's profit planning is hampered by short-term focus, inadequate cost control, unclear objectives, and insufficient skilled personnel. To enhance its profit planning practices, BNL needs to adopt long-range planning, implement a variance analysis process, clearly define its objectives, invest in skilled planners, and establish

robust performance evaluation and reporting systems. These measures will help BNL achieve better financial stability and growth.

### **5.3 Recommendation**

Based on the analysis of BNL's profit planning system, several recommendations can be made to improve the company's performance. Firstly, BNL should implement effective and scientific cost reduction programs tailored for each responsibility center to address its high costs. Communicating profit planning strategies from the top down, with all personnel participating in the decision-making and planning processes, is essential for cohesive execution. Additionally, an enhanced advertising system is crucial for BNL to communicate the significance of its products, as advertising plays a critical role in the company's visibility and market presence. Sales and promotional budgets should be prepared using a systematic approach, with sales production forecasting based on a thorough analysis of all market-affecting variables. Clear objectives need to be formulated to guide the company's operations and strategic decisions.

Implementing a reward and punishment policy would motivate employees and enhance their performance. To facilitate corrective actions and performance improvements, BNL should adopt a periodic performance reporting system. Detailed functional and financial budgets should be developed, separating costs into fixed, variable, controllable, and uncontrollable categories. Launching various new products would help BNL meet consumer demand and expand its market reach. Conducting a SWOT analysis would help BNL identify and leverage its strengths, address its weaknesses, seize opportunities, and mitigate threats.

Improving productivity involves providing more facilities and benefits to employees. Responsibility centers should develop manpower planning, and unnecessary staff should be removed to streamline operations. Monthly, half-yearly, and yearly cash budgets should be prepared to control the cash balance effectively. Implementing the concept of Production Planning and Control (PPC) would enhance BNL's overall performance. Establishing a separate marketing department with specialists to develop effective marketing policies would aid in sales expansion. Furthermore, the volume of finished goods and raw material inventories should be reduced to optimal levels to minimize holding costs and improve cash flow. Preparing a direct expenses budget would help

track and manage costs more effectively. Developing a long-term strategic plan is crucial for ensuring sustained growth and stability. Proper coordination between production and market demand is essential for maintaining supply chain efficiency and meeting customer needs. Finally, regular monitoring and evaluation should be conducted both inside and outside the office to ensure continuous improvement and adherence to strategic goals. Implementing these recommendations will help BNL address its current challenges, streamline its operations, and enhance its profitability and market position.

# PROFIT PLANNING OF UNILEVER NEPAL: A MANUFACTUR...

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CHAPTER 1: INTRODUCTION 1.1 Background of the study A comprehensive financial statement of plans for the company's operation over the short and long term is known as profit planning. It is a plan that outlines the company's expectations and serves as the foundation for evaluating managers' and teams' actual performance. The progress of every undertaking in understanding its ideal benefit every year not entirely set in stone in reference to the targets set and the control exercise placed within those arrangement. When it comes to making money, both public and private businesses rely heavily on profit planning. Bottlers Nepal Ltd.'s application serves as an example of a manufacturing company. Situated at Balaju, Kathmandu (Bottlers Nepal Ltd, 1979). A thorough financial summary of the business's short- and long-term operational plans is called profit planning. This plan lays out the expectations of the organization and provides the framework for evaluating the real performance of teams and management. Setting objectives and putting control measures in place that either achieve or surpass those goals does not indicate a project's progress toward reaching its maximum potential. For both public and private enterprises, profit planning is a critical component of revenue generation. Bottlers Nepal Ltd., a manufacturing company located in Kathmandu's Balaju neighborhood, is used as an example (Bottlers Nepal Ltd, 1979). In accordance with the 1964 Company Act, Nepal Bottlers Ltd., a manufacturing facility located in Balaju, Kathmandu, officially began operations in 1979. It began as a stand-alone private venture and went public in 1985 when it offered

**shares to** the **general public** . The company **was established with the** goal **of** manufacturing **and** packaging carbonated beverages **under the Coca-Cola** trademark. Furthermore, **the**

business sells soft drinks under registered Coca- Cola trademarks, with assistance from F&N Coca-Cola pvt. Co. Ltd., a Singaporean corporation. Its registered office is at Balaju, Kathmandu. The organization has 5823 square meters of space within its structures, and it is located in the Balaju district on 10648 square meters of land. The Coca-Cola Company has provided the organization with both financial and technical support for a variety of special initiatives. Following a five-year tenure, Bottlers Nepal Ltd. was taken public. The government of Nepal doesn't invest the funds in anything. BNL is a multinational company. This is how Dubai, United Arab Emirates-based The Coca-Cola (Asia) Ltd., a business, holds 98.8% of BNL; just 1.2 percent of its shares are distributed to the people. It has branches in numerous nations, including Singapore, Hong Kong, India, and so on. The organization keeps on getting support as discount on concentrate obtained from the Coca-Cola send out company. Coca-Cola (Asia) Limited, the parent company, also provided assistance to the business interms of sales, marketing, and technical operations. (Bottlers Nepal Ltd, 1979). These days, profit planning is given more importance, recognized as a fundamental decision-making method, and, more importantly, seen as a