INTERRELATIONSHIP BETWEEN SALES AND PROFIT PLANNING IN A MANUFACTURING INDUSTRY

(A Case Study of Bottlers Nepal [Terai] Limited)

By
PASHUPATI SILWAL
Shanker Dev Campus
T.U. Regd. No. 5-1-37-140-2000
Campus Roll No. : 1892/063

A Thesis Submitted to:
Office of the Dean
Faculty of Management
Tribhuvan University

In partial fulfillment of the requirement for the Degree of Master of Business Studies (M.B.S)

> Kathmandu, Nepal September, 2010

RECOMMENDATION

This is to certify that the Thesis

Submitted by:

PASHUPATI SILWAL

Entitled:

INTERRELATIONSHIP BETWEEN SALES AND PROFIT PLANNING IN A MANUFACTURING INDUSTRY

(A Case Study of Bottlers Nepal [Terai] Limited)
has been prepared as approved by this Department in the prescribed format of the
Faculty of Management. This thesis is forwarded for examination.

•••••		
Joginder Goet	Prof. Biseshwor Man Shrestha	Prof. Dr. Kamal Deep Dhakal
(Supervisor)	(Head of Research Department)	(Campus Chief)

VIVA-VOCE SHEET

We have conducted the viva -voce examination of the thesis presented

By

PASHUPATI SILWAL

Entitled:

INTERRELATIONSHIP BETWEEN SALES AND PROFIT PLANNING IN A MANUFACTURING INDUSTRY

(A Case Study of Bottlers Nepal [Terai] Limited)

And found the thesis to be the original work of the student and written according to the prescribed format. We recommend the thesis to be accepted as partial fulfillment of the requirement for

Master Degree of Business Studies (M.B.S.)

Viva-Voce Committee

Head, Research Department	
Member (Thesis Supervisor)	
Member (External Expert)	
Date:	

DECLARATION

I here by declare that the work reported in this thesis entitled "INTERRELATIONSHIP BETWEEN SALES AND PROFIT PLANNING IN A MANUFACTURING INDUSTRY (A CASE STUDY OF BOTTLERS NEPAL [TERAI] LIMITED)" 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 Master's Degree in Business Study (M.B.S.) under the supervision of Mr. Joginder Goet of Shanker Dev Campus.

.....

PASHUPATI SILWAL

Researcher

T.U. Registration No. 5-1-37-140-2000

Campus Roll No. 1892/063

ACKNOWLEDGEMENT

The study, INTERRELATIONSHIP BETWEEN SALES AND PROFIT

PLANNING IN A MANUFACTURING INDUSTRY (A Case Study of Bottlers

Nepal [Terai] Limited), with special reference to Bottlers Nepal (Terai) Limited,

is prepared for the partial fulfillment of Master's Degree in Business Studies

(MBS). This study is an outcome of serious inspiration and moral support of many

people and for this I always grateful to all of them. I take this opportunity to

express my sincere gratitude to all those who have directly or indirectly

encouraged me to make this study.

I would like to express special gratitude to Mr. Joginder Goet, Lecturer of

Shanker Dev Campus, without whose proper advice and supervision, this study

could not be completed. I would also like to express special thanks to Prakash

Acharya who helped me to prepare this thesis and for his valuable suggestion.

All staff of Bottlers Nepal (Terai) Limited to helpful and they deserve my sincere

thanks for the concern they showed on my research. Finally I would like to

express my heart full thanks to all the Teachers and friends, who assisted me for

bringing out this research work, especially my friend Mr. Chuman Singh GC

who helped me by providing necessary help in preparing this research work.

Pashupati Silwal

Researcher

TABLE OF CONTENTS

Recommendation	
Viva- voce sheet	
Declaration	
Acknowledgement	
Table of Contents	
List of Tables	
List of Figures	
Abbreviations	
	Page No.
CHAPTER-I INTRODUCTION	
1.1 Background of the Study	1
1.2 An Overview of Industrial Development in Nepal	2
1.3 Introduction of Bottlers Nepal (Terai) Ltd. as MNC's	3
1.4 About sales Plan \ Budget	5
1.5 Statement of Problem	6
1.6 Objectives of Study	7
1.7 Limitation of Study	7
1.8 Significance of Study	7
1.9 Organization of Study	8
CHAPTER –II REVIEW OF LITERATURE	
2.1 Conceptual \ Theoretical Review	10
2.1.1 General Concept of Profit Planning and Control	10
2.1.2 About Profit Planning	15
2.1.3 Purpose of Profit Planning	17
2.1.4 Fundamentals of Profit Planning	18
2.1.5 Advantages of Profit Planning and Control	21
2.1.6 Problem in Development & Limitation of PPC	22

	2.1.7 Why Budgeting?	24
	2.1.8 What is Forecasting?	24
	2.1.9 Sales Plan and Budgeting	25
	2.1.10 Planning & Controlling Expenses	37
2.2	Review of Previous Related Research Works	38
2.3	Research Gap	44
СН	APTER – III RESEARCH METHODOLOGY	
3.1	General Concept	45
3.2	Research Design	45
3.3	Nature and Sources of Data	46
3.4	Period Covered	46
3.5	Research Variable	46
3.6	Research Tools Used	47
СН	APTER- IV DATA PRESENTATION AND ANALYSIS	
4.1	Introduction	48
4.2	Sales Budget or Plan of Bottler's Nepal (Terai) Ltd.	49
4.3	Sales budget and Achievement	50
	4.3.1 Sales Trend of Bottlers Nepal (Terai) Ltd.	51
	4.3.2. Mean, Standard Deviation and Variance of	
	Budgeted Sales and Actual Sales	53
	4.3.3 Correlation & Probable Error between	
	Budgeted and Actual Sales	53
	4.3.4 Regression Line	55
	4.3.5 Time Series Analysis	55
	4.3.6 Tactical Sales Budget and Achievement	57
	4.3.7 Variance of Budget and Actual Sales	59
4.4.	Production Plan of Bottlers Nepal (Terai) Ltd.	61

4.4.1 Production and its Relationship with Sales of	
Bottlers Nepal (Terai) Ltd.	61
4.5 Expenses Budget or Plan	64
4.5.1 Identification of Cost Variability	64
4.5.2 Expenses Trend	65
4.6 Sales and Profitability of Bottlers Nepal (Terai) Ltd.	67
4.6.1 Comparison of Actual Sales with Operating	
Profit (loss) of Bottlers Nepal (Terai) Ltd.	69
4.6.2 Comparison of Actual Sales with Net Profit (loss)	70
4.7 Profit and Loss Trend of Bottlers Nepal (Terai) Ltd.	72
4.8 Ratio Analysis	75
4.8.1 Current Ratio	76
4.8.2 Quick Ratio	77
4.8.3 Debtors Turnover Ratio	78
4.8.4 Gross Profit Margin	79
4.8.5 Net Profit Margin	80
4.8.6 Return on Total Assets	81
4.9 Analysis of Primary Data	82
4.10 Major Findings	83
CHAPTER -V SUMMARY, CONCLUSION AND RECOMME	ENDATIONS
5.1 Summary	86
5.2 Conclusion	87
5.3 Recommendations	88

Bibliography

Appendix

LIST OF TABLES

Table No.	Title	Page No.
4.1	Bottlers Nepal (Terai) Ltd. Sales Budget and Achievement	50
4.2	Bottlers Nepal (Terai) Ltd. Mean, Standard Deviation &	
	Collection of Variation of Budgeted Sales and Actual Sales	53
4.3	Bottlers Nepal (Terai) Ltd. Correlation Co-Efficient and	
	Probable error of Budgeted and Actual Sales	54
4.4	Bottlers Nepal (Terai) Ltd. Time Series Spreadsheet of	
	Actual Sales Achievement	56
4.5	Bottlers Nepal (Terai) Ltd. Sales Budget and Achievement	
	Detailed by Month and Quarter	58
4.6	Botlers Nepal (Terai) Ltd. Variance analysis of Tactical	
	Sales Budget and Achievement	60
4.7	Bottlers Nepal (Terai) Ltd Actual sales and actual production	on 62
4.8	Bottlers Nepal (Terai) Ltd Mean, Standard deviation,	
	Coefficient of variation between Actual Sales and	
	Actual Production	63
4.9	Bottlers Nepal (Terai) Ltd. Identification of Cost Variability	64
4.10	Bottlers Nepal (Terai) Ltd. Past Expenses Trend	65
4.11	Bottlers Nepal (Terai) Ltd	
	Actual Sales and Operating Profit (Loss)	67
4.12	Bottlers Nepal (Terai) Ltd. Actual Sales and Net Profit	69
4.13	Bottlers Nepal (Terai) Ltd. Profit & Loss Trend (Loss)	72
4.14	Bottlers Nepal (Terai) Ltd. Fitting Straight Line	
	Trend by Least Square	73

LIST OF FIGURES

Figure No.	Title	Page No.
1.1	Sales Plan and Budgeting	5
2.1	Planning	12
4.1	Bottlers Nepal (Terai) Ltd. Distribution Channel	49
4.2	Bottlers Nepal (Terai) Ltd. Sales Budget and Achievement	51
4.3	Bottlers Nepal (Terai) Ltd. Sales Budget	
	and Achievement Trend Line	52
4.4	Bottlers Nepal (Terai) Ltd Actual Sales Trend Line	57
4.5	Bottlers Nepal (Terai) Ltd. Actual Sales and	
	Actual Production	62
4.6	Bottlers Nepal (Terai) Ltd. Past Expenses Trend	66
4.7	Bottlers Nepal (Terai) Ltd. Actual Sales and	
	Operating Profit	68
4.8	Bottlers Nepal (Terai) Ltd. Actual Sales and Net Profit	70
4.9	Bottlers Nepal (Terai) Ltd Straight Line Trend	75
4.10	Bottlers Nepal (Terai) Ltd Current Ratio	76
4.11	Bottlers Nepal (Terai) Ltd Quick Ratio	77
4.12	Bottlers Nepal (Terai) Ltd. Debtors Turn Over Ratio	78
4.13	Bottlers Nepal (Terai) Ltd. Gross Profit Margin	79
4.14	Bottlers Nepal (Terai) Ltd Net Profit Margin	80
4.15	Bottlers Nepal (Terai) Ltd Return on Total Assets	81

ABBREVIATIONS

BN(T)L : Bottlers Nepal (Terai) Ltd

CV : Coefficient of Variation

DDC : Dairy Development Corporation

GDP : Gross Domestic Product

GNI : Gross National Income

MNC's : Multinational Compay's

MOOC : Mahaboudha Okubahal Accupational Craftsmen Co -

Operative Society

NEA : Nepal electricity Authority

NOC : Nepal Oil Corporation

PPC : Profit Planning Control

RDL : Royal Drug Limited

SD : Standard Deviation

ULL: Unilever Nepal Limited.