SALES BUDGET AND ITS IMPACT ON PROFITABILITY OF UNILEVER NEPAL LIMITED

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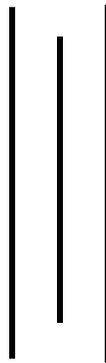
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RECOMMENDATION

This is to certify that the Thesis

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has been prepared as approved by this Department in the prescribed format of the

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VIVA-VOCE SHEET

We have conducted the viva –voce of the thesis presented

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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

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DECLARATION

I hereby declare that the work reported in this thesis entitled **"SALES BUDGET AND ITS IMPACT ON PROFITABILITY OF UNILEVER NEPAL 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 **Yamesh Man Singh** of Shanker Dev Campus.

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Mahendra Singh Mahara

ABBREVIATIONS

A/C	-	Account
AD	-	Anno Domini
AM	-	Arithmetic Mean
BEP	-	Break Even Point
BES	-	Break Even Sales
BS	-	Bikram Sambat
CBS	-	Central Bureau of Statistics
Co.	-	Company
CV	-	Coefficient of Variation
CVP	-	Cost Volume Profit
FC		Fixed Cost
FDI	-	Foreign Direct Investment
FITTA	-	Foreign Investment and Technology Transfer Act
FY	-	Fiscal Year
GDP	-	Gross Domestic Product
i.e.	-	That is
Ltd.	-	Limited
MBS	-	Master of Business Studies
MNC	-	Multi National Company
MT	-	Metric Tones
NLL	-	Nepal Lever Limited
No.		Number
P&L A/C	-	Profit & loss Account
P.E.	-	Probable Error
P/L	-	Profit / (Loss)
P/V Ratio	-	Profit Volume Ratio
PES	-	Public Enterprises
PPC	-	Profit Planning and Control
Prof.	-	Professeor

Pvt.	-	Private
RDL	-	Royal Drugs Limited
Rs.	-	Rupees
S & D		Selling & Distribution
S.D.	-	Standard Deviation
TU	-	Tribhuvan University
UNL	-	Unilever Nepal Limited
V/V Ratio	-	Variable Volume Ratio
VC	-	Variable Cost
VCD	-	Village Development Committee

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CHAPTER – I
INTRODUCTION

1.1 Background of the Study

Nepal is a developing country in the world. Nepal is located between the latitude of 26° 22' North to 30° 27' North and longitude of 80° 40' East to 88° 12' East. The country is surrounded by the two countries, India in the east, west and south and China in the north. Nepal is a landlord country. Geographically, the country is divided in three regions like Mountain, Hill and Terai. There are 5 development regions and 75 administrative districts. Districts are further divided into smaller units, called village development committee, municipality.

Industrialization is the most essence elements of rapid economic development of Nepal. Industrialization increases value of agricultural products and helps to shift the labor force from agriculture to industries. Handicrafts and cottage industry in Nepal is existence from the very old days, but development of modern industries is of recent origin.

Nepal has sufficient resources, but the important point is that the reason behind Nepal's slow economic development is due to lack of proper utilization of available recourses. For the productive and effective utilization of resources, there must be proper plan and control system. Profit planning and control is as an important tool for the same purpose which helps to achieve desired goals and objectives according to its plan and control standard.

Sales plan is the starting point in preparing profit plan, which displays the sales in units and rupees. The sales planning process is an essential component. It is an organized approach for developing comprehensive profit plan. If sales plan is not realistic and relevant, all the other components of overall profit plan will not realistic.

1.2 Evolution of Industry in Nepal

Handicrafts and cottage industries in Nepal are in existence from the very old days, but development of modem industries is of recent origin. In 1935 A.D. an Industrial Board, named 'Udhyog Parishad' was formed with a view to produce goods under medium and large industry. The first Company Act was promulgated in 1936 A.D. and in the same year Biratnagar Jute Mill, Nepal's first joint stock company, came into being. A few years later the same group of industrialists started the Morang Cotton Mills at Biratnagar. Nepal Bank Ltd was established in 1937A.D.in order to provide financial assistance to industry and trade.

The years that followed witnessed further acceleration in industrial growth. New ventures like the Morang Sugar mills (1964), the Raghupati Jute Mills (1946).The Juddha Match Factory (1946) were initiated. Surprisingly enough, within a short period of 10 years as many as 63 industrial units were opened with a total capital investment of Rs. 72 million. However, most of them went into liquidation after the World war. A company Act was enacted in 2007 B.S.

During the first five year (1956-61) period, Industrial Policy (2014), private Firm Registration Act (2014), and Factory and Factory's Worker's Act (2016) were published and Nepal Industrial Development Corporation was established in 2016.

In the $2n^{th}$ plan (63-65) period sugar, metals, handicrafts, hotels, match, textile, biscuit and confectionery industries including Janakpur Cigarette fctory, Birgung Sugar Factory and Bansbari Leather and Shoe Factory were established in the public sector.

During the third plan (1965-70) vegetable ghee, flour mill, soap, cold storage, bakery industries were established in the private sector, while Hetauda and Balaju Textile Industries were established in the public sector under the assistance of Chinese government. During the same period, New Industrial policy and Industrial Enterprises Act (2030) were enacted and Industrial Services Centre (2031) was set up.

During the fourth plan (1970-75) flour mill, soap, cold storage, bakery industries were also established in the private sector. Total 1830 Km length road constructed & Total 10850 telephone lines distributed.

In the fifth plan (1975-80), period, only 3 industries were established, while a few small industries, such as, flour mill, sugar, cotton, soap, polythene pipe, etc. were established in the private sector. Security Exchange Centre (2033) came into existence.

During the sixth plan (1980-85) period, biscuit and confectionery, shoes and sandal, rice mills, brick factories were established in the private sector. Hetauda Cement Industry, Bhrikuti Paper Factory, Nepal Orient Magnetite and Nepal Metal Industry were under construction phase; However, Industrial Policy (2037), Industrial Enterprises Act (2038), foreign investment and Technology Act (2038) were formulated.

In the seventh Plan (1985-90) period, industries established in the private sector were woolen carpets, ready made garments, beer, distillery, cement, cigarette, etc. Lumbini Sugar Factory, Udayapur Cement Factory, Industrial District Management Ltd and Economic Services Center Ltd. were set up in public sector.

With in the eighth Plan (1992-97), period, HMG has adopted open and liberal economic polices. As a result, Industrial Policy (2049), Industrial Enterprises Act. (2049), Foreign Investment and Technology Transfer Act (2050) were reviewed. During the plan period, medicines, soap and detergent powder industries were set up under foreign collaboration. HMG has already privatized 16 public enterprises.

The ninth Plan (1997-2002) had targeted to privatize 30 more public enterprises during the plan period but which could not be done as per the target.

The main objective of Tenth plan (2003-2008) is to make economic sector of country effective healthy, dynamic and competitive by maximum utilization of available resources. The plan conceives to expand the role of private sector for higher economic

growth and effective operation of poverty alleviation programme sector is as follows (Tenth plan, 2002-2007, National planning commission, HMG Nepal: 108).

1. Emphasis on investor friendly environment for forward economic improvement by policy wise guarantee
2. Provision of entry and drawback of private investment in the every sector of economy by defining the role of private sector.
3. Increase in competitive capacity by providing facilities and benefits to the investment sector.
4. Acceleration of privatization programmed effectively

1.3 Foreign Investment Policy of Nepal

The government formulated Foreign Investment and One window policy, 1992 to encourage foreign direct investment. Technology transfer benefits, can be expected because generally foreign investment is linked with technology transfer. The legal provisions relating to foreign Investment Policy are contained in Foreign Investment and Technology Transfer Act, 1992 (amended 1997).

Salient Features

Foreign Investment

It refers, to the following investments made by foreign investors in any Industry:-

1. Investment in Share (Equity)
2. Re-investment of the earnings derived from the investment.
3. Investment made in the form of loan or loan facilities.

Technology Transfer

It means transfer of any technology made under an agreement between an industry and a foreign investment on the following matters: -

1. Use of any technical right, specialization, formula, process, patent or technical know-how of foreign origin.
2. Use of any trademark of foreign ownership.
3. Acquiring any foreign technical consultancy, management and marketing services.

Foreign Investor

Any foreign individual, firm, company or corporate body including foreign government or international agency involved in foreign investment or technology transfer is called foreign investor.

Permission Should be Obtained

Though foreign investment and technology are required to promote and develop industries, the government of Nepal is not bound to accept foreign investment and technology for all sorts of industries in the country. The Act has mentioned a list of industries for which no permission for foreign investment shall be granted. Before acquiring investment and technology transfer from the foreign Investors one should get permission from the Department of Industry-sec.3 (1).

Facilities and Concessions Provided to Foreign Investors

A) Income Tax Facility

i. No income tax shall be imposed on a foreign investor on the interest earned from foreign loan.

ii. On Whatever income the foreign investor earns from foreign technical as well as management service fees and royalty.

B) Facility to take away the Foreign Currencies from Nepal

A foreign investor making investment in foreign currency may repatriate the following sums outside Nepal: -

i. The amount received by sale of shares of foreign investment as a whole or any part thereof.

ii. The amount received as profit or dividend on account of foreign investment.

iii. The amount received as a payment of principal and interest on any foreign loan.

iv. The amount received under an agreement for the transfer of technology.

C) Provisions Relating Visa

Act has made the following 3 types of visa provisions for the foreign investors:

   i. Non-tourist Visa

  ii. Business visa

 iii. Residential visa (Agrawal, 2000: 445).

1.4 Brief Overview of Unilever Nepal Ltd:

Nepal Lever Ltd was established in 1992 A.D. in collaboration with Hindustan lever ltd. It has changed its name into Unilever Nepal Ltd in 2006 A.D. from the 12th annual general meetings. Unilever Nepal ltd was established to deliver the services to the customer and earn profit but now a days Unilever Nepal Ltd provides social service also. The management of the Unilever Nepal Ltd is fully dedicated for the satisfaction of the customer. It is true that the development of country depends upon economic growth. Among the various benefits of economic growth, the development of company of firm is one of the most important benefits. In another words there is no possibility of economic development without industrial development. It helps in increasing national income. It provides customer by producing quality goods and fixed rate. Unilever Nepal Limited has a Board of director comprising of seven members. They are as follow:

DIRECTORS:

1. Mr. Dhaval Buch. – Chairman
2. Mr. Ravi Bhakta Shrestha – Director
3. Mr. Shambhu Prasad Poudyal – Director
4. Mr. Ashok Gupta. – Director
5. Mr. Shreejeet Mishra. – Director
6. Mr. Bharat Bahadur Thapa - Independent Director
7. Mr. Kamran Bakr - Managing Director

COMPANY SECRETARY:

    Mr. Ambar Bahadur Thapa - Company Secretary

AUDITORS:

Mr. R. Bajracharya & Company - Chartered Accountant

Unilever Nepal Ltd registered office and factory is located in Basmadi V.D.C. -5, Hetauda, Makwanpur district, Nepal. Its corporate office is located in Heritage plaza-II, C and D Block, Kamaladi, Kathmandu, Nepal. It was registered in NIDC capital markets ltd, Kamalpokhari, Ktm, Nepal. Its bankers or Unilever Lever Limited obtains loan from reputed eight banks. They are as follows: -

1. Standard Chartered Bank Nepal Limited
2. Nepal SBI Bank Limited
3. Nabil Bank Limited
4. Nepal Bank Limited
5. Himalyan Bank Limited
6. Bank of Kathmandu Limited
7. Rastriaya Banijya Bank
8. Everest Bank Limited

UNL was established as per the following capital structure:

Authorized share capital	Amounts (in NRS)
30,00,000 ordinary shares of Rs 100 each.	30,00,00,000
Issued, subscribed, and paid up Capital.	
9,20,700 ordinary shares of Rs 100 each.	9,20,70,000

Out of the Above Issued Shares:

1. 736,560 shares are held by Hindustan Lever Limited.
2. 46,035 shares are held by Sibkrim Land and Industrial Co. Pvt. Ltd., the Nepal collaborator.
3. 138,105 shares are held by the public.

Unilever Nepal Ltd registered a strong performance in term of growth of volume, sales and profits. Nepal India chamber of commerce and industry awarded the- NICCI award –

to Unilever Nepal Ltd in 1999 AD for its excellent all round performance among large industries. Again, the company has been awarded – Best presented accounts awarded for 2003\04 category – industrial sector- by the institute of charted accountants of Nepal.

The objectives of Unilever Nepal Ltd are to establish and carry on the business of Shops, Detergents, Cosmetics, Toiletries and personal care product, Toothpaste and household cleaners to export and otherwise deal with the product and to perform all such other activities, which may be related and to carry out other objectives as set in the memorandum of Association and Articles of Association of the company. As present, the current product of Unilever Nepal Ltd are as follows:-

- Detergents
- Toilet Soap
- Oral care
- Scourers skin cream
- Soap Noodles
- Laundry soaps
- Hair care
- Food and beverage

Even if different products have supplied their goods in the market in the competition with the goods of Unilever Nepal ltd., it has considerable area in the market.

1.4.1 The Current Plan and Policy of UNL by the Report of the Board of Directors
➢ **The Business Operations of UNL**

The Company continued its strong focus on serving the domestic market and this is reflected in the domestic business growth of 27%. The company nurtured last year's innovations as well as launched and re-launched a number of new products in the course of year. Domestic manufacture of Surf Excel was commenced. This helped expand the premium detergent powder category in Nepal. Locally produced Surf Excel has been launched in a convenient single use pack for Rs. 3.00 .High quality laundry soap- Surf 72% was launched at an affordable price of Rs. 8.00 in an endeavor to make good quality

products available to all section of the population at affordable prices. A number of variants of Fair & Lovely, Oil control, Anti Marks have been launched to offer additional benefits and choices to the consumer. Lifeboy Gold was successfully launched. Close up, Clinic Plus and Wheel were re-launched with enhanced consumer-relevant propositions and improved formulations.

In a bid to bring the company's brands alive in the consumer's mind-apart from investing heavily in media the company also organized a number of exciting events. Sun silk Fashion week was held and gave Nepal's fashion designers an opportunity to show their collections and art. It also provided an opportunity to several new upcoming models to be noticed on e ramp. The 'Close up Sassy Zone' theme parties and website continued to provide a fun way for young people to interact with each other and get to know each other. The website has become very popular amongst the urban youth of Nepal. A new website pepsodentcare.com was launched. This interactive website allows consumers to direct their dental problems to a qualified dentist who responds to them. In association with cash awards and gained recognition amongst the key persons of Nepal, thereby helping them to launch their careers.

The company continued to invest heavily in improving outdoor and in-shop visibility of its brands. Most cities and highways of Nepal continue to be dotted with our billboards and wall paintings that provide very good visibility for our brands. In-shop visibility was driven through brand image windows in various key accounts. The company continued its distribution expansion appointing distributors in the interiors of Nepal, carrying our products to within arm's reach of consumers even in far flung remote areas of the country.

The Company continued to innovate in sales and distribution practices. To strengthen the distribution system, additional distributors were appointed in the main towns. The price list was split between the distributors, thereby creating competition and strengthening position in the market. The company made significant inputs in the training and development of distributors', salesman to enhance market working and improve merchandising. The company continued its unrelenting focus on unearthing and

eliminating all non-value-adding costs. Supply chain costs were reduced through a process re-design, local vendor development, identification of global low cost sources and procurement from them. The company also continued to invest manufacturing capabilities by up gradation of machinery for manufacture of low unit price packs, viz. Shampoo sachets, Washing Powder sachets etc. Further plans are in hand for local manufacture of hair oils and the very popular nozzle sachet packs for Fair & Lovely.

➢ **The Safety, Environment and Energy Conservation**

The Company's factory at Hetauda has completed 4.0 million men-hours without any lost time accident. This excellent Safety Record is a reflection of the Factory's managerial focus on safety. Several workshops were undertaken during the course of the year, and initiatives focused on development of a safety conscious culture and to bring about change in employee behavior. This included regular Safety Behavioral Audits which served to improve the safety consciousness of employees.

The company continues to adhere to high standards of pollution control to ensure that the environment impact of its operations is minimized. Global Unilever Nepal norms were followed for treatment of effluent and emissions. The factory team is continuously working on reducing the water consumption and this has resulted in 9% drop in water consumption by last quarter of current year over previous year. Energy conservation remained a key deliverable & company achieved 15% reduction in Furnace Oil consumption per tone of soaps by end of the current year. Focused efforts in energy conservation have yielded a further 4% reduction in specific energy consumption. This has been achieved through rigorous implementation of a number of wastage control measures as well as optimization of processes. The company is committed to further reducing the energy consumption to reduce manufacturing costs and environmental impact.

➢ **Corporate Social Responsibility of UNL**

The company strives to be a trusted corporate citizen maintaining high standard of corporate governance and fulfilling its responsibility to the societies and communities in which it operates. Direct employments to over 135 Nepalese citizens were provided and

generated indirect employment for over 20 times that number through network of suppliers and distributors. The company is already one of the largest corporate taxpayer to Nepal government.

The company has been involved in various social projects which are as follows:-
- A mobile Medical Unit provided by the UNL employee trust is used extensively for providing emergency medical assistance in the Makwanpur district.
- During the year the company extended help to 4 medical campuses held in & around Hetauda and donated Oral care products.
- The company supported the United Nation program on hygiene through washing of hands. Through this program the company and UN educate the general public on the importance of hand washing to prevent the spread of Diarrhea and other infections diseases.
- A bus shelter has been erected in Makwanpur to provide shade to travelers.
- The company has donated Stitching Machines, and assisted the Deaf & Dumb Association at Hetauda in organizing stitching classes/training to its members.

➢ **Trade Relation**

The Board wishes to place on record its appreciation of the support and co operation that the company received from all its trading partners-suppliers, processors, carrying and forwarding agents, redistribution stockiest, Rural distributors, transporters, Wholesalers, retailers and service providers. The company regards them as partners in progress and happily shares with them the rewards of the growth.

➢ **Personnel**

The company has always recorded a very priority to improving the skills and capabilities of its employees and considers employee training and development as a key corner stone for superior performance. Employees at all levels received training through classroom instruction, coaching and functional visits to other companies to benchmark and learn from their best practices and personnel.

Finance

During the financial year the company continued to generate strong cash flows. The surplus funds were prudently deployed on secured fixed deposits

Security

The security situation in the country continues to be a cause for concern. On 28Aug.2004 armed persons attacked the factory and detonated three powerful bombs, causing extensive damage to buildings and machinery. The damage was rectified and the factory commenced production after a brief shut down. The security situation in Hetauda continues to be tense and uncertain. UNL has kept the government authorities informed to their concerns.

Dividend

The Board had recommended paying out a dividend of Rs. 275 per share for the fiscal year ending 32nd Ashad 2064. This will amount. to Rs. 253.2 millions. If approved the dividend will be paid to the shareholder who are registered in the book of the company within seven days from the book closure date, which will be noticed.

Future Outlook

Despite a daunting business climate the company remains committed to actively participating in the development of Nepal and to delighting it's. Even if different producers have supplied their goods in the competition with the goods of Unilever Nepal Ltd. it has been able to covered significant area of the market. At present company is able to cover 60% market of Tooth Paste, 50% of Toilet Soaps, 80 % of detergent powder and 45% of skin cream. It could also cover 30 % market of shampoo.

1.4.2 The Corporate Purpose of UNL

The corporate purpose of Unilever Nepal Ltd. is to meet the everyday needs of people everywhere- to anticipate the aspiration of our consumer and to respond creativity and competitively with the branded product and services which raise the quality of life.

The deep roots in local cultures and markets are unparallel inheritance and the foundation for future growth. Its objectives are to bring wealth of knowledge and international expertise to the service of local consumer. The long term success requires a total commitment to exceptional standards of performance and productivity, to work together effectively and to a willingness to embrace new ideas and to learn continuously

1.4.4   Organizational Structure

Total no. of 200 personnel's (Administration and production) are engaged in this company. The Organizational structure of the company is as follows.

Organizational Chart

```
                    ┌─────────────────┐
                    │    Chairman     │
                    └────────┬────────┘
                             │
                             ▼
                    ┌─────────────────┐
                    │    Managing     │
                    │    Director     │
                    └────────┬────────┘
                             │
        ┌──────────┬─────────┼─────────┬──────────┐
        ▼          ▼         ▼         ▼          ▼
┌──────────────┐ ┌──────────────┐ ┌──────────┐ ┌──────────────┐
│ Personal Dept│ │Production Dept│ │Finance   │ │Marketing Dept.│
│              │ │              │ │Dept      │ │              │
└──────────────┘ └──────────────┘ └──────────┘ └──────────────┘
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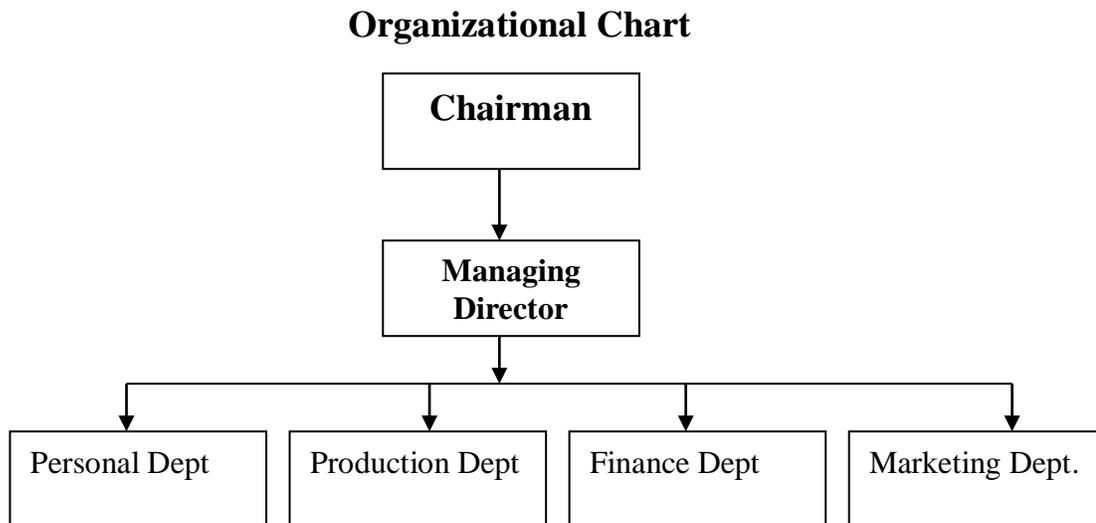
1.5 Statement of the Problems

Sustainable economic development is important for economic prosperity of every country. For the attainment of economic development in the country, industrialization is as important as that of agriculture and other primary sector, public enterprise services to produce required goods in the country, to increase export items, to help in controlling price situation, to create opportunities for employment and to contribute significantly in the nation's economic development.

There are various manufacturing concern established in Nepal under the foreign investment. Out of them Unilever Nepal Ltd has played vital role for economic

development of the country. However, Unilever Nepal could not achieve the result as expected.

The successful operation of an enterprise largely depends upon planning and control system. Profit planning and control is one of the most important managerial techniques that plays key role for effective formulation and implementation of strategic as well as tactical plans of an organization. PPC system requires the effective coordination between various functional budgets of an organization.

So, this study tries to answer the following Research Questions
- How effective is the sales budget prepared by Unilever Nepal ltd ?
- What is the variance between planned and actual sales?
- What is the ratio between sales and profit
- What steps should be taken in sales planning to improve the profitability of the company?

This research study attempted to show the relationship of sales plan, their achievement besides their effective application with in the conceptual framework of PPC for solving the problem that has occurred in Unilever Nepal Ltd.

1.7 Objectives of the Study
The fundamental objectives of the present study are to analyze the current practices of sales budgeting including price – cost – volume analysis.
1. To analysis the sales budgets prepared by Unilever Nepal Ltd.
2. To evaluate the variance between planned and actual sales.
3. To make comparison of sales with profit of the Unilever Nepal Ltd.
4. To examine the Variance between the actual sales & actual production
5. To forecast future Sales and future Profit of Unilever Nepal Limited.
6. To provide the appropriate suggestions and recommendation for improvement of planning system of Unilever Nepal ltd

1.7 Significance of the Study

Sales plan is one of the most important plans for both manufacturing and non manufacturing enterprises to achieve their goals. In the context of Nepal, most of the manufacturing enterprises are suffering from performance due to the lack of proper management of sales plan. Proper sales plan is the most important for every enterprise to earn profit. Therefore, sales plan should be prepared by every business organization. Unilever Nepal produces different types of products or diversified products group to meet everyday need of people everywhere. It has been producing the products since last thirteen years. Being a manufacturing company it spend a lot of time and effort to earn profit. Therefore the researcher is very much interested to examine its sales plan. Sales plan has been important tool for managerial decision in an enterprise. This study would be very useful for entrepreneurs, decision makers and researcher because it deals with all the aspect of budgeting and profit planning. The need of this study is really to examine whether the Unilever Nepal is applying sales planning system properly or not by analyzing if there is any drawbacks in profit planning system of Unilever Nepal Ltd.

1.8 Limitations of the Study

The study attempt to find out the problem Nepal lever Limited. There for the following will be major limitation of the study.

1. The study covered only the sales budgeting and it's impact on profitability.
2. This study covered sales budgeting of five fiscal years from the fiscal year 2061/062 to 2065/066.
3. The study is concentrated on sales budgeting and some aspects from managerial, financial and accounting point of view which does not cover the other area of these aspects of the enterprise.
4. This study is based on the data provided from companies and other available resources. Hence, this study is based on primary and secondary data.

1.9 Organization of the Study

This study was organized into five chapters:

Chapter – I   Introduction

This chapter consisted of Background of the study, Overview of company, statement of the problem, Objectives, significance of the study and Limitation of the study.

Chapter – II   Review of Literature

The second chapter dealt with development of budgeting, Objectives of Budgeting, Characteristics of good Budgeting, Budgetary control, Limitation of Budgeting, Profit planning and control process, Sales Budget, Components of comprehensive sales planning, Purposes of sales plan, step of developing a comprehensive sales plan, sales planning vs. sales forecasting, setting inventory policies, Production plan or Budget, Material purchase Budget, labor Budget, Cash Budget and Review of previous Related Research works

Chapter – III   Research Methodology

The third chapter included Introduction of research methodology, Research Design, Nature and Source of Data, Period covered, Research variables and Statistical Tools used.

Chapter – IV   Data Presentation and Analysis

In the fourth chapter data presentation, interpretation analysis of data were made with the help of selected statistical tools and techniques, Major findings were drawn on the basis of analysis of data.

Chapter – V   Summary, Conclusion & Recommendations

This is the last chapter of the study. The whole picture of the study was presented in a summary. This part consist, issues and gaps: action plans and put forward recommendation to improve the existing situation.

CHAPTER - II
REVIEW OF LITERATURE

2.1 Development of Budgeting

A budget is a quantitative expression of a plan of action and an aid to coordinate and implement the plan of action. Budget may be formulated for an organization as a whole or may be for a sub unit. Budgeting includes sales, production, distribution and financial aspects of an organization. Budget programs are designed to carry out a variety of functions comprising, planning, evaluating, performance, coordinating activities by implementing plans, communicating, motivating and authority. Charles, T. Horngren further states that it is quantitative expression of plan of action and an aid to coordinate and control. A Budget is a written plan for the future. The managers of a firm, which use budgets, are forced to plan ahead, thus anticipate problems before they occur. A firm without financial goals may find it difficult to make proper decisions. A firm with specific goals in the form of a budget helps a firm to control its cost by setting guideline for spending money because they know all costs will be compared with the budgeted amount. If costs exceed the budgeted cost an explanation will be required. Frequently exceeding the budget helps to motivate employee help in setting in the budget. The complete budget for a firm is often called the master budget "The master budget consists of many functional budgets. These budgets include a sales budget, a production budget, a purchase budgets, an expense budget, an equipment purchase budget, and a cash budget. Once all of these budgets are completed, the master budget for the entire firm is prepared" (Flesher and Tonyak, 1960: 406).

"Budget as a tool of planning and control in clearly related to the broader system of planning and control in an organization. Planning involves the specification of basis objectives that will guide it, in operation terms. It involves the step of setting objectives, specifying goals, formulating strategies and expressing budgets. A budget is a comprehensive and coordinated plan" (Khan and Jain, 1993: 296).

"The concept of comprehensive budget covers its use in planning, organizing and controlling all the financial and operating activities of the firm in the forthcoming period. Budgeting summarize the estimated results of the future transaction for the entire company in much the same manner as the accounting process records and summarize the results of completed transactions" (Richard, 1994: 142).

2.12 Objectives of Budgeting

The main objectives of budgeting are as follows.

- It is a plan, which reflects the policy of a business in financial terms.
- It is a control document by which management can monitor actual performance.
- It is the plan to forecast for future to avoid loss and to maximize profit.
- It defined the objectives for all the executives' communication.
- It facts as motivator of employees.
- It provides as means of coordination and communication.
- It is a measure against which to evaluate the quality or management.
- Budgets facilities centralize control with delegated authority and responsibility (Ojha & Gautam, 2008:7-8).

2.13 Characteristics of Good Budgeting

The Characteristics of good Budgeting: are as follows:-

- Budgets may be formulated for the organization as a whole or for any sub units.
- A good system of accounting is also essential to make the budgeting useful.
- A budget is a quantitative expression of a plan of action and aid to coordination and implementation.
- Budgets are designed to carryout a variety of functions, planning evaluating activities, implementation plans, communicating, motivating and authorizing actions (Pandey, 1994: 21-22).

2.14 Budgetary Control

Budgetary control is a system of controlling cost, which includes the preparation of budgets coordinating the departments and establishing responsibilities, comparing actual

performance with the budgeted and outline upon results to achieve maximum profitability (Sharma and Gupta, 1982: 782).

- Preparing the budgets.
- The actual figures are recorded.
- The budgeted and actual figures are compared for studying the performance of different cost centers.
- If actual performance is less than the budgeted norms a remedial action is taken immediately.
- The business is divided into various responsibility centers for preparing various budgets.

2.15   **Limitation of Budgeting**

Profit planning and control is an important tool for management. However, each tool suffers some limitations and its use is fruitful within these limits.

The major limitations of budgeting are as follows: (Ojha & Gautam, 2008:8)

- Budgeting is not an exact science. It's sources depends upon precision of estimates.
- The installation of a perfect system of budgeting is not possible in a short period. Budgeting has to be a continuous exercise. It is dynamic process.
- Budgeting will be ineffective and expensive, if it is unnecessary detailed & complicated. It should be flexible and rigid in application.
- The success of a budgeting system totally depends upon the efficient management & administration.
- Budgeting is a management tool. It is not a substitute for the management.
- The installation of Budgeting is costly, so that, small organization can not afford to it.
- For finding out the inefficiencies, proper evaluation should be made. In the absence of proper evaluation, budgeting will hide inefficiencies.
- Budgeting will lower moral and productivity if unrealistic targets are set and if it is used as a pressure tactics.

2.16 Profit Planning and Control Process

Components of PPC program (Welsch, 1999:74)

#The Substantive Plan:

    I) Broad objectives of the enterprise.

    II) Specific enterprise goals.

    III) Enterprise strategies.

    IV) Executive management planning instruction.

#The Financial Plan:

I. Strategic Long Range Profit Plan

    a. Sales, cost and profit projection.

    b. Major projects and capital additions.

    c. Cash flow and financing.

    d. Personal requirement.

II. Tactical Short Range (Annual) Profit Plan:

    a) Operating plan: planned income statement

- Sales plan
- Production plan
- Administrative expenses budget
- Distribution expenses budget

    b) Financial position plan: planned Balance sheet

- Assets
- Liabilities
- Owners equity
- Cash flow plan

 # Variable Expenses Budget: output expenses budget

 # Supplementary Data (C-V-P analysis, ratio analysis)

 # Performance report

 # Follow up, corrective actions and Re- planning reports

Sales Budget

The starting point in preparing profit plan is the sales plan, which displays the projected sales in units and rupees. The sales planning process is an essential component of profit plan and control because, it provides for the basic management decisions about marketing and based on these decisions, it is an organized approach for developing a comprehensive profit plan. If sales plan is not realistic and relevant, all of the other parts of over all profit plans are also not realistic. Therefore, if the management believes that a realistic sales plan can not be developed; there is little justification for ppc.

The sales plan is the foundation for periodic planning in the firm because practically all other enterprise's planning is built on it. The primary source of cash is sales; the need of capital addition, the manpower requirement, production level and other important operational aspect depend on the volume of sales includes two separate but related plan- the strategic and tactical sales plan. A comprehensive sales plan incorporates such management decisions as objectives, goals, strategies and premises. Both long term/strategic and short term – tactical plans must be developed in harmony with comprehensive profit plan (Ojha & Gautam, 2008:38).

2.17   Components of Comprehensive Sales Planning

The major components of comprehensive sales plan are as under:-

Table 2.1

Components of Comprehensive Sales Plan

Components	Strategic plan	Tactical plan
1. Marketing policy assumptions.	Broad and general	Detailed and specific for the year
2. Marketing plan (sales & service revenue)	Annual amounts; major groups.	Detailed; by product and responsibility.
3. Advertising & promotion plan.	General; by year.	Detailed and specific for the year.
4. Distribution & selling expenses budget	Total fixed and Total variable expenses; by year.	Fixed and variable expenses; by month & by responsibilities.

Source: Ojha & Gautam, 2008: 6

(a) Strategic Sales Plan

Strategic sales plan is the long range sales plan of enterprises. Usually, it is of 5 to 10 year. It is broad and general. It is usually developed by year and annual amounts. It is prepared by considering future market potentials, population changes, state of economy, industry projections, company objectives and long term strategies because they affect in such areas as pricing, development of new product line, innovation of product, expansion and distribution channel, cost pattern etc.

(b) Tactical Sales Plan

Tactical sales plan is a short range sales plan. It is developed for a short period of time usually a year, initially by quarters and by months for the first quarter. The tactical sales plan includes a detailed plan for each major product and for grouping of minor products. Tactical sales plans are usually developed in terms of physical units and in sales rupees.

2.18   **Purposes of Sales Plan**

The main purpose of sales planning is as follows:- (Ojha & Gautam, 2008:13)

- To reduce uncertainty about future revenues.
- To incorporate management judgment and decisions into the planning process.
- To provide necessary information for developing other elements of comprehensive sales plan.
- To facilities management control of sales activities.

2.19   **Step of Developing a Comprehensive Sales Plan:**

The steps of developing a comprehensive sales plan are as follows: [Welch, 1999:176],

Step- 1

Develop management guidelines for sales planning.

Step- 2

Prepare sales forecast

Step- 3

Assemble all relevant data which are as follows:-

  a. Manufacturing Capacity

b. Sources of raw material and supplies.

c. Availability of key people and labor force

d. Capital availability

e. Availability of alternative distribution channels

Step- 4

Develop a strategic and tactical sales budget

Step- 5

Top management must be fully committed to attaining the sales goals that are specified in the approved sales plan. The commitment requires full communication to the sales managers of the goals, approved marketing plan and strategic by responsibilities. The commitment must be strong and ever present in day to day operations.

2.20 Sales Planning vs Sales Forecasting

A sales planning is not a sales forecast. It is a planning and control document, which shows what management, intends to accomplish.

The sales budget is the most important functional budgets. If sales figure is incorrect, practically all functional budget and consequently master budget will be affected.

A sales forecast is converted to a sales plan when management has brought to bear management judgments, planned strategies, and commitment to aggressive actions to attain the goals.

On the basis of the above definition the differences between sales budget and sales forecast can be explained as follows:-

- Sales budget is the quantitative expression of business plan and policies to be pursued in future whereas sales forecasts are just well educated inferences about probable future events.

- Sales budgets are prepared on the basis of sales forecasting.

- Sales budgets is a control device of management as it provides standard for comparison with results actually achieved while no control can be exercised by forecasting, as it is just a probable inferences.

2.21 **Setting Inventory Policy**

While determining inventory policies for finished goods, the management should consider the following factors:

- Quantities needed to meet sales requirements.
- Perishability of items.
- Length of the production period.
- Storage facilities.
- Cost of holding inventory.
- Protection against price increases.
- Protection against raw material shortages.

Depending upon the suitability of its nature, a firm may adopt any of the following inventory policies:

a. **Stable Inventory Policy: –** An equal ending inventory is kept every time, so the planned production fluctuates with the size of planned sales units.

b. **Fluctuating Inventory Policy: -** An equal production is maintained throughout the year, so the size of inventory fluctuates with the size of planned sales units.

c. **Inventory – Production Co-ordination policy: -** Production and ending inventory units are adjusted as per the change in sales units.

d. **Just – in – Time Inventory Policy: -** Production is made when the output is in demand, so inventory is no kept except a very small quantity for sample display.

2.12 Production Plan or Budget

Preparation of production plan is the second step of budgeting, sales plan being first step, manufacturing concern. The production plan is a important tool of planning, coordination and controlling production activities in a manufacturing concern. Development of a production plan requires conversion of sales plan into production program. It interlinks

the activities such as material planning, labour planning, overhead planning etc with sales plan.

The production plan specifies the planned volume of each product (or groups of similar products) to be produced for each time period through the planning period. This entails the development of policies about efficient production levels, use of productive facilities, and inventory levels (i.e. finished goods and work – in – process inventory). The quantities specified in the marketing plan, adjusted to conform to production and inventory policies, give the volume of goods that must be manufactured.

Responsibilities of preparing production plan goes to the various managers such as:-

- **Chief Executive: -** The responsibility of chief executive is to formulate objectives and policies of organization, concerning to production and inventory levels.
- **Sales Managers: -** The input of production plan is sales plan. So, the responsibility of a sales manager in production planning is to provide a sales plan.
- **Production Manager:-** The production manager is responsible to prepare production plan for the company. He defines production system of department.
- **Production Supervisor:-** He/she is responsible to prepare tactical production plan detailed by time and product for short period.
- **Administrative Manager:-** He/she responsible to supply optimal manpower for production plan in time. He/ she must provide information of available manpower.
- **Financial Manager:-** financial manager is responsible to provide past data, standard rate, capital addition plan etc in time (Ojha & Gautam, 2008: 41-42).

2.13 Material Purchase Budget

Material budget is prepared just after the preparation of production budget in manufacturing company. Once production output is planned, material required for the planned output is ascertained and than quantities of material to be purchase is estimated. The material budget includes planning and controlling of raw material and components/parts used in the manufacturing of finished products. Planning and controlling purchase and material usage is the plan to maintain coordination between (i)

factory requirements for raw materials, (ii) Raw materials inventory levels, and (iii) purchase of raw materials.

Sufficient raw materials will have to be available to meet production needs and to provide for the desired ending raw materials inventory. However, some quantities of material requirement will already exist in the from of beginning raw materials inventory. The remainder will have to be purchased from suppliers.

To assure that amounts of raw materials will be on hand at the time required and to plan for the costs of such materials, it is essential that the tactical short-term profit plan includes. (i) detailed budgets specifying quantities and cost of material and (ii) a related budget for raw material purchases (Ojha & Gautam, 2008: 71).

2.14 Labor Budget

Planning and controlling labour cost involve major and complex areas :(i). Human resource needs, (ii) recruitment, (iii) Training, (iv) job evaluation and specification,(v) performance evaluation, (vi) union negotiation, and (vii) wage and salary administration. A comprehensive profit planning and control program should incorporate appropriate techniques and approaches applicable to each problem area. Careful planning realistic control of long-term and short-term labor cost will benefit both the company and its employees.

Labor costs, in a broad sense, are composed of all expenditures incurred for employees: top executives, middle management personnel, staff officers, supervisor, foremen, skilled workers and unskilled workers. It is necessary to consider separately the different types of labor costs (Ojha & Gautam, 2008: 115).

2.15 Cash Budget

Cash Budget generally indicates the cash outflow and inflow. The key point in investment analysis is to focus. Exclusively on different in expected future cash flows are treated the same whether they arise from operation, purchase or sales of equipment or

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investment or recovery of working capital. The opportunity cost and the time value of money are tied to cash flowing in or out of the organization not to the sources of the cash (Khan & Jain, 1993:175).

One of the biggest challenges is determining those cash flows relevant to decision making. Relevant cash flows are expected future cash flows that differ among alternatives. Capital investment projects are typically having five major categories of cash flows (Dangol & Prajapati, 2001: 837)

- Initial investment in machine and working capital.
- Cash flow current disposal of the old machine.
- Recurring operating cash flows.
- Cash flow terminal disposal of machine and recovery of working capital.
- Income tax impacts on cash flows.

2.16 Review of the Previous Related Research Works

There are very few research papers concerning this particular topic i.e. '*Sales Budgeting*'. Most of the students of accounts group have done the research on the topic of Profit Planning & Control of different public and non- public business enterprises. Sales budgeting are the most important component of all types of manufacturing and non-manufacturing business enterprises. Without sales budgeting other plan can not be prepared.

Paudel (2003), has conducted research on "*Sales Budgeting and Its Effectiveness of Manufacturing Public Enterprises*". The study is to analyzed the present sales planning system of RDL.

Other Objectives were as follows:-
- To analysis the sales budget prepared by RDL with theoretical prescription.
- To analysis the cause of sales fluctuation in different month and years.
- To study the relationship of sales plan with production plan, inventory and different overhead etc. made by RDL.

- To study about variance between actual and budgeted sales.
- To evaluate the effectiveness of sales plan made by RDL.

The main findings of Paudel were as follows:-
- Semi-average method shows the sales of RDL is in decreasing trends.
- There is no significant relationship between actual and target production.
- The relationship between profit on sales is very week, even in some cases the company get loss, rather than profit.
- RDL has high stock keeping system. They are not following flexible inventory system as they stated, and do not consider the future demand.

On the Basic of his Findings he has Recommended the following Facts:-
- RDL needs higher sales to reduce the decreasing trends of loss. For the possibility are, offer new medical product, discount of price, incentive to wholesaler, increases number of dealer etc.
- They should make production target significant, by applying past achievement production.
  They should consider about better utilization of available labour, material, energy and other expenses to increase productivity. After modifying suggested thing, automatically RDL gets better productivity.

Mishra (2003), has carried out an investigation on the topic '*Profit Planning and Control in Manufacturing Company*'. His research examined the present comprehensive profit planning system applied by Nepal lever Ltd. Overall objective was to provide future direction and prospectus to the organization.

Other Specifics Objectives of the Study were as Follows:-
- To examine the variance between the actual and the budgeted production.
- To analyze the various functional and departmental budgets adopted by Nepal lever limited.
- To measure the efficiency of the organization in terms of capacity utilization.

- To analysis the financial performance of Nepal lever ltd.
- To highlight the ppc system adopted by various departments of Nepal lever limited.
- To forecast future production and sales of Nepal lever limited and to recommend and suggest for improving the profit planning.

Mishra, concluded his research with some findings, his major findings were as follows:-

- Specific goals and strategy for the organization are setup by the top level executive and the management is totally governed by the Hindustan lever ltd.
- The company has no proper practice of segregation of cost into fixed and variable and controllable and uncontrollable.
- Authorities and responsibilities are not clearly defined among various departmental working managers.
- In terms of capacity utilization only 36% of install capacity is utilized by fair & lovely.
- Application of profit plan is not realistic.
- Nepal lever limited faces a major problem in utilization of raw material. A major portion of raw material is imported from other country; very less portion of Nepalese raw material is consumed by the organization.

Sitaula (2006), has studied the "*Sales Planning and Its Impact on Profitability*". His research analyzed the current practices of sales Planning and its effectiveness in manufacturing enterprises established under foreign investment.

Other objectives were as follows:-

- To analyze the sales budget prepared by unilever Nepal limited.
- To evaluate the deviation between budgeted and actual sales.
- To make comparison of sales with profit of the Unilever Nepal limited.
- To provide the appropriate suggestion and recommendation for improvement of planning system of unilever Nepal limited.

Sitaula concluded his research with some findings and recommendation, His major findings were as follows:-

- UNL must classify the cost according to department and products. So, that return of each product and department can be evaluated.
- The company needs of follow certain strategy to increase export sales.
- UNL should have the competitive pricing policy according to the market situation to increase the high market share.
- UNL should use feedback mechanism to control overall activities.
- Profit planning manuals should be communicated from top to lower levels.
- A reliable cash collection policy should be developed. It will reduce bad debts and increase profitability.

Shrestha (2008), has carried out an investigation on the topic '*Sales Planning & its Impact on Profitability'*. His research examined the present comprehensive Sales planning system applied by Unilever Nepal Ltd. Overall objective was to provide future direction and prospectus to the organization.

Other objectives were as follows:-

- To analyze the sales budget prepared by Unilever Nepal Limited.
- To evaluate the deviation between budgeted and actual sales.
- To make comparison of sales with profit of the Unilever Nepal Limited.
- To provide the appropriate suggestion and recommendation for improvement of planning system of unilever Nepal Limited.

Shrestha concluded his research with some findings and recommendation, His major findings were as follows:-

- UNL must classify the cost according to department and products. So, that return of each product and department can be evaluated.
- The company needs of follow certain strategy to increase export sales.
- UNL should have the competitive pricing policy according to the market situation to increase the high market share.

- UNL should use feedback mechanism to control overall activities.
- Profit planning manuals should be communicated from top to lower levels.

Pokhrel (2009), has studied the "*Sales Planning in Nepalese Public Enterprises*". His research analyzed the present Sales planning system applied by Dairy Development Corporation.

The specific main objectives were as follows:-
- To identify the sales planning process of DDC.
- To examine the formulation and implementing procedure of sales plan in DDC.
- To evaluate the variance between budgeted and actual sales of the DDC.
- To examine the effectiveness of sales plan in DDC.
- To suggest and recommend for improvement of the planning system in DDC.

Pokhrel, concluded his research with some findings, his major findings were as follows:-
- DDC is not preparing the systematic periodic performance reports detailed by assigned responsibilities for accomplishing the planning objectives.
- By the analysis, there is no systematic and realistic sales plan. The sales planning is rarely satisfactory for some product but not for all.
- The company prepared the sales budget without studying the environmental scanning.
- Least square straight line sales trend of DDC shows that the sales will be gradually increase in the future if present efforts are frequently being improved.

Research Gap

The most of the previous studies were not on operating aspect of different firms. The previous researches did not focus on the application of profit planning system and made recommendation for the effective implementation of profit planning system.This study so would be of different value as it focused on specific area of overall profit planning i.e. sales budget with special reference to UNL manufacturing enterprises.

It would be a significant step on knowing about the sales budget of Unilever Nepal Limited. The study analyzed the sales budgeting system of the manufacturing industry. This study would be new in the field of Sales budgeting.

CHAPTER – III
RESEARCH METHODOLOGY

3.1 Research Design

The main objective of the study is to analyze the of application of sales planning in Unilever Nepal Limited. For that purpose, the descriptive and quantitative methods were applied.

3.2 Nature and Source of Data

Information is blood of every research. Both Primary and secondary information were used in this study. Primary information was based on questionnaire, informal interview as well as unstructured dialogues and discussions with the officials of Unilever Nepal Limited. Secondary data were collected from the following sources:

- Financial statement of UNL.
- Previous studies made in the subject.
- Published and unpublished articles.
- Annual magazine and reports.
- Personal approach & interview, annual reports of UNL.
- Others relevant data available in this subject area.

3.4 Period Covered

The present study covered time period of five fiscal years for the purpose of trend analysis from the FY 2060/2061 to 2064/2065.

3.4 Research Variables

The research variables of this study related with sales statement of UNL are budgeted and actual sales in units and rupees, sales trend & pricing trend

3.5 Statistical Tools Used

For the analysis of data, various statistical and financial tools such as profitability variance analysis, correlation, regression, percentage graphs, figures, charts, tables, etc. were used depending upon the need.

CHAPTER – IV
DATA PRESENTATION AND ANAYSIS

4.1 Sales Budget of UNL

Sales budget is the foundation of profit planning and control. It is the first plan or budget to be prepared. All other planning are based on it. Sales are the main source of revenues. The sales not only generate revenue but also incur selling cost for this reason. A comprehensive sales planning makes forecast of total sales classified according to group of products, sales territories and geographical locations.

UNL is a multinational company engaged in manufacturing of household consumer goods of daily utilities. UNL has no practice of preparing long-range sales plan. However, short-range sales plan was developed oftenly. The sales territories of the company can be divided into two major groups' domestic sales and export sales. Domestic sales represent 100% of the total marketable goods and export sales represent 0%. The company has sales department but they didn't have expert personnel. Top management fixes prices. They didn't forecast sales nor did they perform market research. Thus UNL didn't have systematic profit planning and control.

The company faced competition in soap and detergent products produced by other, domestic companies. At the very initial stage of production, company had margin of profit. The company sales a major portion of sales against letter of credit. Therefore, the company had no problem of collecting credit amount.

The distribution channel adopted by the company in the earlier years is presented below-

Producer

↓

Consumer
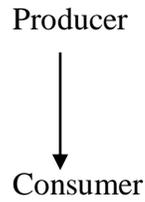
In recent years they are engaged in using distribution channel of: -

Producer

↓

Dealer/Agents

↓

Consumer

4.2 Difference between Budged Sales and Actual Sales

To know about sales trend of past and to forecast for the future, the past year's budgeted sales of UNL & their achievement is presented in the table. The following table and figures shows the budgeted sales and actual sales achievement from the FY 2060/061 to 2064/065

Table 4.1

Sales Budget & Achievement

(Rs. In '000')

Fiscal Year	Budgeted Sales (X)	Actual Sales (Y)	Achievement (%)
2060/061	15,55,909	15,24,901.045	98
2061/062	19,06,126	14,81,560.044	77.72
2062/063	18,26,204	14,34,942.233	78.58
2063/064	19,60,787	18,18,527.500	92.74
2064/065	22,14,640	21,44,589.477	96.83
Average	18,92,733.2	16,80,904.000	88.80

(Source: Annual Report and Sales Department of UNL)

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The above table reveals the differences between the budgeted sales and actual sales. The data clearly shows that there is a moderate fluctuation of sales achievement of UNL. The sales achievement of the FY 2060/061is higher than the other fiscal years, it is 98%. In the FY 2060/061 the budgeted sale target was Rs. 15, 55,909 thousand and actual sales were Rs. 15, 24,901.045 thousand which has recorded 98% of target. The budgeted sales target in the FY 2060/061 are quite satisfactory. The actual sales exceeded 80 percent target meets generally is satisfactory. The FY's 2061/62 & FY's 2062/63 target of UNL were quite low, because of the increasing potential disturbance in the country. The rest of the FY'S target of UNL quite satisfactory. The above table clearly shows that there is the difference between the budgeted and actual sales. It indicates that the company has setup unattainable target by the top management of the company. A bit of deficit and fluctuation of sales achievement to target sales may be due to the lack of adequate knowledge about forecasting. The analysis of the table shows that there is no systematic and scientific sales plan. There is neither increase sales trend to nor to decrease.

The sales budget and achievement are presented in the following figure.

Figure 4.1

Statement of Actual Sales and Budgeted Sales
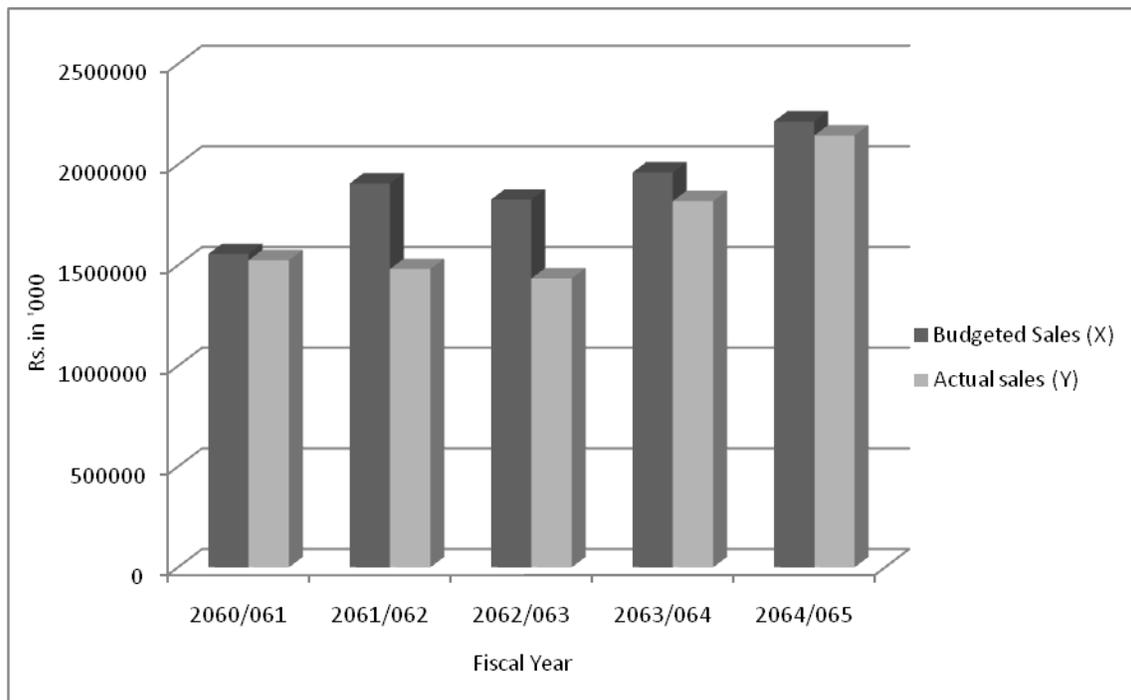
The above figure indicates that the actual sales never met the budgeted sales. In the FY 2060/061 highest achievement of 98% was recorded, in the FY 2061/062 there was a lowest achievement of 77.72%. The other FY's achievements were neither increasing order nor decreasing order. Due to such fluctuating nature of sales trend, it is difficult to project the future potential sales.

4.2.1 Statistical Tools Used

To find out the correlation between the budgeted and actual sales, Karl Pearson's coefficient of correlation 'r' determined. For the purpose of calculation of 'r' budgeted sales (x) are assumed to be independent variable and actual sales (y) are assumed to be dependent variable. The correlation between X & Y variables should be positive. To know the significances of the calculated value of r and probable error PE (r) is calculated below: -

Table 4.2
Statistical Calculation of Budgeted and Actual Sales

(Rs. '00000')

Fiscal year	Budgeted Sales(X)	Actual Sales(Y)	$U=X-\bar{x}$	$V=Y-\bar{y}$	U^2	V^2	UV
2060/061	15559.1	15249.01	-3368.20	-1560.03	11345108.1	2433692.2	5254569.53
2061/062	19061.3	14815.6	133.91	-1993.44	17934.5664	3973801.28	-266961.426
2062/063	18262	14349.422	-665.33	-2459.62	442624.09	6049719.08	1636383.64
2063/064	19607.9	18185.275	680.53	1376.24	463121.081	1894022.78	936569.205
2064/065	22146.4	21445.895	3219.09	4636.85	10362347.3	21500422.2	14926313.7
N=5	$\sum X =$ 94636.70	$\sum Y =$ 84045.20	$\sum U =0$	$\sum V =0$	$\sum U^2 =$ 22631135.08	$\sum V^2 =$ 35851657.49	$\sum UV =$ 22486874.66

I) for Budgeted Sales:-

Mean ($\bar{X}$) = $\dfrac{\sum X}{N} = \dfrac{94636.7}{5} = 18927.34$

Standard deviation (δx) = $\sqrt{\dfrac{\sum U^2}{N}} = \sqrt{\dfrac{22631135.08}{5}} = 2127.4931$

Coefficient of variations (C.Vx) = $\dfrac{\delta x}{\bar{X}}$ X100% = $\dfrac{2127.4931}{18927.34} = 11.2403\%$

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II) For Actual Sales:-

Mean $(\bar{Y}) = \dfrac{\sum Y}{N} = \dfrac{84045.20}{5} = 16809.04$

Standard deviation $(\delta y) = \sqrt{\dfrac{\sum V^2}{N}} = \sqrt{\dfrac{35851657.49}{5}} = \sqrt{7170331.498} = 2677.747$

Coefficient of variations $(C.Vy) = \dfrac{\delta_Y}{\bar{Y}} X100\% = \dfrac{2677.747}{16809.04} = 15.93\%$

Calculation of Correlation Coefficient

r (xy) =

$\dfrac{\sum UV}{\sqrt{\sum U^2 X \sum V^2}} = \dfrac{22486874.66}{\sqrt{22631135.08 X 35851657.49}} = \dfrac{22486874.66}{\sqrt{811363703498083.7492}}$

$= \dfrac{22486874.66}{28484446.69} = 0.78944$

The calculated value of r is 0 .78944 the value of r shows that there is positive correlation between actual and budgeted sales. Increase in the budgeted sales will also increase actual sales or vice versa.

Calculation of probable Error

PE(r) =

$0.6745X \dfrac{1-r^2}{\sqrt{N}} = 0.6745X \dfrac{1-(0.78944)^2}{\sqrt{5}}$

$= 0.6745X \dfrac{1-0.62321}{2.23606} = \dfrac{0.37679}{2.23606}$

$= 0.16850$

The calculated value of probable error is 0.16850 considering probable error PE (r). It is found that the value of r is more then PE (r) i.e. 0 .78944>0.16850 so, it can be concluded that the calculated value of r is significant and actual sales will go in the same direction of the budgeted sales

Table 4.3

Summary of Arithmetic Mean, Standard Deviation, Coefficient of Variation,

Correlation, Probable Error of Budgeted sales and Actual Sales

Statistical Tools	Budgeted Sales (X) Rs. In '00000'	Actual Sales (Y) Rs. In '00000'
Mean ($\overline{X}$)	18927.34	16809.04
S.D.(δ)	2127.4931	2677.747
C.V.	11.2403%	15.93%
r (xy)	0.78944	
P.E.(r)	0.16850	

Since, correlation coefficient only gives the direction of the relationship in the relevant variables; a regression line can also be fitted to show the degree of relationship between the budgeted and actual sales, and forecast the possible actual sales with given budgeted sales.

Then,

Budgeted sales (X) are assumed to be independent and actual sales (Y) is assumed to be Dependent variable.

The regression Line of Y on X

$$(Y - \overline{Y}) = r \frac{\delta y}{\delta x} (X - \overline{X})$$

$$Y - 16809.04 = 0.78944 \frac{2677.747}{2127.4931} X (X - 18927.34)$$

$$Y - 16809.04 = 0.99362 (X - 18927.34)$$

$$Y - 16809.04 = 0.99362X - 18806.58357$$

$$Y = 0.99362X - 18806.58357 + 16809.04$$

$$Y = 0.99362X - 1997.54357$$

$\therefore$ The Regression line of Y on X = 0.99362X - 1997.54357

The regression line shows that positive relationship between budgeted sales and actual sales. It is clear that the actual sales are in increasing trend and actual sales will increase by 0.99362 per one rupee of the budgeted sales.

Least Square Method

Another statistical tool called least square method can also be used to analyze the trend of actual sales and to estimate the possible future sales for given time or year. A straight trend by this method will show the relationship between time or year and actual sales of the every, if sales trends of the previous year continue in the figure. From the above trend equation, the actual sales for the FY 2065/066 can be estimated. The value of X for the FY 2065/066 (Y):

Y= a+bx

Where,

Y= actual sales (Dependent variable)

b= annual rate of growth or slope of trend line

a=Y-intercept

X=time

Fitting straight line trend by least square for actual sales trend and possible future sales of UNL.

Table 4.4

Calculation of Trend

Fiscal Year (X)	Actual Sales(y) Rs in '00000'	$x = X - \overline{X}$	x^2	xy
2060/061	15249.01045	-2	4	-30498.02090
2061/062	14815.60044	-1	1	-14815.60044
2062/063	14349.42233	0	0	0
2063/064	18185.27500	1	1	18185.27500
2064/065	21445.89477	2	4	42891.78954
N=5	Σy= 84045.203	Σx= 0	$\sum x^2 = 10$	Σxy=15763.40000

The Fiscal year 2062/063is assumed as base year. By least square method.

Y= a+bx

Where,

$$a = \frac{\sum x^2 \sum y - \sum xy \sum x}{N \sum x^2 - (\sum x)^2}$$

$$= \frac{\sum x^2 \sum y}{N \sum x^2} \quad (\Sigma \ x=0 \text{ in time series analysis due to the assumed based year})$$

$$\frac{\sum Y}{N} \quad (\sum x^2 \text{ is common in both numerator and denominator}$$

$$a = \frac{\sum y}{N} \dots\dots\dots\dots\dots\dots\dots(1)$$

Again,

$$b = \frac{N \sum xy - \sum x \sum y}{N \sum x^2 - (\sum x)^2}$$

$$\frac{N \sum xy}{N \sum x^2} \quad (\text{Since } \Sigma \ x=0 \text{ in time series analysis due to assume base year})$$

$$= \frac{\sum xy}{x^2} \quad (\text{Since, N is common both numerator and denominator})$$

$$b = \frac{\sum xy}{\sum x^2} \dots\dots\dots\dots\dots\dots(2)$$

Substituting the value in above equations:

$$a = \frac{\sum y}{N} \dots\dots\dots\dots\dots\dots(1)$$

$$a = \frac{84045.203}{5}$$

$$a = 16809.0406$$

Again,

$$b = \frac{\sum xy}{\sum x^2} \ldots\ldots\ldots\ldots\ldots\ldots(2)$$

$$\frac{15763.40000}{10}$$

$$b = 1576.34$$

For fiscal year 2065/066, the value of X will be 3 due to assumed base year.

We have,
Y = a + bx
 Or,

Y= 16809.0406 + 1576.34x

Where,
        X= 3, then

Y= 16809.0406+1576.3 X 3

$$= 16809.0406 + 4729.02$$

$$= 21538.0606$$

Therefore, if the trend does not change, the sales for the FY 2065/066 will be Rs 215 38.06 060

4.2.2 Sales Budget of UNL by Territory

On the basis of territories the total sales of UNL can be categorized into two territories i.e. domestic sales & export sales. The following table presents the actual condition of sales of UNL by territories.

Table 4.5

Actual sales by territories

Fiscal year	Total sales		Growth Units (in %)	Domestic Sales		Growth Units (in %)	Export sales		Growth Units (in %)
	Unit (Tonnes)	Amount (Rs)		Unit (Tonnes)	Amount (Rs)		Unit (Tonnes)	Amount (Rs)	
2060/061	22624	1524901045	22.07	17746	118830306	21.16	4878	259599500	(25.5)
2061/062	21232	1481560044	(6.2)	21232	1481560044	19.6	Nil	-	(100)
2062/063	22409	1434942233	5.54	22409	1434942233	5.54	Nil	-	(100)
2063/064	26974	1818527500	20.37	26974	1818527500	20.37	Nil	-	(100)
2064/065	26243	2144589477	(2.71)	26243	2144589477	(2.71)	Nill	-	(100)

(Source: Annual Report and Sales Department of UNL)

The above Table shows that in the fiscal years 2060/061 the amount of export sales of UNL was higher than the domestic sales. After that there was an export sale. Such a reason because of strong competition in international market as well as in domestic market. In spite of this unfavorable condition of export trade its domestic sales is in increasing trend. In the fiscal year 2063/064 it has increased by 20.37% and in the fiscal year 2064/065 its unit has decreased by 2.71% but amount has increased because of increase in price.

The total sales of UNL in the FY 2060/061 increased but sales decreased in the FY2061/062. The total sales increased from the FY 2062/63 to 2063/64 but from the FY 2064/065 the sales units decreased but sales amount increased in Rs 2144589477.

Total sales of 5 years show that percentage of domestic sales and export sales are 21.16 and (25).19.6 and (100), 5.54 and (100). 20.37and (100). (2.71) and (100) respectively. Thus, we can say that a main market of UNL is domestic market. So that management of UNL should try to promote expected sales by using new techniques.

The following is the trend line representation of actual sales by territories.

Figure 4.2

Statement of Territorial Sales
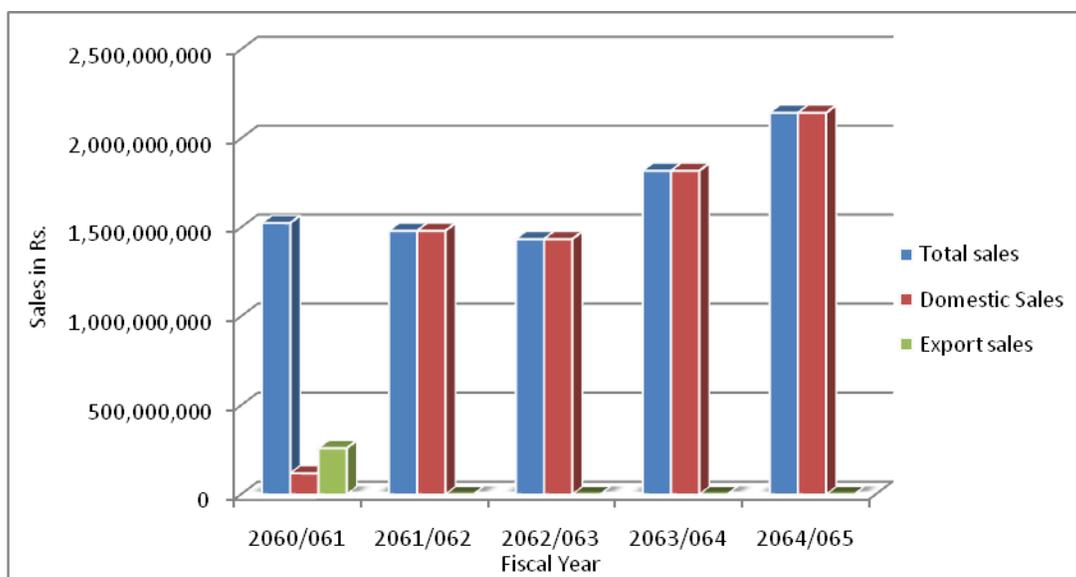
The above figure we can say that the main market of UNL is domestic market, Reason for that is, there are strong competition in international market as well as in domestic market because of Hindustan Unilever Ltd. I have seen Nepalese people prefer Indian product of Unilever rather than Nepalese product of Unilever, because they believe Indian product is good in quality. So I think UNL should focus in quality product rather than quantity product and should try to cover the share of domestic market.

4.2.3 Sales Budget of UNL by Product

On the basis of product the total sales by UNL can be categorized into six products. The following table presents the actual condition of sales of UNL by products.

Table 4.6

Actual Sales by Products

For the year 2064/065

Products	Units(Tonnes)	Prices(Rs)	Amount(Rs)
Detergents/scourers/Laundary	17917	37128.56	66,52,32,413
Toilet soaps	5902	121141.44	71,49,76,805
Personal products	2424	315338.39	76,43,80,259
Soap Noodles	-		-
Tea	-		-
Vanaspati	-		-
Total	26243	-	2,14,45,89,477

(Source: Annual Report and Sales Department of UNL)

The above Table shows that the Product wise sales budget of UNL for the fiscal years 2064/065.The sales of product Detergents/scourers/Laundary is higher than other product (i.e 17,917 Tonnes). In this Year only sold of Detergents/scourers/Laundary, Toilet soaps & Personal products but not sold of Soap Noodles, Tea & Vanaspati.

4.3 Comparison of Actual Sales with Operating Profit / (Loss) of the UNL

Profit is the excess of revenue earned over its costs. To increase the profit means therefore to increase the revenue or to reduce the cost by not cutting down the cost rather to increase the efficiency of cost. To earn maximum profit with optimum resource is the main objective of any organization. Profit so highly depends on the sales turnover. The sales and operating profit/ (loss) of the UNL is tabulated as here under: -

Table 4.7

Sales and Operating Profit/ (Loss)

Fiscal year	Sales (Actual)	% Change in sales	Operating profit/loss	Operating profit ratio	%Change in Operating profit
2060/061	1524901045	22.51	190321516	12.48	42.51
2061/062	1481560044	(2.84)	248265166	16.75	30.45
2062/063	1434942233	(3.15)	304656507	21.23	22.71
2063/064	1818527500	27	345564838	19	13.43
2064/065	2144589477	17.92	433121739	20.19	25.34

Note: Operating profit ratio $= \dfrac{\text{Operating profit}}{\text{sales}} X100$

The above table shows that there is fluctuation in the actual sales as well as the operating profit and loss. In the FY 2061/062 and 2062/063 the actual sales is negatively fluctuated because actual sales are in decreasing order till the FY 2062/063 from the FY 2060/061,but operating profit is in increasing order every year, but ratio of operating profit/loss is increasing and decreasing. So, this is zigzag, not in the same ratio. In the FY 2061/062 & 2062/063, operating profit/loss isn't negatively fluctuated but decreasing, as the matter of fact when actual sales positively fluctuate by 27percent, the operating profit ratio also fluctuate by 21.23 to 19 percent. The sale's increasing rate is higher than Operating profit/loss's increasing rate in the FY 2063/064, but sales increasing rate is less than Operating profit/loss increasing rate in the FY 2064/065.

4.3.1 Statistical Tools Used

Table 4.8

Calculation of Correlation Coefficient of Actual Sales

with Operating Profit /Loss

(Rs '00000')

Fiscal year	Actual Sales(X)	Operating profit/loss (Y)	$U=X-\overline{X}$	$V=Y-\overline{Y}$	U^2	V^2	UV
2060/061	15249.01045	1903.21516	-1560.03015	-1140.6444	2433694.07	1301069.58	1779439.61
2061/062	14815.60044	2482.65166	-1993.44016	-561.20787	3973803.67	314954.273	1118734.31
2062/063	14349.42233	3046.56507	-2459.61827	2.70554	6049722.03	7.31994669	-6654.5956
2063/064	18185.275	3455.64838	1376.2344	411.78885	1894021.12	169570.057	566717.981
2064/065	21445.89477	4331.21739	4636.85417	1287.35786	21500416.6	1657290.26	5969290.66
N=5	$\sum X =$ 84045.20299	$\sum Y =$ 15219.29766	$\sum U =0$	$\sum V =0$	$\sum U^2 =$ 35851657.5	$\sum V^2 =$ 3442891.49	$\sum UV =$ 9427527.96

Assumed: X = Actual sales and independent variables

Y = Operating profit/ (loss), dependent variables

$\overline{X}$ = Actual mean for actual sales

$\overline{Y}$ = Actual mean for operating profit/ (loss)

U= X- $\overline{X}$

V= Y- $\overline{Y}$

r = correlation

N= Numbers of years

Calculation of mean, Standard Deviation and Coefficient of variation for actual sales:

I) For actual sales:

Mean ($\overline{X}$) = $= \dfrac{\sum X}{N} = \dfrac{84045.20299}{5} = 16809.04$

Standard deviation (δx) = $\sqrt{\dfrac{\sum U^2}{N}} = \sqrt{\dfrac{35851657.50}{5}} = \sqrt{7170331.498} = 2677.747$

Coefficient of variations (C.Vx) = $\dfrac{\delta x}{\overline{X}} X100\% = \dfrac{2677.747}{16809.04} X100 = 15.93\%$

II) For operating profit and loss:

Mean ($\overline{Y}$) = $\dfrac{\sum Y}{N} = \dfrac{15219.29766}{5} = 3043.859532$

Standard deviation (δy) = $\sqrt{\dfrac{\sum V^2}{N}} = \sqrt{\dfrac{3442891.49}{5}} = \sqrt{688578.298} = 829.80618$

Coefficient of variations (C.Vy) = $\dfrac{\delta_Y}{\overline{Y}} X100\% = \dfrac{829.80618}{3043.859532} X100 = 27.26\%$

We have,

Calculation of correlation coefficient

r (xy) =

$$\dfrac{\sum UV}{\sqrt{\sum U^2 X \sum V^2}} = \dfrac{9427527.96}{\sqrt{35851657.5 X 3442891.49}} = \dfrac{9427527.96}{\sqrt{123433364787698.93}}$$

$$= \dfrac{9427527.96}{11110056.9209} = 0.84855$$

The calculation value of r is 0.84855 .The value of r shows that there is positive correlation between sales and profit / (loss). Increase in actual sales also increase profit / (loss) or vice versa.

4.4 Relation between Actual Sales and Net Profit

Table 4.9

Relation between Actual Sales and Net Profit

(Rs in '00000')

Fiscal Year	Actual Sales (Rs.)	% Deviation on Average Sale	Net Profit	% Deviation on Average Net Profit
2060/061	15249.01045	(9.28089)	1407.82744	(39.64687)
2061/062	14815.60044	(11.85933)	1891.99474	(18.89077)
2062/063	14349.42233	(14.63271)	2381.56507	2.09694
2063/064	18185.275	8.18746	2630.64838	12.77507
2064/065	21445.89477	27.58547	3351.21739	43.66563
Average	16809.0406		2332.6506	

(Source: Annual Report and Sales Department of UNL)

Note1: % Deviation on average sale =

(Actual Sales – Average sales)/Average Sales X 100

Note2: % Deviation on average Net profit =

(Actual Net profit – average Net Profit)/Average Net profit X 100

The above table shows the relation between Actual sales and net profit from the FY 2060/061 to FY 2064/065. From the above table, it is observed that the average sales and Average net profit during the study period are Rs. 16809.0406 and Rs. 2332.6506 Lakh respectively.

Similarly, the above table shows the percentage deviation of sales and net profit over the study period. The highest positive deviation from the average sales is 27.58547 percent in the FY 2064/065 and the highest positive deviation from an average net profit is 43.66563 percent in the FY 2064/065.

The highest negative deviation from on average sales is (14.63271) percent in the FY 2062/063 and the highest negative deviation from an average net profit is (39.64687) percent in the FY 2060/061.

From the above analysis, it is observed that sales and net profit were fluctuating during the study period. Therefore, there is no specific policy of management on sales and net profit.

4.5 Production Plan of UNL

UNL prepares the production budget by interim time period but it does not prepare this budget by products. At present UNL has the licensed capacity of 81191 tonnes. The company has sufficient capacity to produce goods to fulfill the demand of sales. The overall production responsibility of production is upon production department. The department manager prepares the production budget based upon the adequacy or availability of raw material and sales trend. UNL has no practice to develop strategic long-range production plan. There is no record of previous years regarding budgeted production. The company has tried to develop short-range production plan since the year2051/052.

4.5.1 Comparison between Actual sales & Actual Production

All goods are produced with a motive to sell. There is no matter if the budgeted production is not achieved but it is most important that sales should meet production. Therefore here past actual sales are analyzed with actual production.

Table 4.10

Comparison between Actual sales & Actual Production

(In Tonnes)

Fiscal Year	Actual Sales	Actual Production	Sales Achievement (In %)
2060/061	22624	22781	99.51
2061/062	21232	21644	98.09
2062/063	22409	22806	98.26
2063/064	26974	26875	100.37
2064/065	26243	26294	99.80

(Source: Annual Report and Sales Department of UNL)

Note: Sales Achievement = (Actual sales /actual Production)X100

The above table represents the actual production and actual sales made by UNL. Except in the fiscal year 2063/064 it does not secured more than 100% achievement in actual sales. It has fluctuation in sales over the period of five years.

We can present the actual sales and actual production more effectively by following trend line.

Figure 4.3

Statement of Actual Sales and Actual Production
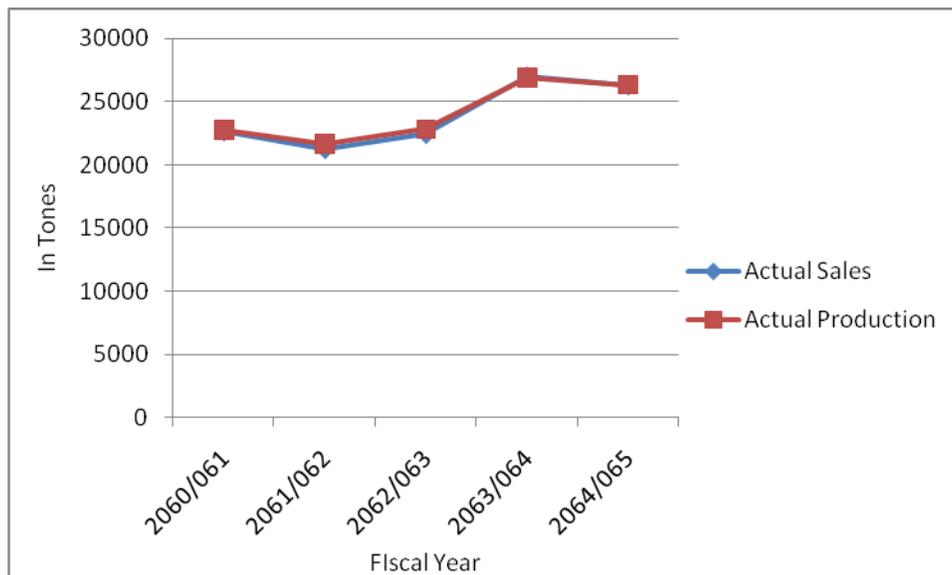
The above figure shows that the trend of actual sales and actual production. The graphical presentation indicates that the few gap between actual sales and actual production. In the FY 2063/064 the gap between actual sales and actual production is very high. In the FY 2061/062 a small gap between actual sales and actual production as compared to the other years. in the figure we can see that both actual sales and actual production are in zigzag order.

Table 4.11

Summary of Mean, Standard Deviation, Coefficient of Variation of Actual Production and Actual Sales

Statistical tools	Actual sales (in Tonnes)	Actual Production (in Tonnes)
Mean	23896.4	24080
Standard Deviation	7198.40	2095.63
Coefficient of variation	30.12%	8.70%

(Sources: Appendix – 1)

The above table represents that actual production are more variable than actual sales. Efficiency and effectiveness of any management organization can be interpreted by its sales achievement. Sales must be increased as per the increase in production. The correlation of coefficient is calculated to find out the relation between actual production and actual sales. Here, Karl Pearson's formula is used to calculate correlation coefficient, which is denoted by r. X is denoted for actual sales and Y is denoted for actual production to be independent variable. The calculation is shown in Appendex-1 the value of r from appendix is 0.99.

The value of X depicts the positive correlation between actual sales and actual production. This value indicates that there is a high degree of positive correlation between actual sales & production.

The significance of r is tested by the help of probable error or r from Appendex-1. We have, PE equal to 0.0060. The value of r is definitely significant since r is greater than PE 0.99>0.0060).

4.6 Identification of Cost Variability

Another important aspect of management in comprehensive profit plan is identification of cost is variable or fixed. Thus the knowledge of cost behavior is very important. In manufacturing concern cost is classified in two types. First is variable cost, which changes with the behavior and output of production. It changes proportionately with the changes in output. But per unit cost remains constant in total and is calculated in yearly basis or for a certain fixed period. Variation in output does not affect this cost. There are some other types of cost classified as semi-variable cost, which are, nor variable neither fixed. They posses some characteristic of both fixed and variable.

Cost classification plays most important role in profit planning and control. It helps for the strategy formulation by the management in response to production and return. It fragments the cost based on its nature and helps to the industry to run in profitability. But UNL has not mentioned any clear-cut boundaries about cost classification as fixed and variable since last five years. It does not use scientific method to classify the cost. The classification of expense into fixed and variable provided by UNL production Department for all products is presented below:

Table 4.12

Cost Classification of UNL

Particular	Nature of cost
Raw material consumed	Variable
Packing material cost	Variable
Labor cost	Variable
Utilities	Variable
Depreciation	Fixed
Interest	Fixed
Rent	Fixed
Staff Bonus	Fixed
Processing charges	Variable
Transportation of Employees	Variable
Quality charges	Variable
Repairs & Maintenance	Variable
Administration OH	Fixed

Distribution and Advertisement	Fixed

(Source: - Production Department of UNL)

4.7 Cost Volume Profit Analysis

Manufacturing enterprise always wishes to produce and sell a product till sales revenue at least equals marginal cost plus fixed cost. Marginal costs are always connected with volume and vary directly and proportionately with variations in volume. On the other hand fixed costs remains constant and is not affected by the change in volume of production. Thus the amount of profit in every manufacturing enterprise depends upon volume of production and its cost. Thus we see that there is a close relationship between volume-cost and profit. When is to establish this relationship that process is known as CVP analysis. here, CVP analysis is accepted as the most significant tool of profit planning and control.

The CVP analysis of UNL is based on the following assumptions:

- Cost Volume Structure is based on the accounting data of FY 2064 /065.
- Changes in inventories are disregarded while computing the CVP ingredients.
- Non operating incomes and non operating expenses are also excluded from CVP relationship
- Selling prices & variable costs are assumed to be remain constant
- Consumptions are making on total basis not product wise.

Cost Volume Profit Analysis of UNL, based on FY 2064/065

1) Variable Cost- Volume Ratio (V.V. Ratio)

This ratio shows the proportion of variable cost to each Amount of sales revenue

V.V. ratio can be achieved by using the following formula

V.V. ratio=

$$\frac{\text{Total Variable cost (Rs)}}{TotalSales(Rs)} = \frac{\text{Total material consumed} + \text{total manufacturing expenses}}{\text{Total Sales (Rs)}}$$

$$\frac{1,19,67,41,307 + 19,08,38,305}{2,14,45,89,477} = \frac{1,38,75,79,613}{2,14,45,89,477} =$$

$$= 0.64\,70$$

65

= 64.70%

2) Profit -Volume Ratio (P.V. Ratio)

This ratio shows the proportion of Contribution Margin and Sales.

 P.V. ratio can be calculated by using the following formula.

PV ratio = 1-V.V.ratio = 1-0.64 70

$$=0.353 \qquad = 35.30\%$$

3) Break Even Point (BEP)

BEP gives the level of production at which the company runs in the condition of no profit no loss.

Break even point can be calculated by using the following formula:

$$\text{BEP (in unit)} = \frac{\text{Fixedcost}}{\text{Contributi on Margin per Unit}} = \frac{5,28,10,308}{\text{Rs}28,846.16} = 1830.75 \, \text{Tonnes}$$

Where,

$$\text{Contribution Margin per unit} = \frac{\text{CM}}{\text{Sales unit}} = \frac{\text{Total sales - Total Variable cost}}{\text{Sales Unit}}$$

$$= \frac{2,14,45,89,477 - 1,38,75,79,613}{26243} = \frac{757009864}{26243} = 28846.16$$

CMPU = Rs28,846.16

$$\text{BEP (in Rs)} = \frac{\text{Fixedcost}}{\text{P.V Ratio}} = \frac{5,28,10,308}{0.3530} = \text{Rs}149604271.95$$

BEP (in Rs) = Rs 149604271.95

The result of BEP in Rs. 149604271.95 shows that if the UNL maintains the sales volume at that particular level it can recover its fixed operations cost by contribution margin.

4.8 Profit and Loss A/c Trend of UNL

Profit earning is an owner responsibility of management. All strategies are made to earn profit by the organization. It is major element of any firm. It is the base for survival and

reason for the establishment of any firm. Profit and loss A/c of UNL is summarized below on the basis of P & L A /C of UNL. (P&L is shown in Appendix -2)

Table 4.13

Profit or Loss Trend in UNL

Fiscal Year	Profit (Loss)	% Change based on previous year
2060/061	14,07,82,743	51.10
2061/062	18,91,99,472	34.39
2062/063	26,55,33,041	40.34
2063/064	26,30,64,837	(0.92)
2064/065	335121739	27.39

(Source: Annual Report of UNL)

Note: % Change based on previous = (Current year profit – Previous year profit)/Previous year X100

The above table shows that the net profit and loss pattern of UNL. The profit trend of UNL has fluctuation over the period of 5 years. It has earned highest profit in the FY 2064/065. In the FY year 2063/064 it has decreased by (0.92) percent as compared to previous year. Here we can see management must be sincere to decrease profit.

We can present the above P/L figure more effectively by following trend line.

Figure 4.4

Trends of Profitability
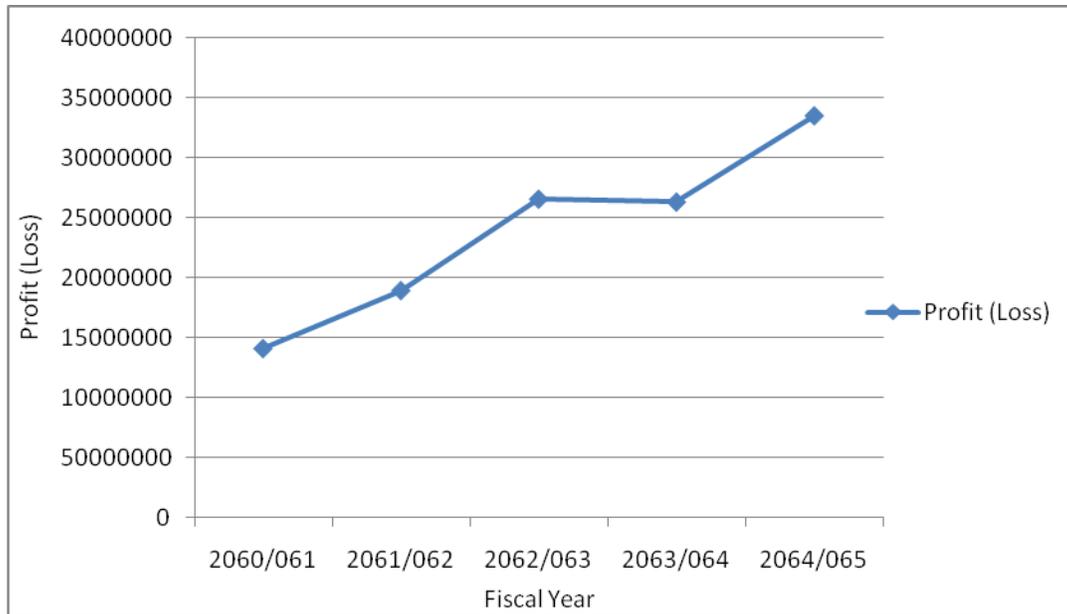
Statistical tool least square method is used to analyze and examine the trend of net profit to forecast the possible future profit for a given time. A straight line trend by this method will show the relationship between time and actual profit of the relevant year. In this method it is assumed that profit is consistently changed with the change in time.

4.9 Income Statement

Income statement contains expenses and revenue for the certain period. It provides the information about cost of sales, operating expenses, non operating expenses, operating incomes and non incomes. The main objectives of preparing incomes statement is to known about net income or net loss of an accounting year. Income statement of five years is shown in Appendix-2

4.9.1 Comparison of Sales with Cost of Sales & Other Expenses

Cost of sales includes total material consumed, total work in progress and total other manufacturing expenses. Other expenses includes Housing Fund, Administrative OH, Advertisement &Promotional exp, Distributions cost, Provision Bonus, Preliminary expenses & loss on the sales of fixed assets.

Table 4.14

Comparison of Sales, Cost of Sales and Other Expenses

68

Fiscal Year	Sales (Actual)	% Change in sales	Cost of Sales	Cost of Sales Ratio (%)	Other Expenses	Other Expenses Ratio (%)
2060/061	1524901045	22.51	96,91,08,810	63.55	38,77,73,903	25.42
2061/062	1481560044	(2.84)	93,78,17,684	63.56	32,90,91,459	22.21
2062/063	1434942233	(3.15)	94,02,36,391	65.52	23,80,01,307	16.58
2063/064	1818527500	27	1,28,16,20,007	70.47	27,80,62,510	15.29
2064/065	2144589477	17.92	1,37,02,11,891	63.89	39,55,16,388	18.44

(Source: Annual Report and Sales Department of UNL)

Note: - Cost of sales ratio $= \dfrac{\text{Cost of sales}}{\text{sales}} X100$

- Other expenses ratio $= \dfrac{\text{Other expenses}}{\text{sales}} X100$

The above table shows that there is fluctuation in the actual sales as well as the cost of sales & other expenses. In the FY 2061/062 and 2062/063 the actual sales is negatively fluctuated because actual sales are in decreasing order till the FY 2062/063 from the FY 2060/061, but ratio of cost of sales & other expenses is increasing and decreasing. So, this is zigzag, not in the same ratio. Cost of sales ratio is increasing but other expenses ratio is decreasing order till the FY 2063/064 from the FY 2060/061. When the actual sales positively fluctuate by 27 percent, the cost of sales ratio also fluctuates by 65.52 to 70.47 percent & other expenses by 16.58 to 15.29 percent. The sale's increasing rate is lower than cost of sales increasing rate and higher than other expenses increasing rate in the FY 2063/064, but sales increasing rate is less than other expenses increasing rate in the FY 2064/065.

4.10 Cash Flow Statement of UNL

Cash flow statement shows the cash and liquidity position of any organization. The planning and control of inflow and outflow, and the related financing is important in all enterprise. Cash flow statement is of great importance to both financing and investing activities of a business enterprise and the consequent changes in its financial position for a period. Cash flow of three years is shown in Appendix-3

4.10.1 Comparison of Actual Sales with Operating Cash Flow

Cash flow from operating activities are primarily derived from the principal revenue producing activities of the enterprise. To increase the operating cash flow means therefore to increase the revenue or to reduce the cost by not cutting down the cost rather to increase the efficiency of cost. To earn maximum operating cash flow with optimum resource is the main objective of any organization. Operating cash flow depends on the sales turnover. The sales and operating cash flow of the UNL is tabulated as here under: -

Table 4.15

Sales & Operating Cash flow

Fiscal year	Sales (Actual)	% Change in Sales	Operating Cash flow	Operating Cash Flow Ratio (%)	Change in Operating Cash Flow (%)
2062/063	1434942233	(3.15)	20,61,54,571	14.36	30.02
2063/064	1818527500	27	25,06,07,550	13.78	21.56
2064/065	2144589477	17.92	23,25,13,451	10.84	-7.22

(Source: Annual Report of UNL)

Note: Operating Cash Flow Ratio $= \dfrac{\text{Operating Cash Flow}}{\text{Sales}} \times 100$

The above table shows that there is fluctuation in the actual sales as well as the operating cash flow. In the FY 2062/063 the actual sales is negatively fluctuated because actual sales are in decreasing order till the FY 2062/063 from the FY 2060/061,but operating cash flow is in increasing order till the FY 2063/064 & after decreasing but ratio of operating cash flow is decreasing. So, this is zigzag, not in the same ratio. The sale's increasing rate is higher than Operating cash flow increasing rate in the FY 2063/064 & 2064/065, but sales increasing rate is less than Operating cash flow increasing rate in the FY 2062/063.

4.11 Analysis of Primary Data

The primary data were collected from 10 managerial staff of UNL. Out of 10 Respondents, 6 respondents responded. The structured questions were given to them. The responses have become much helpful to know about the opinion of the managerial staff and their view about the budgeting system, especially sales budgeting system.

The analysis of primary data depicts these conclusions: -

- 100 percent of the respondents think that high level is responsible for budget preparation of UNL.

- 100 percent of the respondents think that is the wages payment system of UNL should be on monthly basis.

- 100 percent of respondents gave their opinion that UNL purchased the raw materials from the Domestic and International market both.

- 100 percent respondents replied that the company has flexible production policy.

- 100 percent of the respondents think that the responsible person for sales forecasting is the sales manager.

- 84 percent of the respondents think that market studies were method used for sales forecasting. Rest 16 percent of the respondents thinks that statistical method were used for sales forecasting.

- 100% of the respondents think that sales budget is prepared on product wise basis.

- 60 percent of the respondents think that the cost plus pricing method used. Rest 40 percent of the respondents opinions that market oriented pricing method was used.

- 85 percent of the respondents think that consumer promotion criteria was used for sales promotion. Again 15 percent gave their opinion that sales promotion was used.

- 100 percent of the respondents think that the local market is the main market for the company's product.

- 100 percent of the respondents think that the sales were on cash and credit.

- All the respondents are very much ready to help for better future of UNL

4.12 Major Findings

The major findings of this study are drawn on the basis of primary and secondary data which are as follows: -

- The company did not have practice of preparing sales budget although there was tentative sales budget.

- The Actual sales were below the budgeted sales (i.e. Rs 16,80,904 < Rs 18,92,733.2)

- The correlation between the budgeted and actual sales showed a positive correlation (i.e. 0.78944). It means that the company can meet its sales goals as specified in annual program.

- There was no cost classification system in the company. The costs were not segregated into fixed and variable in systematic manner.

- The company has no practice of systematic sales forecasting. Sales forecasting is not based on realistic approach. It has no practice of using statistical techniques in sales forecasting.

- Sales territories of UNL can be divided into domestic and export sales. From the FY 2061/062, the domestic sale were 100% of total sales and export sales were nil.

- Mainly 8 different types of consumer product lines were produced by UNL

- The company has also given the priority to rural market by packing the product in mini packets affordable to the rural citizens.

- UNL has no planning department. So it can be said that no proper practice of profit plan has been exercised in UNL.

- Net profits earned by UNL were fluctuating trend. Net profit earned in the FY 2064/065 has increased by Rs 720.56901 lakhs as compared to the previous fiscal year.

- The average credit collection period is 10 to 15 days against letter of credit.

- Both the production and sales are fluctuating over the period of 5 fiscal years.

- Internal and external variables providing opportunities, threats and strength and weakness are not identified by the top management.

- The final products of the organization are made available to the consumer in three steps i.e. Producer ------- Dealer ------ consumer.

CHAPTER - V

SUMMAR Y, CONCLUSION AND RECOMMENDATIONS

5.1 Summary

A business firm is rational economic agent. The rationality refers to maximization of profit. Profit is the excess of revenue earned over its cost. To increase profit, a firm should increase the revenue or reduce the cost or both simultaneous. The maximization of profit by running organization in much efficient way is the sole goal of business organization. The generation of profit with allocation of optimum resource is the main objective of profit planning study.

Profit planning represents an overall operation. It covers a definite period of time. Profit plans are prepared in two dimensions; strategic long range plan covering a period of five to ten years and tactical short range plan for a year detailed by interim time periods. A sales budget reduces the uncertainties of future revenue and is the cornerstone of preparing all the other budgets. All budget except sales budgets are related with cost. On the basis of sales budget, production budget or planning is made. The production planning depends on the capacity of the plant. And all other functional budgets are prepared on the basis of the production budget.

Nepal is a land-locked country. It is fully dependent upon the agriculture sector. The country is back ward in Industrial sector. Thus, industrial sector must be developed for economic development of the country. Nepal has started economic planning for economic development from 2013 B.S. after launching first five year plan in 2013 B.S. Industrial policy was formally announced in 1957.Because of the different shortcomings to this the new industrial policy was declared in 1992 to attract the FDI the foreign investment, Nepal Lever Limited (Now Unilever Nepal Limited) is the one formed as the subsidiary companies of Unilever Group of company of England.

UniIever Nepal Limited, a leading manufacturing company in Nepal is a pioneering company. UNL is a large scale enterprise established with a motive to serve Nepalese consumer by producing various commodities required for their daily use such as detergents, toothpaste, skin cream etc. UNL was registered in the year 1992(In the name of Nepal Lever limited and now change its name and used the name Unilever Nepal Limited) and production started in the year 1994. The total capital employed by the company is Rs.300million Nepalese currency. The annual production capacity of the company is 38,000 metric tones.

The basic objectives of the present study are to analyze the current practices and application of sales budgeting system and its impact on profitability of UNL. For this purpose the data of five FY 2060/061 to 2064/065 were taken. Both primary and secondary data mainly research done previously and the annual report of the company were also used in this study. The data were analyzed with the help of various statistical techniques like mean, standard deviation, percentage, graph, correlation, regression, coefficient of variance, probable error, time series analysis and financial tools like BEP analysis, ratio analysis are used. From the analysis of sales budget and actual sales reports of the UNL, it was found that the actual sales were always less than the budgeted sales.

5.2 Conclusion

Analysis and study of the practice of sales budget of UNL helped a lot to draw the following conclusion.

UNL has not practiced systematic & scientific sales budgeting and was not practicing profit planning. The Company did not prepare strategies and policies for long term. Even though it has mentioned clear objective of serving people everyday and everywhere, it was not in implementation. UNL tried to achieve social needs of the common people by organizing various programs. UNL has not used statistical tools in sales forecasting. Regression equation about budgeted sales & actual sales indicated positive correlation between the budgeted and actual sales. Production cost in UNL was not segmented into products and departments. UNL was unable to maintain a proper coordination, among

various departments. The company has ignored the environmental factors and it has also not adequately considered controllable and non-controllable variables affecting the company's profit. Moreover, the company has detected analysis of the strengths, weakness and. threats. The study has attempted to show the strength and weakness of UNL. UNL failed to discharge the corporate social responsibility and could not make public interest expenditure on the sales related promotional activity. Some of the raw materials were purchased from the international market. So the products costs were too high. Production policy was not stable. Flexible production policy has increased the cost of production. There was no definite target to earn profit.

Strengths:
- Availability of raw material
- Sufficient manpower
- Non-polluted environment
- Despite of different difficult situation, the company has achieved a satisfactory sale target.

Weakness/Threats:
- High cost of local raw material
- Lack of participatory management
- Lack of autonomy
- Tough competition in local market

5.3 Recommendations

Based on the major findings of the study of sales budgeting of UNL some suggestions were made. It seems necessary to develop, implement and improve the process of preparing sales budget. It is hoped that these recommendations will prove useful for the management if being brought into effective.

- UNL must classify the cost according to departments and products. So the return of each product and department can be evaluated.

- Lower level management participation should be encouraged for decision making in UNL. UNL should hire qualified and technical manpower to utilize its idle capacity.

- The annual report of UNL shows that the top executives are frequently changed, due to which overall work became difficult. So for a positive performance it is required to appoint the top executives for a specific period. These executives should make plan on the prevailing environment.

- There must be a separate planning department and the experts should be appointed for making plans. The company has to adopt the certain planning procedure. Both the long term as well as the short term plan should be prepared and the proper evaluation and analysis must be done frequently.

- The company needs to follow certain strategy to increase the export sales.

- UNL should made detail analysis of the company's strength and weakness. It should try to overcome its weakness by using the strengths.

- Sales forecasting should be made after analyzing all variables that effect the market of the company, effective promotional program should be introduced to increase sales.

- UNL should implement profit planning, in all the areas. It should timely evaluate its relevant variables and besides, organization adaptation, responsibility accounting, full communication realistic expectation; time dimensions, flexible application, behavioral view point and follow up program should be made more effective.

- MBO i.e. management by objective technique should be followed with coordination and cooperation with all levels of personnel of all the departments.

- UNL should have the competitive pricing policy according to the market situation to increase the, market share.

- UNL should develop its overhead budget in a well-classified and scientific way. All expenses related with production and purchase should be included in manufacturing overhead and similarly, administrative overhead and selling and distribution overhead should be categorized systematically.

- UNL should apply feedback mechanism to control overall activities.

- The Company lacks the adequate expense on sales related research and development. It is recommended that certain amount of profit should be, allocated for the sales promotional research and development.

- The company should develop a policy to earn certain profit in a specific period.

- Profit planning manuals should be communicated from top to lower levels.

- A reliable cash collection policy should be developed. It will reduce bad debts and increase profit.

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Calculation of Mean, Standard Deviation and Coefficient of Variation of Actual Sales with Actual Production

(In tons)

Fiscal year	Actual Sales(X)	Actual Production (Y)	$U=X-\bar{x}$	$V=Y-\bar{y}$	U^2	V^2	UV
2060/061	22624	22781	-1272.4	-1299	1619001.76	1687401	1652847.6
2061/062	21232	21644	-2664.4	-2436	7099027.36	5934096	6490478.4
2062/063	22409	22806	-1487.4	-1274	2212358.76	1623076	1894947.6
2063/064	26974	26875	3077.6	2795	9471621.76	7812025	8601892
2064/065	26243	26294	2346.6	2214	5506531.56	4901796	5195372.4
N=5	$\sum X =$ 119482	$\sum Y =$ 120400	$\sum U =0$	$\sum V =0$	$\sum U^2 =$ 25908541.2	$\sum V^2 =$ 21958394	$\sum UV =$ 23835538

Assumed

X = Actual sales and independent variables

Y = Actual production and dependent variables

$\bar{x}$ = Actual mean for actual sales

$\bar{y}$ = Actual mean for Actual production

$U=X-\bar{x}$

$V=Y-\bar{y}$

N= Numbers of years

Calculation of mean, Standard Deviation and Coefficient of variation for actual Sales:

1) For actual sales:

Mean ($\bar{X}$) = $\dfrac{\sum X}{N} = \dfrac{119482}{5} =$ **23896.4**

Standard deviation (δx) = $\sqrt{\dfrac{\sum U^2}{N}} = \sqrt{\dfrac{25908541.2}{5}} =$ **7198.40**

Coefficient of variations (C.VX) $= \dfrac{\delta x}{\overline{X}} \times 100\% = \dfrac{7198.40}{23896.4} \times 100 = \mathbf{30.12\%}$

II) For Actual Production:-

Mean $(\overline{Y}) = \dfrac{\sum Y}{N} = \dfrac{120400}{5} = 24080$

Standard deviation $(\delta y) = \sqrt{\dfrac{\sum V^2}{N}} = \sqrt{\dfrac{21958394}{5}} = \sqrt{4391678.8} = 2095.63$

Coefficient of variations (C.Vy) $= \dfrac{\delta_Y}{\overline{Y}} \times 100\% = \dfrac{2095.63}{24080} \times 100 = 8.70\,\% \; \%$

Calculation of correlation coefficient

r (xy) =

$$\dfrac{\sum UV}{\sqrt{\sum U^2 X \sum V^2}} = \dfrac{23835538}{\sqrt{25908541.2 X\, 21958394}} = \dfrac{23835538}{\sqrt{568909955634832.8}}$$

$$= \dfrac{23835538}{23851833.38} = 0.99$$

Calculation of probable Error (PE) of coefficient of correlation

PE(r) =

$$0.6745 \times \dfrac{1-r^2}{\sqrt{N}} = 0.6745 \times \dfrac{1-(0.99)^2}{\sqrt{5}}$$

$$= 0.6745 \times \dfrac{1-0.9801}{2.23606} = \dfrac{0.01342255}{2.23606}$$

$$= 0.006$$

Appendix-II

Income Statement of Unilever Nepal Limited

Particulars	2060/061	2061/062	2062/063	2063/064	2064/065
Sales	**1,52,49,01,045**	**1,48,15,60,044**	**1,43,49,42,233**	**1,81,85,27,500**	**2,14,45,89,477**
Less: Cost of sales	96,91,08,810	93,78,17,684	94,02,36,391	1,28,16,20,007	1,37,02,11,891
Gross profit	**55,57,92,235**	**54,37,42,360**	**49,47,05,842**	**53,69,07,493**	**77,43,77,586**
Less: Other Expense					
Housing Fund	2,54,73,529	1,49,53,186	-	-	-
Administrative OH	4,35,87,279	3,69,76,294	3,60,68,993	4,36,39,605	5,28,10,308
Advertisement &Promotional exp	25,00,88,253	20,33,24,291	17,05,33,185	15,73,88,895	25,11,88,507
Distributions cost	4,63,21,659	4,02,23,424	2,73,76,534	3,75,36,753	4,82,05,399
Provision Bonus	2,15,31,416	2,84,11,083	3,04,65,651	3,45,56,484	4,33,12,174
Preliminary expenses	-	-	-	-	-
Profit/ loss on the sales of fixed assets	7,71,767	52,03,181	9,33,478	49,40,773	-
Total	**38,77,73,903**	**32,90,91,459**	**23,80,01,307**	**27,80,62,510**	**39,55,16,388**
Less: Other Income	2,75,51,752	4,28,13,708	7,71,18,331	8,77,79,312	5,43,89,596
Net total other expenses	36,02,22,151	28,62,77,721	16,08,82,976	19,02,83,198	34,11,26,792
Earning before interest & taxes (EBIT)	**19,55,70,084**	**25,74,64,639**	**33,38,22,866**	**34,66,24,295**	**43,32,50,794**
Less: Interest	17,87,341	17,65,167	17,89,825	10,59,458	1,29,055
Earning before taxes(EBT)	**19,37,82,743**	**25,56,99,472**	**33,20,33,041**	**34,55,64,837**	**43,31,21,739**
Less: Tax	5,30,00,000	6,65,00,000	6,65,00,000	8,25,00,000	9,80,00,000
Earning after taxes(EAT)	**14,07,82,743**	**18,91,99,472**	**26,55,33,041**	**26,30,64,837**	**33,51,21,739**
Number of Share outstanding	9,20,700	9,20,700	9,20,700	9,20,700	9,20,700
Earning per share (EPS)	**152.9084**	**250.4952**	**288.4034**	**285.7226**	**363.9836**

Appendix-III

Cash flow Statement of UNL

	Fiscal year		
	2062/063	2063/064	2064/065
A. Cash flow From operational statement: Net Income (Loss) prior to Income tax and extra ordinary income tax expenditure	23,81,56,507	26,30,64,838	33,51,21,739
Adjustments *Add:-*			
-Depreciation	1,95,81,408	1,95,17,262	2,06,50,892
-Interest	17,89,825	10,59,458	1,29,055
-provision	8,15,27,835	5,09,92,951	10,42,42,933
-Loss in sale of fixed assets	9,33,475	49,40,773	-
Cash flow prior to change in working capital	**34,19,89,053**	**33,95,75,282**	**46,01,44,620**
Change in working Capital			
-Decrease (Increase) in current assets	(5,08,31,073)	(2,21,33,323)	12,40,31,516
-Increase (Decrease) in current liabilities	(1,69,28,343)	1,51,75,048	16,70,598
-Interest payments	(17,89,825)	(10,59,458)	1,29,055
-Provision paid	-	-	-
-Advance Income tax paid	(6,62,85,242)	(8,09,50,000)	10,18,00,000
Net Change in working capital	**(13,58,34,483)**	**(8,89,67,732)**	**22,76,31,169**
Net change flow from operation	**20,61,54,571**	**25,06,07,550**	**23,25,13,451**
B. Cash flow from Investment			
-Interest/Dividend receipt	-	**-**	**-**
-Sale of fixed assets/Purchase of fixed assets/ Investment	(3,85,14,049)	(2,76,16,000)	1,19,34,631
-Increase in short term loan (Bank overdraft)	-	**-**	-
-Fixed deposit	18,12,00,000	(3,00,00,000)	3,00,00,000
-Sale of govt. securities	-	7,97,64,185	**-**
Net cash flow from Investment	**14,26,85,951**	**2,21,48,185**	**1,80,65,369**
Cash flow from Financial Activities			
-Dividend distribution	(36,82,80,000)	(23,01,75,000)	(2,53,192,500)
Net cash flow from Financial Activities	**(36,82,80,000)**	**(23,01,75,000)**	**(2,53,192,500)**
Change in Cash(A+B+C)	**(1,94,39,478)**	**4,25,80,735**	**(26,13,680)**
Opening cash and bank balance	7,84,61,217	5,90,21,739	10,16,02,475
Closing cash and bank balance	**5,90,21,739**	**10,16,02,475**	**9,89,88,795**

Appendix-IV

Comparative Balance Sheet of UNL

(Rs. In million)

Fiscal Year	2060/061	2061/062	2062/063	2063/064	2064/065
TOTAL ASSETS (A+B+C)	**939.71**	**1098.95**	**967.14**	**1002.55**	**1085.22**
Current assets (A)	**724.24**	**891.41**	**557.96**	**639.96**	**761.36**
Cash & Bank Balance	391.53	443.31	59.01	101.60	98.98
Trade & other Receivable	97.06	157.72	138.32	136.45	148.13
Inventories	184.21	229.76	256.17	321.62	410.11
Pre paid, Advance, Loans & Deposit	51.43	60.61	74.44	80.29	104.14
Fixed assets (net)(B)	**135.71**	**127.78**	**145.78**	**148.93**	**140.21**
Gross Block	317.83	319.23	347.74	336.97	364.62
(Less) Depreciation	184.34	193.70	203.56	209.09	229.73
Assets under Construction	2.23	2.25	1.60	21.05	5.32
Investment:(C)	**79.76**	**79.76**	**293.41**	**213.65**	**183.65**
Investment in Share	79.76	79.76	0	0	0
Investment in Govt. security	0	0	79.76	0	0
Investment in Fixed deposit	0	0	213.65	213.65	183.65
TOTAL CAPITAL & LITIEESLABI (A+B+C+D)	**939.71**	**1098.95**	**967.14**	**1002.55**	**1085.22**
Current Liabilities (A)	**543.70**	**882.02**	**742.23**	**767.76**	**814.54**
Loans & Advance	0	0	0	0	0
Trade and Other Payments	335.72	370.24	353.31	385.78	384.11
Provision for Taxation	0	0	0	0	0
Misc. Current Liabilities & Provision	207.98	511.78	388.92	381.98	430.4
Deferred Liabilities (B)	**0**	**0**	**0**	**0**	**0**
Long Term Loans (C)	**0**	**0**	**0**	**0**	**0**
Share Holders Fund (D)	**396.01**	**216.93**	**224.91**	**234.79**	**270.68**
Share capital	92.07	92.07	92.07	92.07	92.07
Reserve and Retained Earnings	303.94	124.86	132.84	142.72	178.61

Research Questionnaire

Name of the Respondent:

Position:

Department:

Sex:

Would you please answer the following questions, properly? Please tick (√) for choosing your answer.

1. Questions Related to Administration

a) Which level of management is responsible for budget preparation in your organization?

i) High level

ii) Low level

b) Would you please mention the long range objectives of the factory?

i)............................

ii)..........................

iii).........................

2. Question Related to production

a) From which market the raw material are purchased?

i) National

ii) International

b) If the raw materials are purchased from international market from which countries are they purchased?

i)..........................

ii)..........................

iii).......................

c) What production policy has been adopted?

i) Stable

ii) Flexible

iii) Seasonal

d) What is the wages payment system'?

i) Daily basis

ii) Monthly basis

iii) Piece work basis

3. Questions Related to Marketing and Sales

a) Who is responsible for sales forecasting'?

i) Sales manger

ii) Sales officer

iii) Marketing manager

b) What methods and tools are used for sales forecasting?

i) Survey method

ii) Market studies and experimentation method

iii) Statistical method

c) On what basis sales budget is prepared?

i) By product basis

ii) By time period basis

iii) By territories

d) What pricing methods have accepted?

i) Cost plus

ii) Geographical

iii) Market oriented

e) What promotional tools are usually used?

i) Consumer promotion

ii) Trade promotion

iii) Sales force promotion

t) What promotional Medias are usually used?

i) Print media

ii) Visual media

iii) Audio media

iv) Audio visual

g) From which market the factory face competition?

i) National market

iii) International market

h) Which is the main market for the factory?

i) Local market

ii) International market

iii) Both

i) Sales are on:

i) Credit

ii) Cash

iii) Both