CHAPTER 1

INTRODUCTION

1.1 Introduction

According to James M. Fremgen "Budget is a comprehensive and coordinated plan, expressed in financial terms, for the operations and resources of an enterprise for some specific periods in the future." (Fremgen; 1956: 88).

Profit planning and control is newly developed concept for accomplishing the objectives of the firm. Therefore it is extensively used in the business literature. It is not the concept of simple budgeting but a way of management, mostly in well-managed firms. Therefore, the term comprehensive profit planning and control is defined as a systematic and formalized approach for performing significant phase of management planning and control functions. The concept of comprehensive budget covers in it the planning, organizing and controlling all the financial and operating activities of the firm for the fourth coming period. A budget is the plan of the firm's expectations in the future.

Profit planning and control is an important approach which has been developed for facilitating the effective performance of management system mainly in profit-oriented enterprises. It is a way of management, which focuses directly upon a rational and systematic flexibility in performing the management process. Profit planning and control refers to the organizational technique and procedure, whereby long and short range budget are formulated, considered and approved.

Profit planning and control represent overall plan of operations, providing guidelines to management and acting as single light for the management. It enables the management to correct its policy. Profit planning and control consists of three main budgets.

(1) **Operational Budget:** - Budget related with revenue and expenses such as Sales budget, production budget, purchase budget etc.

(2) Financial budget:-Budget Related financial Statements such as balance sheet, income statement etc.

(3) Appropriation budget: - Budget related with advertising and publicity expenditure etc.

So the Sales budget and the production budget are the part of operational budget. In other words, profit planning and control is a overall plan of operations providing guidelines to management where the Sales and production budget are the parts of profit planning and control. An effective budgeting system is vital to the success and survival of a business firm. Without a fully coordinated budgeting system management cannot know the direction of the business is taking out. Organization that do not plan likely to wonder aimlessly and ultimately succumb to swirl of current events.

A budget is needed in a business form for the following purpose.
- To definite goals and objectives.
- To compel and motivate the management to achieve the goal.
- To increase the efficiency.
- For the comparison of evaluation performance.
- To reduce and reveals weakness in inefficiency and deviations in the organization and etc.

1.2   Company Profile of Chaudhary Group, Nepal

The catastrophic earthquake of 1933 crippled commerce and social infrastructure in Nepal. This acted as the catalyst, which augmented the need for rebuilding. Under the Rana Regime, the first row of shops along the popular Juddha Sadak (the present at New Road) took shape. It was here that the founder Mr.Bhuramull Chaudhary was given a shop on a yearly rental fee of Rs. 200, which eventually increased to Rs 500. It was situated opposite the present Bishal Bazaar and dealt in textiles imported from various parts of India. The late Bhuramull Chaudhary started his business in a humble manner by importing fabrics from India was also one of the few privileged businessmen permitted to enter the then Rana palace of Shri Shri Shri Judha Shamsher Jung Bahadur Rana. Mr. Bhuramull Chaudhary along with his son

carried items from his shop to the palace with the help of several porters and arranged an open shop in the courtyard for the Queen, courtiers and the King's people. This operation functioned under the informal name of Bhuramull Lukaran Das (those were the days when no registration of private business firms was required).

After the death of the founder, Mr.Bhuramulla Chaudhary, young Lukaran Das Chaudhary took over the reins of the business at the age of 23 and took it to a whole new dimension. He embraced one lucrative business of exporting jute from Biratnagar to USA and Europe. He imported fabrics from Japan and Korea under the name of Bhuramulla Lukaran and Arun Impex.

Modern Hosiery Industries Pvt. Ltd.-1965 A modern hosiery industry producing high Quality of Hosiery goods under the brand name of RHINO, although a pioneer in this field, the industry maintains its leadership by marketing its products competitively with imported substitute.

Nepal Spinning, Weaving and Knitting Pvt. Ltd, it Was established in 1965 AD modern textile unit manufacturing synthetic fabrics from imported yarn .This Industry has been licensed to manufacture 6.3 million meters ,process/finish 8 million meters of fabric and produce 1,166 meters of partially oriented yarn.

Ratna Stainless Steel Pvt. Ltd, it was established in 1967 in Birgung, It is a leading manufacturing unit of stainless steel utensils and tableware, which is also a semiautomatic plant.

After 1971 ,that was the first ever furnishing outlet in Nepal under the banner of Flooring and Furnishing center .In a short time period the center had setup several major branches all over the country and had also established linkage with leading manufacturing of flooring and furnishing materials from India as well as abroad.

By this time, Mr. Lunkaran Das Chaudhary had carved for himself a niche in the fabric trade and this encouraged him to start the Arun Emporium in 1968.This was the first and largest modern departmental arcade in Nepal with individual departments for ladies, gents, electronic and household goods. It was situated in

Khichapokhari, the heart of the capital. The department marketed the worldwide renowned products.

Arun Impex 1970 one of the most active import/export firms of the 1970's its import lines include among others, textile, construction materials, hardware, food stuff and spices. The sole distributorship of a number of worlds known European manufactures, include Moulinex S.A, France (manufactures of electrical household appliances) Max factor, London (Manufacturers of the world famous cosmetic products).

Soon he diversified and established a construction company under the name of United Builders. It was arguably the fore-most construction company of Nepal at that time. Some of the prestigious projects undertaken were Jor Ganesh press at Balaju, the first phase of the Soaltee Hotel, Janakpur Cigaretee factory and the road leading from Kathmandu to Trishuli.

He envisioned the spurt of the Industrial Revolution in a country that the west hadn't even reached and knew little of However; he saw the nation empowered. Although Nepal was neither infra-structurally neither prepared nor geographically positioned to keep pace with the western world, he persevered.

Vision of the Chaudhary Group

To establish a corporate, conglomerate with core competence in foods and beverages, financial services infrastructure, real estate and hospitality industries and to achieve the coveted position amongst the leading companies (Global Growth Company) in South East Asia.(www.chaudharygroup.com)

Mission of the Chaudhary Group

Understand consumer insights and meet their needs with safe, effective and world-class products. Integrate our dealers, distributors, retailers, suppliers and JV partners into the Chaudhary family.

Recruit develop, motivate & retain the best talents with in the country, recruit if needed from abroad & provide them a challenging and demanding environment.

Foster a strong emotive feeling of oneness and ownership with the company. Emerge as a Model Corporate Institution and contribute effectively towards the upliftment of Nepalese society and the country at large.

(www.Chaudharygrouup.com).

The group is to contribute for the upliftment of the nation's economy, equalizing the infrastructural and entrepreneurial capability of Government of Nepal with other developing nations and to create employment opportunity for the eligible Nepalese candidates. Multinationals, Chaudhary Group continues to lead, harnessing global partnership in core sectors and offering cost-effective procurement affiliation to corporate worldwide.

1.2.1 Corporate Division:

a. Strategic Planning Department: This strategic planning department is a thinktank of company, which primarily scans the environments around the budiness and exploits the opportunities through short and long range planning with respect to human resources, manufacturing facilities includes research and development, marketing and financial strategies and system. Vision, mission and corporate cores will also be monitored periodically by the said department.

b Corporate Finance, Operational Review, Treasury, Audit and MIS Department

Corporate Finance department broadly controls overall finance of the organization. Along with fiscal matters, it plays active decision-making role in investment, acquisition, company formation, joint venture/partnership agreement and restructuring in cooperation with Business Units.

It carries out consolidation of yearly plan periodic operations review. Benchmarks are discussed and appropriate corrective and preventive measures are initiated. Treasury oversees cash flows of the organization.

Internal check and balance of pre-defined system/policies are taken care by audit department in order to keep the operations on right course.

c. MIS (Management Information System) Department

A management information system is designed to provide information access and decision- input capabilities to support management decision-making at all levels. Most of the data are derived from continuous monitoring of operations units and regular reports from outside. This information retrieval can be tapped by individual managers to assist their particular needs. Periodic information reports in which the dates have been statistically analyzed are generated for more general dissemination.

d. Human Resource Development, Corporate Communication and Information Center

HRD concentrates on finding and making the qualified and motivated work force. It also concentrates on placement, orientation, motivation, training and development, appraisal as well as counseling.

HRD will initiate HR strategies planning, HR Philosophy, HR key processes, set up and follows up.

It plays one of the key roles for forming corporate culture based on company's vision, mission and values. It also manages the Information Center from where the related information's are disseminated to the concerned department.

e. Administration Department (Admin, GR, PR, IR, Security)

This department concentrates on security of the company premises, Industrial Relation, Public Relation and Guest Relations. It is also responsible for employees' logistic needs in the office and the company provided flat as per the company rules. Guest relation assures that every visitor of the company feels comfort and warmly welcomed. Public relation makes the company well known to the people. It keeps managers at all levels informed of the current status and of changes. This includes communication by way of all established media and means the company policy and action. Industrial relations concerns with the manpower of the enterprise –including machine operators, workers and managers etc.

f. Project Department

This corporate project department is constantly guiding, exploring and monitoring the entire project -activities relating to power, water, telecommunication and information technology etc.

g. Financial Services:- This department supports and monitors the activities of United Insurance Company as well as the United Finance Ltd. and support a large multinational bank.

h. Infrastructure Department: - The infrastructure department monitors the day to day activities of the division and also extends total support system.

I. Hospitality Department:- The corporate hospitality department controls and monitors the overall activities of the division.

J. Investment Department:- The corporate investment department plays an active decision making role in diversified investment portfolio for optimum use of all surplus funds at the best available return.

k. International Division: - Due to liberalization and globalization of economy it has become imperative to start thinking globally in terms of technology, investments and knowledge based services including hospitality and infrastructure for a competitive edge over the competitors. Accordingly, international business division has been set up towards this objective to exploit the business opportunities beyond the territory of the kingdom of Nepal.

1.2.2. Operation division:-
a. Production/Maintenance Department

A Production Department operation is directly concern with the making of best quality products, including the processing of material. It also includes various services to these productive operations; production planning, plant service, receiving, storage etc. Keeping the machines running and maintaining the plants in good conditions is continuing the responsibility on the engineering force. Vital contribution in the form of essential services are rendered by the laboratory quality control, packaging and development staff.

b. Technical Department (R & D, Engineering, Projects, TQM)

Technical department supports the production department in relations to improvement of system, modernization, plant up gradation, various cost reduction measures through substitutions of materials, processes designs etc for ultimate cost reduction. Technology support towards expansion, effluent treatment plants etc.

TQM (Total Quality management), makes sure that quality is maintained and scrutinizing right down to the tiniest speck. The responsibility of TQM, which keeps up with the company promise to the costumers we care.

R& D (Research & Development) continuously carries out for improvement of existing products, processes and productivity. It also develops, introduces new products to cater to the emerging needs of the customers and markets.

c. Accounts and Finance Department

The Account and Finance Department collects records and processes information, which Management needs to direct and control the enterprise. Wherever possible, this information is passed on together with analysis and submits various formatted reports to the Top Management for decision-making, Business Plan Preparation and its monitoring.

d. Commercial (Purchase) Department

The efficiency of a business activity deeply depends on supply of materials and equipments at the proper time and price. The purchasing department is driving with cost efficiency in various purchasing activities and its processes with buying all the material requirements of the Company.

e. Sales Department

Sales is company's closest ambassador to the customers. It focuses on Channel strategy, net-working, net-work management, promotional activities and customer satisfaction. The department focuses on maximum profit and market shares.

CG's far-ranging dedicated sales forces go about their accustomed rounds each day to different locations.

RCM Network: Apart from the dealers network Chaudhary Group is the pioneer in Nepal in implementing Retail Chain Management. RCM will obviously strengthen the company's retailing network.

f. Marketing, Research and Communication Department

The good market and the reputation of our products are attributable to our market research and advertising efforts - which cover activities such as interviewing, promotion, visual vans, programs over the radio or sponsored shows on TV, advertisement in daily newspapers or favorite magazines. Innumerable exciting themes, stories, strategies, language media etc. are conceived, laid out and coordinated.

Its Marketing team is basically working on 5 P principles i.e. Price, Product, Placement, Promotion and People to lead the market regardless of tough competitions.

1.2.3 Production Department:

a. Chaudhary Food Complex (FUDCO)

FUDCO is a model centralized quality food production unit of chaudhary group on the southern fringe of lalitpur district in houses the latest food production technology. It offers a wide range of truly international quality products. It was Nepals first noodles Production Company to be awarded ISO 9002 later certified into 9000:2001.

FUDCO houses a string of manufacturing units including instant noodles, extruded snacks and crackers and fruit drinks, equipped with a complete Total Quality Management (TQM) center and research and development center.

It also has a well equipped training hall where school/ college students are regularly invited to experience the food manufacturing facility. They are also informed on the production processes and give an opportunity to taste new products.

FUDCO has three sub units.
- **Nepal Thai Foods (NTF)**

NTF, complex for producing the instant Noodles, was established in the year 1985 A.D. It is the first instant Noodles plant of Nepal.

- **Gold beverage Nepal (GBN)**

GBN was established in the year 1998 A.D. for the production of Beverage. Currently it produces more than 600,000 trays every year.

- **Kwik Foods (Nepal) (KF)**

Products of FUDCO are as follows.

Name of the Factory	Products manufactured
NTF	-wai wai chicken/veg. -wai wai Spinach -wai wai Quick chicken pizza - wai wai Quick ms curry - wai wai Quick ch. Curry - wai wai Quick kimchi - wai wai Tenz chicken /veg. -wai wai Tom Yum - wai wai Xpress Chicken /veg Bingo
GBN	**a. Fruits Based Energy Drinks** - Rio (mango /pineapple /lychee) 200ml -Rio speed sports drink 200ml -Rio mango punte 65ml **b. fruit drinks** -Rio Alfonso 200ml -Rio Apple -cherry 200ml -Rio mixed fruit 200ml **c. Fruit & Milk** - Rio Fruit & milk 65ml - Fruit juice/ Nector -Rio mango Nector 1 Ltrs - Rio mixed fruit juice 1 Ltrs
KF	**a. Extruded products**

	-Kwiks Cheese Balls/Rings/Starts
	- Kwiks Tomato Balls /Choco Balls
	-kwiks Butter Masala Balls
	b. Fried products
	-Tic-Tic-onion Garlic Stricks
	-Kwiks Chicken Cracker
	-kwiks Veg. Cracker
	-kwiks Prawn Cracker
	-kwiks Potato Sticks
	-kwiks Twisted Sticks

b. STARLEC (Electronics complex)

The group's steel and elecronics complex at satungal on the out kirts of the capital kathmandu was established in an effort to counter the nations dependence on imported steel and electronic goods starlec is divided into two sub- units .

CG Electronics Pvt. ltd.

LG Display showrooms

Name of the Factory	Product Manufactured
CG Electronics	Color Televisions

c. Ganga Devi Chaudhary Udyog Gram(CUG)

Nepal's first ultramodern industrial village situated at 185 k.m by road from kathmandu and 23 km west of Narayanghat in Divyapuri VDC of Nawalparasi district CUG spans over 137 acres of strategically located land adjacent to Mahendra Highway.

Sub units:-

CG foods (Nepal) Pvt. Ltd. –

CGFN a ISO 9001:2001 certified company was established in 1993 with initial capacity of 120 packets of noodles per minute with OHTAK a Japanes plant. In 1999 a new Fuji Japanese noodle plant was added followed by a Tokyo Manke Noodle plant. After eracation of New Noodle plant this year the current capacity is

around 1190 packets of noodles per minute. CGFN produces 32528 cartoons of Noodles every day.

Products:-
wai wai, wai wai Quick, Tenz,Gol Mol, Soaltee, Mini , Sathi, Bingo, Rin Tin .

Sun Gold BREWERY (Nepal) Pvt. Ltd.
Sun Gold Brewery Pvt. Ltd. established in 1997 has the current capacity of 62000 cases of beer per month. It has tie up with world class manufactures like, SAB miller and In Bev International Netherlands. Its an ISO 9001: 2000 Certified Company having its market in Nepal, India , Japan, UK

Product:-
Oranjeboom, Nepal Ice, Real Gold, Haywards 5000

Perfect Blends Pvt. Ltd
Perfect Blends established in 1998 has the current capacity of 1500 sticks per minute .It has tie ups with KT & G, Korea, one of the top five tobacco companies in the world. Its products are available in Nepal, Dubai and USA.

Product:-
Pine, Pride, Gaurav (Filter), Sahasi, Gaunle (Non-filter) , Darkhorse (cigar)

Other infrastructures in CUG
Housing type I :   Housing facility: For supervisory staff
Housing type II :   Housing facility : Department and Division head
Housing Type III : Housing facility: Guest houses

d. Snack Food Complex :- (SNACK FOOD)
The group has set up a snack food complex with modern and sophisticated machineries to produce the Snack foods like potato chips, various ranges of namkeens and other snack products.

e. Surya Agro products Pvt. ltd. (SAP) :-

Marking time with the Global trends and innovations in the manufacturing world, SURYA AGRO USHERS in the corn starch industry. The only unit of its kind in Nepal, this niche product line includes corn starch, liquid glucose and other downstreams derivatives that would find ready market in a range of industries like food, confectionary textile. Paints, pharmaceutical, plastic, leather and many more.

Set up as a 60 TPD Capacity unit in the commerce corridor of the country. This unit promises to reach out to the South Asian. Lands and Ramp up to meet the growing demand in this region.

f. Kusum Oil Industries Pvt. Ltd.(KUSUM OIL)

A base line manufacturing unit for mustard oil, soyabean oil, Palm oil and vanaspati ghee has been set up to reduce the country's dependence for these domestic and industrial purpose refined oil and ghee. Known through its Brand names like COOK, TRUPTI and SARVOTTAM this product line promises to deliver quality and range. Soon cook would be an umbrella brand for the units foray into 'Everthing that you need in the kitchen.'

1.2.4 Financial Department (CG FINCO)

The Group's financial services projects come under the holding company, CG FINCO Pvt. Ltd. Chaudhary Group's vision to bring in quality and reliable services in the financial sector has led to its ever-increasing presence in commercial banking, insurance, merchant banking, hire-purchase, leasing and other peripheral services.
CG Finco has entered into an agreement with Western Union Financial Services Inc, USA as the principal agent for the entire country. This involves inward money transfer from different parts of the world. Over 200 outlets spread throughout the country has been providing efficient money transfer service in every corner of the country.

United Insurance Company (Nepal) Ltd. in which Chaudhary Group has a substantial stake is considered to be one of the most dynamic and successful second generation insurance companies operating in Nepal for the last 12 years.

United Finance Ltd. established in 1992 was promoted with the aim to provide highly professional banking & financial services. The group is one of the major promoters of the company.

The group has also set up Speed Remit Pvt. Ltd., a joint venture with Nabil Bank for inward money transfer from different parts of the world's-pay ® Pvt. Ltd. is established to redefine Citizen Services by providing one-stop services relating to State & Central Governments and Private Services, in a user-friendly manner across the same counter through a chain of Citizen Facilitation Centers. In the near future, Chaudhary Group intends to expand its presence in the financial services sector through participation with new ventures in life insurance, housing finance and venture capital.

Specialties
Real Estate:-
Through a joint venture with one of south Asias real estate giants. Ansal Buildwell ltd. the Group made its entry into this sector with the setting up of Ansal Chaudhary Developer's Pvt. Ltd.

Chaudhary Developer's Pvt. Ltd.
Kathmandu Residency, the company's first housing project is located on the quiet southern bank of the river Bagmati. The group has launched its second project Mount view Residency. The residency has Expandable, Independent and Duplex Homes available to suit the needs of various customers.

Hospitality
The group has also forged a joint venture by becoming a catalyst between cigon corporation and the Indian Hotels co. ltd (Taj Group of Hotels India) the aim is to establish itself in global tourism through exclusive properties operating in different locations across the globe

Development
Power:- Since 1970s, the Group has been involved major power projects through its partners - Ebassco , SNC , laralin and swarigan as consultants in prestigious projects

like chisapani, upper karnali and various transmission lines installed by kamani .A new company with the name Independent Power Company (Nepal) Pvt. Ltd. was established in the year 2001 with equality and technical partnership with Independent power corporation PLC, UK, the objective being to set up a series of Hydro power plants of varying capacities in Nepal.

Global Partners & Associates

Chaudhary Group has over the last 65 years forged nurtured and maintained global alliances and this growth has taken place through a deep understanding of local market s people and customs.

LG Electronics Inc	:- South Korea
Thai preserved food factory co. ltd.	:- Thai land
Independent power corporation	:- UK
Cinnovation Group	:- Singapore
Western union Financial service Inc.	:- USA
Manipal K- 12 Education Pvt. Ltd	:- India

Automobile

Ranging from the sole distribution of the Maruti and Suzuki brands of power - packed new generation cars, pick up vehicles. TVS slim line two-wheelers, Ashok leyland trucks, Buses, Tankers, Tippers and Troop Carriers, Gulf lubricants and micro Bosch sparkplugs Nozzle element, Delivery value etc. the group's automobile division has been actively serving Nepal's growing transportation needs with dealers and sub dealers throughout Nepal.

1.3 Sales Plan/ Budget

Sales budget is the starting budget for the development of profit plan. According to R. M. Lynch, "All budget planning begins with the forecast of sales. Using information supplied by sales person"(Lynch, 1989:67). Sales budget is one of the functional or operating budgets and is especially a forecast of sales to be affected in a budget period. In fact sales budget defines the quantities and values of expected sales in total as well as product wise and area wise. During a definite future period sales budget forms the fundamental basis for other functional budgets and it is

needed to coordinate the production function with expected demand for a particular product. "The preparation of sales budget required forecast of quantities to be social and also the standard prize at which these quantities may be sold" (Gupta, 1992:49) The sales planning process is a necessary component of profit planning and control because (a) It provides basic management decisions about marketing and (b) it is an organized approach for developing a comprehensive sales plan. If the sales plan is not realistic, certainly all the other parts of the profit plan also not realistic.

The sales plan is the foundation for periodic planning in the firm because particularly all other planning is built on it. It is a primary source of cash. The capital addition needed the account of expenses to be planned, the manpower requirement. The production level and other important operational aspects depend in the volume of sales. Therefore the sales plan must the realistic. There are two types of sales plans called strategic and tactical sales plan.

Strategic sales plan is known as long range sales plan. Usually 5-10 years. It requires depth analysis of future market potentiality which may build up from a basis foundation such as population changes, state of economy, industry projections and company objections. The effects of long term strategic are also brought to been as the long-term sales plan. They would affect in such area as pricing development of new product line innovation of product expansion of distribution channel and cost patterns.

In other hand tactical sales plan is to be developed for short term period in a company for future 12 months detailed by months and quarters. Tactical sales plan include detailed plan for each major products and forms groupings of minor products short term sales plans are usually developed in terms of physical units, jobs and in sales rupees.

Profit planning is heart of management and sales planning is primal planning in overall budgeting. Therefore to achieve organizational objective, sales planning should be made in careful way. The present study is intended to analyze and examine the relation of sales planning with production planning inventory cost

volume profit analysis, leverage, ratio analysis etc and its effectiveness in Chaudhary Group.

1.4 Production Budget/Plan

The marketing plan specifies the planned volume of each product (or groups of similar products) for each time period throughout the planning period. The next step in a manufacturing enterprise is to develop a production plan.

For planning and controlling purposes short-term sales plans and production plan must be developed by sales responsibility. Because short term profit plan provides major consideration for planning and controlling proposes. It is also necessary for completing other component of profit plan.

Accomplishment of objectives in every organization depends up on the application of resources. The financial performance of an organization depends purely on the use of its resources. Therefore planning is the key to productive financial planning if the planning process of organization is effective and result oriented, the path of development naturally steps forwards.

This entails the development of policies about efficient production levels, use of productive facilities, and inventory levels (finished goods and work in progress inventory). The quantities specified in the marketing plan, adjusted to confirm to production and inventory policies give the volume of goods that must be manufactured by represented in this way:

Sales Volume ±Finished Goods Inventory Change = Production Requirements.

1.5 Statement of the problem.

Most of the manufacturing companies are suffering from performance and loss. Therefore, they have to adopt a systematic profit planning to improve their financial performance and run the organizational profitability.

Unstable political situation of the country, labor union pressure, strike and lack of electricity are the common problem of Nepalese companies. Being a part of the Nepalese industry Chaudhary group is also suffered from the all problems. Even

there are so many problems Chaudhary group is a best company of Nepal.

A survey conducted by the Boss magazine in 2008 for the top 50 brands of Nepal   it is found that in Kathmandu Valley and Urban area Chaudhary group is in leading position to sell the noodles and electronics but in rest of urban area Chaudhary group is in second position. But in case of beverage it can neither lead in Kathmandu valley and all urban areas nor in rest of urban areas. So there are some problems in Chaudhary group. Some major problems are presented here. Major problems are presented here.

    i. Budget is not prepared in modern way; it is prepared in traditional method.

    ii. Chaudhary Group is being a synonym of noodles Most of all sales amount is collected by noodles. Their focus is in noodles, so they have to change their strategy for   to sale the other products as noodles sales

    iii. There is no stable growth rate.

    iv. Sales in the urban areas are more but could not lead in the rest of the urban market.

Apart from that the Chaudhary Group progress over the last sixty-seven years has been a trial-blazer on the Nepalese horizon. Today, a conglomerate of over 40 businesses, the group has an unmatched investment outlay over Nrs.15000 million. In a land-locked, developing third world nation, this spells nothing short of very hard-earned success.

Apart from being a responsible citizen, Chaudhary Group forms an intrinsic part of every realm of life from Food and Beverage, Electronics and Home Appliances, Beer, Cigarette, Financial Services, Infrastructure (Power and Water), Hotels and Real Estate, Automobile, Health Care and Education.

The present study made analysis and review of the profit planning aspect of Chaudhary Group and this study is mainly designed to solve the problem of profit planning and management control system by taking into account the role of budgets in planning. How the business is being operated largely depends on how the business operation is planned therefore this study attempted to focus also on the operational aspects of profit planning.

With the help of this study, it has attempted to find out the following basic research questions.

    a. What are the fundamental principles adopted in short term and long term planning of Chaudhary Group?

    b. What are the major factors affecting profit planning in C.G?

    c. What are the mains roles of functional budgets and its relation in profit planning in C.G?

    d. What is the present practice of overall profit planning?

    e. What should be its profit planning &control system?

    f. What steps should be taken to improve profit planning system in C.G?

1.6 Focus of the study

This study is focused in evaluating the use of different types of functional budgets and corporate planning system for the effective implementation of profit planning and control in Chaudhary Group Nepal. The study is designed to focus the purpose of different kinds of budget used, the way they are constructed and finally settled and the way they assist the policy making for financial control of Chaudhary Group. The study is intended to clarify the purpose of different budget and to identify the person responsible for different budgets.

Strategic long range profit plan and short range profit plan are equally important for the successful operation of a company but this study is designed so as to give more consideration in short range planning. In this context the process and technique of preparing them, responsibility to prepare them, their drawback and other relevant facts as well as their role on overall profit planning will be discussed in detail.

1.7 Objectives of the study

The objectives of profit planning and control have the ultimate of attaining the optimum profit. The general objectives of the study are to review the present practices of comprehensive profit planning system applied in Chaudhary Group Nepal and its effectiveness

The study aims to identify the issues and problems of Chaudhary Group in general in Nepal,

The specific objectives of the study are as follows:

I.   To evaluate the present trend of sales and production budgets of Chaudhary Group.

II. To analyze the variance between budgeted and actual of Sales and productions.

III. To draw the appropriate conclusion and give suitable suggestions and recommendations for improving the production and the sales strategy of Chaudhary group.

1.8 Importance of study

Profit planning is the primary function of management every company. A company always wants to earn maximum profit through the available resources and means with the help of the profit planning. PP measures the success of any company, so management uses various budgets, which are the main key to profit planning.

- Profit planning is such a key, which helps to predict the future and minimize future risks and maximum output from the scarce resources and also helps for managerial various kind of decision making. Therefore, profit planning is very important.

- In the context of Nepal, most of the manufacturing companies are suffering from poor performance and financial conditions, which is not satisfactory. Most of the companies were operated at loss, so this study analyzed the profit planning, its practicable difficulties.

- The study also evaluates the use of different type of functional budget and corporate planning system for effective implementation of profit planning and control system in Chaudhary Group. This study design to describe the purpose of different type of budget used how they are prepare and how these budget facilities to prepare policies and make financial control.

- The previous researchers in the area of profit planning in Nepalese context have not focused in budgeting as key of profit planning. So, this study focuses on budgeting as a key factor in profit planning position of this kind of company. It will help specially to Chaudhary group management and shareholders, government, entrepreneurs, public people, future researcher and others. Ultimately since suggestion and a find package will be made

1.9 Limitation of the study.

This study is concerned with profit planning in Chaudhary Group. The detailed studies of profit planning aspects are difficult therefore the study has the following major limitation;

1. The comprehensive and accuracy of this study is based on the secondary data available from Chaudhary Group and other documents, published books, journals, booklets etc. provided from Chaudhary Group.
2. This study is focused on some financial and accounting aspects and it did not cover the other areas of the Chaudhary Group.
3. It dealt only with short-term profit plan covering sales and production only.

1.10 Scheme of the study

Chapter I:

The first chapter is introduction; it included a brief introduction of Chaudhary Group, focus of the study, Statement of the problem, Objectives of the study, Importance of the study, limitation of the study, scheme of the study.

Chapter II:

The second chapter is Review of Literature; it includes Review of Profit Planning, i.e. Review of books, Review of Journals and Periodicals, Unpublished Master thesis of T.U.

Chapter III

The third chapter is Research Methodology, it includes General, Research Design, The population of the sample, Period covered, Data Collection Procedure, Method of Analysis and presentation and Research Variables.

Chapter IV

The fourth chapter is Data Presentation and Analysis; it includes secondary data analysis and major findings.

Chapter V

The fifth chapter is concerned with Summary, Conclusions and Recommendations. The bibliography and appendices are incorporated in the end of the study

CHAPTER-II

CONCEPTUAL FRAM WORK AND REVIEW

OF LITERATURE

2.1 Profit

According to economist's perception, some economist said that profit is a rent of ability. Some says profits as reward for risk bearing of business. It is also said that profit is return to uncertainly bearing of business. It is also said that profit is a return to uncertainly bearing or it is also a reward for innovation. No company can survive long without profit, for profit is the unlimited measure of its effectiveness and in a capitalized society there is no future in private enterprises, which always increase losses. The survival measures of the effective performance of a business is profit , which really is a measure of how well a business performs economically, profit is a signal of allocation of resources and a yard stick for judging managerial efficiency.(Welsch, Hilton and Gordon,1988:30)

2.2 Profit planning:

Profit planning is one of the most important management tools to plan and control business operations. Budgets or plans are financial plans prepared as a guide to and control of future operations. It is viewed as a process designed to help management effectively perform significant phase of the planning function. It is a managerial tool which is applied in every business endeavors or units. Moreover, various strategies, policies programs and procedures and applied by management for achieving prescribed objectives.

Profit plan can be broadly divided into functional plan and financial plan. Functional plan includes sales plan, production plan, raw material plan, direct labor plan and capital expenditure plan. After preparing these functional plan and financial plan the possible future profit could be known and one can modify or re-adjust the plan achieve expectation profit.

Profit planning in fact is a managerial technique. It is a formal statement of policy, plan, objective and goal established by the top management for some future period. Profit is a predetermined detailed plan of action developed and distributed as guide to current operations and as a partial basis for the subsequent evaluation of performance. Thus, it can say that profit planning is a tool which may be used by the

management in planning the future course of action and in controlling the actual performance.

The essence of profit planning is managerial determination and control of long range destine of the enterprises. This over righting concept implies that objectives and responsibilities must be definitely determined, critically evaluated as to their potential impact on the success of the enterprises and fully communicated to the various levels of management. (Agrawal, 1989: 348)

Profit planning fits with the total system concept that integration all the functional and operational aspects of an enterprise. Integrations and interrelationships of all areas in a business (Production, Finance, Marketing, Personnel and Administration) are the essential for effective management from all the subdivision of the enterprises. It covers the entire origination from the chief executive officer-right up to front line supervisor.

Profit planning through volume cost analysis, however is a modern concept of management planning, a tool designed primarily for industrial enterprises. It involves study of what a business cost and expenses should be and will be for different levels of operations and it includes a study of the resultant effect upon profit due to this changing relationship between volume and cost. Mostly, profit planning program helps the management perform its planning function by developing a strategic (long-range) profit plan and a tactical (short-range) profit plan. Both of these plans include monetary expectation (goals) for assets, liabilities, profit and return on investment. The foundation for the strategic profit plan (usually extending three, five or ten years into the future) includes the objectives, broad goals planning premises and strategies of the enterprises as developed by top management. The tactical (short range) profit plan can actually be viewed as the first year of the strategic profit plan. It is the detailed plan for the enterprises and for each of its responsibility centers.

Profit planning is most recognizing that it is not a separate technique that can be thought of and operated independently of the total management process. The broad concept of numerous managerial approaches and techniques that might be exploited

such as sales forecasting, sales quarter systems. Capital budgeting, cash flow analysis cost volume profit analysis, variable budgets time and motion study, standard cost accounting, strategic planning, production planning management by objectives, organizational planning manpower planning and cost control.

Profit planning in fact is a managerial technique and a profit plan is such a written plan, in which all aspects of business operations with respect to a definite future period are included. It is a formal statement policy; plan objective and goal established by the top management in respect of gone future period. It is predetermined detailed plan of action developed and distributed as a guide to current operations and as a partial basis for the subsequent evaluation of performance. Thus, it can be said that profit planning is a tool which may be used by the management in planning the future course of action and in controlling the actual performance. Profit planning as a decision tool involves establishment of specific goals for the enterprises, development of long range profit plans and short range annual profit plans which are prepared after integrating sales plan, production plan , administrative expenses budget , distribution expenses budget etc.

Generally the following plans are prepared in an organization according to their needs.
- Sales planning/ budget
- Production plan/budget
- Raw material purchase budget
- Inventory budget
- Labour cost/hour budget
- Manufacturing overhead budget
- Administrative expenses budget
- Selling and distribution expenses budget
- Cash budget
- Capital expenditure budget
- Flexible budget
- Projected income statement
- Projected balance sheet

- Variance analysis and performance report.

The profit planning approach is especially useful in the selection and evaluation of the alternatives to overcome the financial problems encountered by the enterprises. (Goet, Bhattarai and Gautam, 2005:11.3)

2.3 Components of planning.

The components of a profit planning program for a particular year are as follows:

A. The substantive plan: This plan is represented by the following:

1. Broad objective of the enterprise.
2. Specific enterprise goals.
3. Enterprise strategies.
4. Executive management planning instruction.

Substantive plan represent the broad objective strategies, specific plans and programs of the organization and the non-current commitment of management to long-range a accomplishment of these objective and plans. It is characterized as the prose part of the plan rather than the number part of the plan. It gives the foundation for the financial plan.

B. The Financial plan

The financial plan quantities the planned financial results of implementing managerial objectives planned strategies, plans and policies. The financial plan then represents a transaction into financial terms of objectives and strategies of management for specific period of time. The financial plan includes:

1. Strategic long –range of profit plan:
    a. Sales, costs and profit projections.
    b. Major, projects and capital additions.
    c. Cash flow and financing.
    d. Personnel requirements.
2. Tactical short-range (annual) profit plan.
    a. Operating plan (Planned income statements)
        - Sales plan.
        - Production/Purchase plan.
        - Administrative expenses budget.

- Distribution expenses budget.
- Appropriate type budget. (E.g. Research and development, promotion advertising).

    b. Financial position plan (planned balance sheet.)

    c. Cash flow plan.

3. Variable expenses budgets.

4. Cost-volume profit analysis, ratio analysis.

5. Performance reports-each month and as needed.

6. Follow-up, corrective action and re-planning reports.

2.4 Sales Plan/Budget

Sales budget reflects the income of business firm. It forecasts what the business and expects to sell to its customers during the budget period.

Sales budget is the beginning point for the development of profit plan. According to R.M Lynch "All budget planning begins with the forecast of sales. Using the information supplied by sales person."(Lynch and Wlliamson, 1989:143) Sales budget is one of the functional or operating budgets and is essentially a forecast of sales to be effected in a budget period. Sales budget forms the fundamental basis for other functional budgets and it is needed to co-ordinate for a particular product .The preparation of sales budget requires forecast of quantities to be sold. The sales planning process is a necessary part of profit planning and control because (a) it provides for the basic management decision about marketing and (b) based on those decisions it is an organized approach for developing comprehensive sales plan if the sales plan is not realistic, most of the other parts of the overall profit plans is not realistic. The sales budget is a forecast of total sales of the entire product expressed in terms of physical quantities prices and values in respect of each product expressed in terms of physical quantities prices and values in respect of each product of a future budget period. Sales plan is the starting point in the preparation of the comprehensive profit planning and control .All the other plans and budgets are depended upon the sales budget. The budget is usually presented both in units and dollars of the sales revenue or sales volume the preparation of sales plan in based

upon the sales forecast. A variety of methods are used to forecast the sales for the planning period. (Welsch, Hilton and Gordon, 2004:171)

A reasonable degree of accuracy is frequently hard to achieve in sale budget but it is imperative owing to the dependency of other budgets on sales budget. In case of degree of accuracy is not large some of the other predetermined Figures, particularly the production estimates will be based on erroneous premises which may have serious consequences for the business. No method will ensure absolute accuracy but reasonable correct forecast are more likely to result from through market research an analysis and application of the knowledge of the individual circumstances of a particular business. The preparation of a sales budget is always difficult even in case where much experience has been gained by carrying out work over a number of years. Through such factors as experience, wise judgment, knowledge of market trends and business conditions are of almost help, they have to be used with great care and sometimes, even these are useless due to the development and sometime even these are useless due to the development and operation of circumstances as well as events which were impossible of prediction at the time, sales estimate were made.

The sales plan has three distinct parts (a) the planned volume of sales the planed sales price per unit for each product (b) the sales promotional plan (c) the sales expenses plan.

The primary purposes of a sales plan are:

(a) To reduce uncertainty about future revenue.

(b) To incorporate management judgment and decisions into the planning process.

(c) To provide necessary information for developing other elements of a comprehensive profit plan.

(d) To facilitate management control of sales activities. (Welsh, Hilton and Gordon,1998:181)

2.4.1. Sales Planning Compared with Forecasting

Sales planning and forecasting often are confused. Although related, they have distinctly different   purposes. A forecast is not a plan; rather it is a statement and /or a quantified assessment of future conditions about a particular subject cased on one or more explicit assumption .A forecast should always stare the assumptions upon which it is based. A forecast should be viewed as only one input into the development of a sales plan. The management of a company may accept, modify or reject the forecast. In contract, a sale plan and incorporates, management decisions that are based on the forecast, other inputs and management judgment about such related items as sales volume, prices, sales efforts, production and financing.

The term sales forecast provide the basic for the current year sales, plan and finished goods inventory plan. At the same time the influence of the long term sales forecast is related to the capital expenditure plan and in the finished goods inventory plan. The long-term sales forecast services at what might be called another end of the finished goods inventory plan. A sales forecast is converted to sales plan when management has brought to bear management judgment planned strategies, commitments of resources and the managerial commitment to aggressive action to attain the sales goals in contract, sales forecasting is a technical staff function.

The short term sales forecasting provides the basis for the current year's sales plan and finished goods inventory plan. As the same time the influence of the long term sales forecast is reflected in the capital expenditure plan. The long term forecast serves at what might be called the anchor-end of the finished goods inventory plan. Since inventory at the end of this year is the beginning inventory for next year business. It is necessary influenced by the current year's short term forecast. The long term sales forecast provides the basis for developing rough outline of the capital expenditure plan. That portion of the plan falling with in the current year is reflected in the capital expenditure budget.

It is important to make a distinction between the sales forecast and the sales plan primarily because the internal technical staff should not be expected or permitted to make the fundamental management decision and judgments implicit in every sales plan. Moreover, the influence of management actions of sales potentials is difficult

to quantity for sales forecasting. Indentifying sales forecasting as only one step in sale planning is that sales forecast are conditional part sales volume; general industry and economic rendition relationship of sales to economic indicate market research studies, pricing policies. Advertising and other promotion, quality of sales force market competition nature of the product the method of distribution. The size of the business, plan capacity, the size of the business, plant capacity, seasonal variations and financial aspects are some of the consideration for die sales forecast.

Components of a Comprehensive Sales Plan.

Component	Strategic Plan	Tactical Plan
Management policy and Assumption	Broad and general	Detailed and specific for the year
Marketing plan (sales and Services revenues)	Annual amounts; major group	Detailed; by product and responsibility
Advertising and promotion Plan	General; by year	Detailed and specific for the year
Distribution(selling) expense Plan	Total fixed and total variable expense; by year	Fixed and variable expenses; by month and by responsibility

(Welsh, Hilton and Gordon; 2004: 176)

2.4.2. Developing the Comprehensive Sales Plan

All level of personnel are involved in planning in distinct way, like sales representative, accountant, divisional sales manager etc. each will ultimately be responsible for carrying out his share of the plan. Assuming that the organization of the department is on the usual pattern i.e. sales manager, divisional sales manager, area sales manager and sales man each will estimate the sales in distinguishing between products. Researcher will forward his forecast to his area manager who will collect all such forecast from his area. After carefully considering each forecast the area manager will prepare his area budget and forward it to, it to divisional sales manager. The latter will aggregate the sales down by each area budget and will be sent to the sales manager. In this way the sales budget will be built from the bottom and not from the top.

Welsh, Hilton and Gordon have mentioned the following steps in developing a comprehensive sales plan.

Step-1 Develop management guidelines specific to sales panning including the sales planning process and planning responsibilities.

Step-2 Prepare are (or more) sales (market) forecast consistent with specified forecasting guidelines including assumptions.

Step-3 Assemble all the other data that will be relevant in developing a comprehensive sales plan.

(a) Manufacturing capacity

(b) Sources of raw material and supplies or goods for sales

(c) Availability of key people and a labor force

(d) Capital availability

(e) Availability of alternative distribution channels

Step-4 Develop the strategic and tactical sales plans. There are different participatory approaches are used.

1. Judgmental approaches

- Sales force composite (maximum participation)
- Sales division supervisor composite (participation)
- executive opinion (decision participation limited to top management)

2. Statistical Approaches (tactical specialists plus limited participation)

- Economic rhythm approach
- Cyclical sequence approach
- Special historical analogy

3. Specific purpose method's

- Industry analysis
- Product line analysis
- End-use analysis

4. Combination of methods

Step-5 Secure managerial commitment to attain the goals specified in comprehensive sales plan.(Welsh, Hilton and Gordon; 1988:181)

2.5. Production Plan/Budget

The budget specifies the planned quantity of goods to be manufactured during the budget period. To develop the production budget, the first step is to establish policies for inventory levels. The next step is to plan the total quantity of each product that is to be manufactured during the budget period. The third step is to schedule this production by interim periods. A complete production plan should show budget data classified by (a) products to be manufactured, (b) interim time periods, and (c) activities of each responsibility center in the manufacturing process.

The production budget is the initial step in budgeting manufacturing operations. In addition to the production budget, three other principal budgets are relevant to manufacturing: (1) the direct material and purchased components requirements, (2) the labor budget, which shows the planned quantity and cost of direct labor and (3) the manufacturing expense or factory overhead budget which includes the plan for all factory costs other then direct material and direct labor.

The production budget is prepared simultaneously with preliminary sales budget. When a tentative sales plan is completed, the next step for a manufacturing company is development of production plan. Production budget will assure a pattern of demand for the finished product, which is based on previous requirement of the selling department. It is the estimates of the total volumes of production, scheduling of operations days, weeks and months in quantitative terms. This entails the development of policies about efficient production levels, use of productive facilities, and inventory levels (finished-goods and work-in-progress inventory). The quantity specified in the marketing plan adjusted to conform to production and inventory policies, gives the volume of goods that must be manufactured by product and by interim time period. Thus, the production budget can be represented in the following way.

Production Requirement = Sales Volume ± Finished Goods Inventory change
The flow of planning activities from sales through the manufacturing plan shows on the following

Figure.1.1
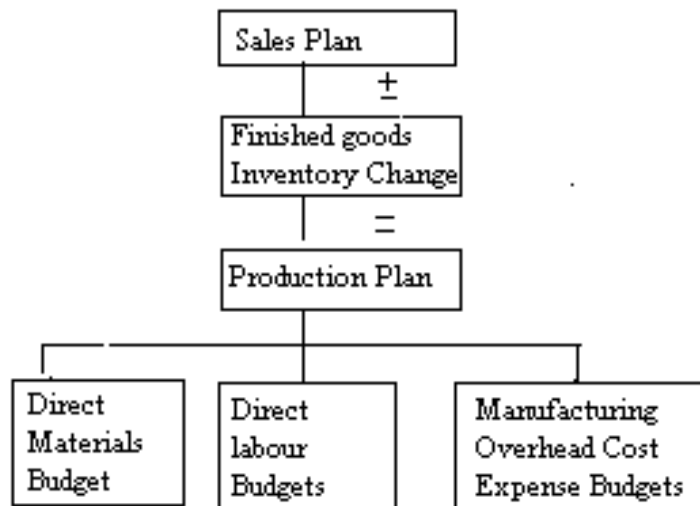
Source: Welsch, Hilton and Gordon: 2004: 211)

The objectives of production budget/ plan are:

(i) To bring a common focus all the factors necessary to establish policies and to determine operation.

(ii) To project these establish policies into the future by an analysis of past performances.

(iii) To plan and control the operations being carried out to implement policies decided upon.

(iv) To make provision for materials at right time and place.

(v) To plan the sequence of operations required for economical production.

(vi) To co-ordinate the various aspect of factory operation as to make them a vital link in the chain of profitable programs.

At the time of production planning consideration should be given to:

i. Sales Budget

ii. Plant capacity

iii. Production panning

iv. Inventory policy

v. Policy of Manufacturing/Purchase of component

2.5.1. Cost of Production Budget

After determining the volume of output, the cost of procuring the output must be obtained by preparing a cost of production budget. The budget is an estimate of cost of output planned for a budget period and may be classified in to Material Cost Budget. Labor cost budget and overhead budget because Cist of production includes material, labor and overhead cost.

2.5.2. Direct Materials Budget and Inventory Policy

The direct materials budget shows the estimated amount of materials and parts required to produce the number of units of finished goods planned in the production budget. The basis input is the number of units of each type of materials and part required to manufacture each units of each type of material and part required to manufacture each unit of finished goods. We can calculate Raw materials to be purchased by using following Formula.

Raw material to be purchased = Raw material consumption + Closing inventory of raw material –opening inventory of raw material.

Welch, Hilton and Gordon suggest the following points to be considered in developing inventory policies.

(i)   Timing and quality of manufacturing needs.
(ii)   Economic purchasing through quantity discount.
(iii)   Availability of materials and parts
(iv)   Lead time (order and delivery)
(v)   Perish ability of materials and parts
(vi)   Storage facilities needed
(vii)   Capital requirements to finance inventory
(viii) Cost of storage
(ix)   Expected changes in the cost of materials and parts
(x)   Protection against storage
(xi)   Risk involved in inventories
(xii)   Opportunity cost (inadequate inventory)

   (Welsh, Hilton and Gordon, 1988:213)

Before developing the inventory policy two questions should be answered. The first is showing how much to purchase at a time and second when to purchase. How much to purchase at a time is determined by a well known approach called Economic Order Quantity (EOQ). In EOQ, (units) ordering cost and carrying cost of the inventory will be minimum. EOQ (units) can be calculated by using following formula.

EOQ = 2AO/C

Where,

A = Annual quantity used in units

O= Average annual cost of placing on order

C= Annual carrying cost of an inventory

2.5.3. Purchase Budget

The direct materials budget provides the data needed to develop a purchase plan. This requires a decisional input that is the management policy regarding the levels of materials and parts inventories to be maintained using the materials and parts budget and the inventory policy the number of units of each type of each item that must be purchased to support the production plans can be planned purchase budget specifies.

1. The quantities of each type of materials and part to be purchased.
2. The timing to those purchases and
3. The estimated cost of material and parts purchase

The following formula is used to compute the planned purchased of retail value.

Planned purchases (at retail value) = Planned net sales + planned reduction + planned ending of month (EOM) stock – planning beginning of month (BOM)stock.

2.5.4. Direct Labor Budget

Direct labor budget may be classified in to two branches as labor requirement and labor recruitment. It will be developed on the basis of requirement of the production budget. Labor requirement for each department gives information about what number much and what kind of labor is required.

In other hand recruitment is based on labour requirement. This budget gives information about the personnel specification, for the jobs for which workers are to be recruited, me degree of skill and experience required and the rules to pay.

The direct labour budget includes planned direct labour requirements necessary to produce the types and qualities of outputs planned in the production budget.

Direct labour as a manufacturing cost is defined as those labour costs directly identifiable with the production of specific units of finished goods. The direct labour budget is to provide planning data about the amount of direct labour required, number of direct labour employees needed, labour cost of each product unit and cash plan requirements. The direct labour budget is established for control of direct labour.

There are four general approaches to develop standard labour times for each product.

1. Time and motion studies
2. Standard costs
3. Direct estimate by supervisors and
4. Statistical estimate by a staff group

2.5.5 Manufacturing Overhead Budget

This budget gives an estimate of the overhead expenses to be incurred in a budget period to achieve the production target. This budget includes the cost of indirect materials, labour and works overhead.

Manufacturing overhead is that part of total production cost not directly identifiable with specific products or jobs. It includes many dissimilar expenses therefore, it causes problems in the allocation of these cost to product. We calculate the manufacturing overhead using the following simple formula.

Manufacturing overhead = Indirect Materials + Indirect labor – Indirect works expenses or Indirect expenses of the factory.

2.5.6. Expenses (Overhead) Budget

In developing a profit plan, expenses must be planned, planning expenses should focus on (i) Projecting Cash Flow and (ii) Effective cost. Managers should view expenses planning and control as necessary   to maintain realistic expenses level

essential to support the objectives and planned programs of the enterprise. Thus expenses planning should not focus as decreasing expenses but rather on better utilization of limited resources viewed in this light, realistic expenses planning and control may prompt either decreased or increased expenditure. Expenses planning and benefit must be developed as planned goals and sufficient resources must be planned to support the programs essential, for their accomplishment in harmony with the concept of participation are essential in developing realistic budgets for that center must be planned.

All these overhead are classified in accordance with its cost behavior. Cost behavior is response of a cost to different volume of output. There are three distinct categories of expenses when they are viewed in relation to change in output.

1. Fixed expenses: constant in total regardless of fluctuations in output
2. Variable expenses: per unit is constant and change in total directly '' with change in output
3. Semi-variable expenses: neither fixed nor variable, change in the some direction of output but not proportionately. This budget should be in detail for each responsibility centers and by interim time periods. These are classified in to two sub budgets.
4. Distribution and promotional expenses budget.
5. Administrative expenses budget

2.5.7 Capital Expenditure Budget

Capital expenditure budgeting is a process of planning and controlling of the long term and short term expenditure. For expansion, replacement and contraction of fixed assets, Capital budgeting is useful to earn future profit and to reduce future costs. The capital expenditure budget gives on estimate of the amount of capital that may be needed for acquiring the fixed assets required for fulfilling production requirement as specified in the production budget. The budget is prepared after taking into consideration the available production capacities, probable reallocation of me existing assets and possible improvement in production techniques. Separate budget may be prepared for different items of fixed asset. Such as plant and equipment budget, building budget etc. the capital expenditure budget is an

important budget providing for the acquisition of assets, necessitated by following factors.

- Replacement of existing assets
- Purchase of additional assets to meet a proposal increase in production due to increase in demand.
- Purchase of additional assets because of starting up of new lines of production
- Installation of an improved type of machinery so as to reduce cost of production

Thus, the capital expenditure budget enables are to know what new fixed assets are needed and what will be their costs and rates of return.

The investment decision of the firm is generally known as me capital budgeting, or capital expenditure decision. A capital budgeting decision may be defined as the firm's decision to invest its current funds most efficiently in the long-term assets in anticipation of an expected flow of benefits over a series of year.

Capital budgeting is the process of planning and controlling the strategic and tactical expenditure for expansion and contraction of investments in fixed assets.

2.5.8. Cash Budget

Cash budget is the process of forecasting the expected receipts and expected payments of cash to meet the future obligations. It is a detailed estimate for some future period of time of cash inflows from all sources and cash disbursement for all purpose.

Cash budget is extremely useful tool for financial planning which embraces arranging new loans and borrowings, replacing the existing debts, cash outlays, capital expenditures and dividend payments etc.

Cash budget is the most significance device to plan for and control the cash receipts and payments. A cash budget is a summary statement of the firm's expected cash inflow and outflows over a projected time period.

The primary purposes of the cash budget are:

1. Give the probable cash position at the end of each period as a result of planned operations.
2. Identify cash excesses or shortage by time periods.
3. Established the need for financing and the availability of idle cash for investment.
4. Co-ordinate cash with (a) total working capital (b) sales revenue (c) expense (d) investment (e) liability of firm
5. Establish a sound basis for continuous monitoring of the cash position (Welsch, Hilton and Gordon; 2004: p 137)

2.6. Variances Analysis

Variances refer to the deviation between planned and actual goals. They reflect performances above or below standard. Variances are analyzed according to their cause and the person responsible.

Variances analysis is an important tool that can increase the usefulness; of periodic performance reports. It helps management to better understand the causes of variances from planned perform and take corrective action through management by exception the decision investigate a variance is a cost benefit decision. The benefit derives from the possibility of retiring the production system to its efficient state. The cost is the use of management time to investigate the cause of the variance. Management time is usually viewed as a scare resource with a high cost per hour. Comparison of actual results with planned or budget goals has been emphasized as integral part of the control process. A basic feature of performance reports is the reporting of variances between actual results and planned goals, if a variance is significant, a careful management study should be made to determine the underlying causes. There are numerous ways to study variances to determine the underlying causes.

1. Conferences with responsibility center mangers, supervisors and other employees in the particular responsibility center involved.
2. Analysis of the work situation includes the flow of work coordination of activity effectiveness of supervision and other prevailing circumstances by
   - Direct observation

- On the spot investigations by line managers.
- Investigations by staff group internal audits, special studies, and variance analysis.

Variance analysis involves a mathematical analysis of two sets of data in order to gain insight into the underlying causes of a variance one amount is treated as the base, standard or reference point variance analysis has wide application in financial reporting. It is frequently applied in the following situation. But data is related to sales, materials, labor, and overhead. The prior period is considered following bases.

1. Investigation of variances between actual and standard cost. The standard cost is used as the base.
2. Investigation of the variances between actual results and planned or Budget goals reflected in the profit plans. The planned or budget goals are used as the bases.

2.7 Flexible Budget

Flexible expense budgets represent only to expenses or costs. They are also called dynamic, activity or output adjusted expenses budget. It is complementary to tactical profit plan. They help to provide expenses plan for tactical profit plan and expenses plans adjusted to actual output for comparison with actual expenses in periodic performance report.

The fundamental concept of flexible budgets for expenses is that all expenses are incurred because of (a) the passage of time (b) productivity (c) a combination of time and output, if these premise reasonable in a business the expenses can be computed for planning and control that means.

1. Expenses must be identified as to their fixed and variable components, with related to output or productive activity.
2. Expenses must be reasonably related to output or productive activity.
3. Output or productive activity must be reliable measurable.

4. Flexible budget for each expense must be for a specified time period and for specified time relevant range of output or productive activity

5. For planning and control purposes, flexible budget formula must be developed for each responsibility center in enterprises.

2.8 Ratio Analysis.

Ratio analysis of business enterprises refers quantitative measures of the firm to meet its future financial obligations or expectation. Present and part data are used for the purpose it is the mirror, which reflects the financial strength and weakness of the organization in terms of liquidity, profitability, capital structure and assets utilization. They are made to provide an indication of future performance. A ratio analysis is the process of determining and interpreting numerical relationship based on financial statement. Ratio analysis is the powerful tool of company's strength and weakness analysis. It is an index for evaluating the performance of the company. A comparison of ratios of the some over time is important in evaluating changes and trends in the firm financial condition and profitability. The relationship between two accounting Figures is known as simply ratio. There are generally four types of ratios are in practices, liquidity, leverage and activity profitability.

The ratio analysis is invaluable aid to management in the discharge of its basic functions of forecasting, planning, co-ordination, communication and control. By an analysis study of the part performance of the business, it helps in predicting and projection the future it assist in communication by conveying and formulation, which is pertinent and purposeful to those for when it is meant, it promotes co-ordination by a study of the efficiency of the business it paves the way for effective control of business operations by undertaking on appraised of both the physical and monetary targets.

2.9 Costs-Volume Profit Analysis:

The relationship between cost volume of sales and profit is known as cost volume profit analysis. It is an analytical tool for studying the relationship between volume, cost, profit and price. There are three factors in cost volume profit analysis, which are interconnected and dependent on one another. For example profit depends upon

sales; selling price to a greater extent will depend upon the costs volume of production.

Cost Volume Profit Analysis answer the following questions:

1. What sales volume is needed to avoid losses?
2. What sales volume is necessary to earn a desired net profit?
3. What will be the effect of change in prices?
4. Which product or product mix is most profitable?
5. Which product or operation of plant should be discontinued?

The most descriptive title-underlying concept is break-even point. It is defined as that volume level at which revenue exactly equals total costs. It is a point of "no profit no loss". This analysis is directly concerned with the effect or profits of changes in fixed cost, variable cost, selling price, sales quantities, sales mix.

Cost volume profit analysis is an integral part of management administrative function. It provides a framework of various ways of organizing those operations. In addition cost volume profit analysis can be used to control current operations by comparing actual results with planned results.

The volume of cost volume profit analysis is limited by its static character and the assumption on which it is based but used with discretion by a skillful management account analyst; it becomes a patent weapon in management strategic arsenal.

2.10 Leverage

Leverage represents influence of power. It is influence of one variable over some other related variable. "The term leverage may be defined as the employment of an assets or resource of funds for which the firm has to pay a fixed cost or fixed return." (Sthapit, Ajay Satyal, 2006:110) There are three commonly used measures of leverage in financial analysis.

2.10.1 Operating Leverage:

It reflects the extent that fixed assets and fixed cost are utilized in the business firm. The firms have two options (a) To operate with high fixed cost or (b) To operate with high variable cost in first option. The risk is very high and as result profitability will also be high in second option the will low and side by side the

profitability will also be low. A firm has a high degree of operating leverage if it using higher percentage of fixed cost out of the total cost.

A ratio between the rate of changes that take place in sales and net income is known as operating leverage. It is also a ratio between contribution margin and earnings before interest and tax (EBIT). It measures the sensitivity of EBIT to change in sales. The formula for finding out the degree of operating leverage is as follows:

DOL=$\frac{\%change\ in\ EBIT}{\%\ change\ in\ sales}$

OR

DOL=$\frac{Sales-V.C}{EBIT}$

It measures the % change in EBIT which result from a change of % in the level of output sales. For example, say DOL is 2, it denotes that increasing in sales by 1% result 2% increasing or EBIT or of sales increases by 50% then the EBIT increasing by 10.

2.10.2 Financial Leverage:

Financial leverage reflects the amount of debt used in the capital structure of the firm. The use of the source of funds with fixed charges such as debt and performance capital with the owner's equity in the capital structure is described as financial leverage. The leverage will be high in the case of higher proportion of borrowed capital in the total capital structure. It there is no borrowed capital in the total capital structure, the leverage will be one. It measures the % change in EBT, which results from a change of 1% in EBIT. It enables us to understand how EPS would change given a certain change in EBIT. For finding out financial leverage the following formula can be used:

DOL=$\frac{\%change\ in\ EPS}{\%\ change\ in\ sales}$

OR

DOL=$\frac{Sales-V.C-F.C}{Sales-V.C-Intrest}$

2.10.3 Combined Leverage:

The combination of operating leverage and financial leverage is known as combined leverage. The leverage is combined to assess the impact of all types of fixed changes. It can be found out by multiplying degree of operating leverage with degree of financial leverage.

$$DOL = \frac{\%\ change\ in\ EBT}{\%\ change\ in\ sales}$$

OR

$$DOL = \frac{Sales - Variable\ CostV.C}{EBT}$$

Degree of combined leverage is also known as degree of total leverage. It measures the % change in EPS, which results from a change of 1% in the level of output or sales. It enables us to understand how EBIT would change by certain change in sales. (Sthapit, Yadav, Tamang, Dhital and Adhikari, 2006:117)

I Human Aspect

The higher the co-operation between capital and labour the greater the productivity. So every effort should be made to have the willing cooperation between these two wings of production so that improvement in productivity may be made. Some of the improvement points of co-operation are listed below.

- Mutual trust and co-operation between capital and labour.
- Workers participation in management to give them the feeling that they have a voice in the Administration of the concern.
- Introducing rationalization and automation by taking the workers into confidence and giving them the assurance that they will not be retrenched due to rationalization and automation.
- Adopting two ways communication services where by information to and from workers would reach both ends unhampered.
- Giving various incentives to workers for greater productivity by adopting balanced wage structure and adequate system of recruitment, training, placement and promotion and a comprehensive labour welfare scheme.
- Adopting suggestion box scheme by the concern and making this scheme open to all employees for making suggestions or work simplification, improvement

of working conditions or any other matter affecting the efficiency of the concern.(Sthapit,Yadav,Tamang,Dhital and Adhikari,2006:30)

II Technological Aspect

The various technological aspects to which attention should be given for improving productivity are listed as follows.

Location and layout of the factory:

Place where the total transportation costs, both of finished goods and of raw materials should be minimum and layout of shops and machine tools to suit the flow of operations of processes.

Design: Ensuring correct production designs so that faculty designs may be discontinued and make research regular features to modify the existing minimum cost and optimum quality.

Management: Sure delegation of authority define live and staff relationship clearly standardization of product. Ensure application of technique of production control apply work study techniques. Application of better quality control etc.

Labour: Make suitable pay scale keeping view the characteristics of job concerned select right time at right job. Arrange training programmes give reward for efficiency and quality make good working condition and provisions of medical, housing, recreational and educational facilities to reduce labour turnover.

Material: Purchase right type of material at right price. Fixing minimum ordering quality for each material to avoid shortage of material. Avoid over stock of material reduce the wastage of material.

Machine: Maximum possible capacity of machine and make satisfactory arrangement for repairs and maintenance of machine and tools.

Finance: Finance is capital budgeting, working capital and particularly laying emphasis or management of inventory and receivables. (Sthapit, Yadav, Tamang, Dhital and Adhikari; 2006: 30).

2.11 Review of the previous studies

2.11.1. Review of Books

Pokhrel, R. (2005), "*Revenue Collection in Nepal Telecom and strengthening it in future*" shows Nepal telecom standard cash collection/revenue

ratio has been taken as 98% through some portion of cash collection during the year may pertain to previous years. But the result shows the actual cash/revenue percentage fluctuated from the standard.

Poudel, S. (2010), *"Sana tatha kutir udhyog ko arthik byawasthapan"* reveals that cottage and small industries department has big amount of expenses as uncertified which shows lack of responsibility in financial aspect by the public enterprises. The above review of various journal and articles related to working capital and cash management reveals the poor management of working capital in Nepalese PE's.

2.11.2 Review of journals and articles

Acharya, B.P.(1999), in his article, *"Dursanchar Ko Bartaman Awastha ra Nijikaran"* has suggested to utilize its fund rather than accept high interest bearing loans for capital investment, since the rate of earning in liquid fund is less than the rate of interest it pays for the loan.

Acharya, B.P. (2000), in an article, *"Profitability Structure of NTC"* suggested utilizing its internal resource. He writes "It has become possible to maximize profit utilizing internal resources with minimum cost. In other hand, liquidity position of the corporation is quite high as it keeps capacity to pay of whole debt at once if the circumstances so required. Keeping in view the increasing services it can be expected that the further profitability trend will get improve furthermore in comparison to current trend provided the revenue structure from national and international service remain within a certain limit at unchanged tariff situation."

2.11.3 Review of Thesis

So far as known to the researcher, numbers of study on sales budgeting and production budgeting on different organizations were made but not exactly on Chaudhary Group of Nepal. It means, there is numerous research made on the topic Sales and Production under Profit Planning and Control related with different public enterprises. Those researches were made both related with manufacturing and non manufacturing concern. Whatever the research in the area of profit planning were made are not in depth. Also the research which has been made on this area are reviewed and put out their findings.

Ghimire, Indra (2002), has conducted a research on *"Profit Planning in Manufacturing Company in Nepal"* A Case Study of Bottlers Nepal Ltd (BNL), an unpublished master level thesis submitted to Shanker dev campus Faculty of Management T.U. The nature of data used were secondary as well as primary i.e. published and unpublished relevant documents, report of auditor, personal interview, questionnaire etc. The study covers the time period of 5 years i.e. from the fiscal year 1998 to 2003.

The Objectives of the Study Were:-
1. To review the present practice of profit planning; its effectiveness and factors in Bottlers Nepal Ltd.
2. To analyze the various functional budgets and actual achievement of Bottlers Nepal Ltd.
3. To analyze the variance if any between budget and achievement.
4. To draw the appropriate conclusion and give suitable suggestions and recommendations for improving the comprehensive profit planning on the basis of that study.

Major Findings of the Study:
1. The company has not maintained the broad and long range objectives and periodic performance report systematically.
2. There is lack of coordination between the executive levels and lower level personnel to develop the plan and strategy.
3. Company should have to utilize its capacity to meet the target production which will provide encourage to get profit.
4. There must be opened separate profit planning unit and have to appoint profit planning director to achieve company's goal.
5. It should be benefited to prepare a realistic sales plan.

Damodar, Niraula (2008) has made research on *"Impact of budgeting profitability of Nepalese Public enterprises"* A case study of Nepal Electricity Authority an unpublished master level thesis submitted to the faculty of Management, Shanker Dev campus .In this study Mr. Niraula has pointed out following specific objectives and findings.

The Objective of the Study Were:

1. To analyze the various functional budgets of NEA.
2. To analyze the true picture of managerial budgeting adopted by NEA.
3. To analyze the variance between budgeted and actual achievement of the authority.
4. To point out the major shortcomings and recommended suggestive measures.

Major Findings of the Study:

1. Actual and budgeted sales are found to be significant but the difference between budgeted and actual production is found to be vague. In spite of the fact, there is perfect correlation between budgeted and actual production respectively.
2. NEA is bearing a high fixed cost due to the lack of proper technology, overstaffing and many more.
3. Actual sales are always less than actual production due to the power loss.
4. It has not classified its overhead systematically, which creates difficulties in analyzing the expenses properly.

Prajapati, Sumitra (2008), has conducted a research on *"Impact of sales and production budgeting on profitability of public enterprises"*. A case study of Nepal Electricity Authority an unpublished master level thesis submitted to the Shanker Dev Campus faculty of Management. The study was based on the Recent five fiscal periods and previous five fiscal periods. The main objectives, major finding and the some recommendations of are presented below.

The Objective of the study were

The main objective of the study is to analyze the sales and production budgeting along with analysis of supply system of electricity. Apart from this above are the other specific objectives.

1. To examine the practice and effectiveness of sales of sales and budgeting and production budgeting in NEA.
2. To identify the effect of sales and production budgeting on profitability of NEA.

3. To evaluate the variance between budgeted and actual achievement of NEA.

4. Comparative study of sales and production budgeting of recent five fiscal year (f/y) 2060 /061 to 2064/065

5. To provide the valuable suggestions and recommendation to the NEA.

Major Findings of the Study

The major findings of the study on the basis of collection and analysis of data are presented below.

1. NEA has a practice of preparing both strategic and tactical managerial budgeting but tactical short range plan is prepared for external purpose and strategic plan is prepared for internal purpose.

2. There is high degree of correlation between budgeted and actual sales i.e. 0.99 approximately.

3. The coefficient of variation and standard deviation of actual sales are less than budgeted sales. IT indicated that budgeted sales are more variable than actual sales.

4. The NEA sales achievement has neither touched nor crossed the target sales during the study period. The sales achievement during fiscal five year is increasing every year.

5. The tariff rate of electricity is high in domestic, industrial, commercial, non-commercial and temporary supply but it is cheap in water supply, irrigation, community sales, transportations and bulk supply (India) categories.

6. Category wise sales analysis of NEA shows that the sales share in (GWH) of electricity of domestic, industrial, bulk supply (India) and commercial categories is high and sales share in (GWH) of community sales, temporary supply is low. The sales revenue of electricity in (Rs.) 0f domestic categories is the highest and the least is in the temporary supply category.

7. In compared to fiscal year 2054/055 to fiscal year 2058/059 the actual and budgeted sales and production are more consistent and less variable In fiscal year 2060/061 to fiscal year 2064/065.

8. There is positive correlation between budgeted and actual production but budgeted production is more variable than actual production.

9. There is positive correlation between actual production and actual sales as correlation coefficient is 0.83. Actual sales are more variable than actual production.

10. Higher standard deviation and coefficient of variation of actual profit than actual sales and actual production indicate higher variability and less**.** Recommendation.

11. NEA should be prepared sales budget on the realistic ground. Sales forecasting should be made after analyzing all variable that affect the sales of NEA. NEA should consider demand determinants such as family income, price of electricity, cost of alternative power, and cost of auto generation electricity and reliability of NEA service. And there should be effective management in generation and distribution of electricity to meet target sales.

12. NEA should try to increase the sales volume and should reduce the power purchase. It can be done reducing power leakage and wastage, establishing new plants and increasing the capacity utilization.

13. NEA should maximize its operating profit so as to survive in the future. Because authority operating under huge loss annually can't be afforded by government.

14. NEA is enjoying monopoly market in power sector in Nepal. It is a good sign for authority as the sale of electricity is increasing every year in satisfied manner. In this context, NEA could have sufficient profit but unfortunately, it is suffering from huge loss due to over cost on unnecessary heads. So it needs to work hard to maintain the unnecessary cost.

15. NEA should be considered cost volume profit relationship while developing strategy. To maintain BEP, NEA should be control its high fixed cost and variable cost and increase its sales revenue.

16. Load shedding is a big issue in Nepal. The authority should try to avoid load shedding which help to increase its profit.

17. NEA should have proper co-ordination between budget formulation implementation and evaluation of achievement.

18. NEA has both the margin of safety and p/v ratio are low, so management of NEA should the possibilities of increasing the increasing the selling price, provided it does not adversely affect the sales volume or reducing variable cost by bringing improvement in the manufacturing process.

Shahi, Prem Bahadur (2009), has conducted a research on topic *"Sales budgeting and planning of a trading company."* A case study of National trading Limited an unpublished master level thesis submitted to the Central campus of Management, Kathmandu. This Research covers the time period of five fiscal years i.e. from2061/062 to 2065/066.The main objectives, major findings and some recommendations are as follows

The objectives of the study were:-
The general objectives of this study are to examine and evaluate the planning system specially the sales planning system used by NTL. The major objectives of this study are highlighted as follow:

1. To examine the sales planning system used by NTL.
2. To examine annual sales budget of NTL to examine interrelationship between sales planning and profit planning.
3. To study sales trend and problem of NTL.
4. To provide recommendation and suitable suggestions to the company.

Major Findings of the Study:
Major finding of the study are as follows:

1. Sales plan of National Trading Limited is not properly maintained.
2. NTL has not a system of forecasting.
3. Sales trend of NTL is fluctuating.
4. Actual Sales are more homogenous than planned sales
5. The variance is highly unfavorable in every year.

The average sales achievement of the study period is about 60% of planned sales.

6. The correlation coefficient is positive between planned and actual sales but it less consistent.

7. The straight line trend shows the unfavorable sales Figure for future.

8. Both target and achievement sales indicate the unfavorable future of NTL.

Khulel, Ramesh (2010) has conducted a research on "*Sales Budget Practice in Insurance Company"* A case study in Everest Insurance Company Ltd. An unpublished master level thesis submitted to Shanker Dev Campus, Faculty of Management, T.U.

The objectives of the study were:

The general objectives of this study are to examine and evaluate the planning system specially the sales planning system used by EIC. The major objectives of this study are highlighted as follow:

- To analyze the effectiveness of profit planning in EIC.
- To study the variance in budgeted and actual sales
- To suggest appropriate recommendations

The Major Findings of the study:

- There is no significant classification of overhead expenses
- There is no practice of PPC except sales budget
- The company has never failed to achieve its target
- EIC has no clear cut vision of PPC

Sharma, Achut (2011) has conducted a research in a topic "*Revenue Planning & Management of Manufacturing Public Enterprises"* A case study of Singh Durbar Vaidya Khana Vikas Samiti an unpublished master level thesis submmited to Central Department of Management, Faculty of Management T.U.

The objectives of the study were:

- To analysis the actual sales and budgeted sales.
- To examine revenue generate by SDVKVS.
- To recommendation and suggestion for RDL.

The Major Findings are:

- SDVKVS has adopted only product/categorized budget. But it has not adopted practice of preparing monthly budget.
- There is no surprise sale.
- There are no actual bad debts shown in an account.
- In the calculation of profit volume ratio, it has shown that its fixed cost is high.
- The pricing policy needs revision and adjustment of pricing policy organization is not fare.

2.12 Research Gaps

A brief review of the above mentioned dissertations, reported that most of the enterprise were not operating effectively and they have also not applied the full concept of budgeting i.e. application of profit planning system and have recommended for the effective implementation of profit planning system which is related on the major findings of their studies. This study so would be of different value as it focused on specific area of overall profit planning i.e. sales budget and production budgets with special reference to a manufacturing enterprise Chaudhary Group. This research paper used correlation and regression analysis between the budgeted and actual sales and production with other management tools of analysis.

It would be a significant step in knowing about the sales budget and production budget of Chaudhary Group. The study attempted to analyze the sales and production budgeting system of the manufacturing firm. This study will be very new study for the all stakeholders.

CHAPTER-III
RESEARCH METHODOLOGY

3.1 Research Design.

The research design opted for the study was basically descriptive one. The necessary data and information required for the study were collected, evaluated and analyzed systematically to arrive at a certain conclusion. It included and outline of what the investigation will do from writing the hypothesis and their operational implication to the financial analysis of data.

The present study is mainly related with the quantitative plans and financial statements for five years shown by Chaudhary Group Nepal. Descriptive as well as analytical research design is followed and those five years statement attempts to show the real position of Chaudhary Group in regarding setting goals defining objectives and planning strategy. Quantitative aspects of this research such as, effectiveness of profit planning in these enterprise problems of formulating and implementing the profit plans, theoretical perspective and views of the top personnel and other middle staff are explained where over necessary.

3.2 Period covered

Profit planning has two dimensions; strategic or long range and tactical or short range profit plans. Five fiscal years data is taken for long range planning. One year data for short range planning, long range trend analysis were made for the fiscal year from2062/063 to 2066/067.

3.3 Data Collection   Procedures.

Secondary data are used to fulfill the objectives of the study. The research study has followed basically study of profit planning of Chaudhary Group to evaluate the budgeting system in use.

It was based on account statement and other information covering fiscal years of Chaudhary Group. CVP analysis, flexible budget, variance analysis, ratio percent, correlation, regression as tools may be used as per need. The study covers sales,

production, material, labour, expenses and profit and loss of Chaudhary Group.
Therefore, the documents used in the study covers:

- ➢ Annual report of Chaudhary Group.
- ➢ Magazine, Newspaper, Booklets, Documents.
- ➢ Published books, journals relating to Chaudhary Group.
- ➢ Government Report, Bulletin and other published statement of Chaudhary Group.
- ➢ Previous studies made in this field.

This research work was however, analytical as well as exploratory depending upon the nature of issue for necessary. For this purpose data had been managed in proper form, interpretation and explanations wherever necessary.

3.4 Method of Analysis and Presentation.

Methods of analysis were applied as simple as possible. Results were presented in tabular form based on which clear interpretations were given. Detail calculations, which couldn't be shown in the body part of the report, were presented in appendices at the end of this study. More simple and easily understandable charts diagrams and graphs were used. And finally summary, conclusions and recommendation were presented.

3.4.1 Tools Used

To analyze the selected data some financial and statistical tools were used. For the collected data are managed, analyzed and presented in proper tables and formats. Those tables and formats were interpreted and explained wherever necessary.

Time Series Analysis:

It measures the average change in the value of Y as a result of one unit change in the value of X. in other words, it measures the rate of relationship of the sales achievement and target . It is the line gives the best estimates for the values of Y for any specified value of X.

The Straight Line Time Series found as $\hat{y} = a + bx$
Where

b = Growth Rate

x = Independent variable

y = Dependent variable

a = Intercept of trend line

Coefficient of Correlation:

Coefficient of correlation is used for measuring the magnitude of linear relationship between two variables. The value of coefficient of correlation always lies between +1 and -1. When coefficient of correlation (r) =+1, it shows there is perfect positive correlation between the variables, when (r) = -1, it means there is perfect negative correlation between the variables and (r) = 0 refers there is no relationship between the variables. The coefficient of correlation finds not only the magnitude of correlation but also its direction.

The coefficient of correlation found as

$$r = \frac{n\sum xy - \sum x \sum y}{\sqrt{n\sum x^2 - (\sum x)^2}\ \sqrt{n\sum y^2 - (\sum y)^2}}$$

Where

r = Coefficient of Correlation

n = Number of years

Σx = Sum of X series

Σy = Sum of Y series

Σxy = Sum of X and Y series

Σx² = Sum of square of X series

Σy² = Sum of Square of Y series

X and Y = Financial variables

Regression Equation Analysis:

The regression analysis is used to estimate the likely value of one variable from the known value of the other variable i.e. in regression analysis we established a kind of average irreversible functional relationship between the two variables.

The Regression Equation of sales achievement on sales target show the equation,

$$y - \bar{y} = byx(x - \bar{x})$$

Where,

$$byx = \frac{n\sum xy - \sum x \sum y}{n\sum x^2 - (\sum x)^2}$$

byx = Regression coefficient of Y on X

$\overline{x}$ = Means of x series

$\overline{y}$ = Means of y series

Probable Error (P.E.)

The probable error of the coefficient of correlation helps in interpreting the value. It is possible to determine the reliability of the value of coefficient. It can be obtained as follows:

$$P.E. = 0.6745 \times \frac{1 - r^2}{\sqrt{N}}$$

If the value of r is less than P.E. there is no evidence of correlation i.e., value of r is not significant. Then if the value of r is more than 6 times of the P.E., the coefficient of correlation is practically certain i.e., is significant.

3.4.2 Graphical Presentation

Presenting the information through the graph makes very easy to understand. The various in this study are presented in the different types of graphs and diagrams.

3.5 Research Variables.

Financial and physical targets for specific goals, Sales, Production, Finished goods, Inventory Position, Capital Expenses, Man Power Planning, Cash Budgets relating to long term and short term periods of Chaudhary Groups Nepal are the research variables of present study.

CHAPTER-IV
DATA PRESENTATION AND ANALYSIS

Presentation and analysis of data is an important stage of the research study. The main purpose of analyzing the data is to change it from an unprocessed from in an understandable presentation. The analysis of data consists of organizing data by tabulating and then placing the data in presentable form by using Figures and tables.

The presentation and analysis of data section is the main text of the study. It provides insight into the predetermined objectives of the study. For the purpose of presentation of data, the most recent published financial statements and annual budget reports are used. The collected and tabulated data have been analyzed using different accounting and financial tools. The chapter includes presentation, analysis and interpretation of collected data with organizing successively as per the objectives of the study. The policy regarding internal control of cash management is collected and analyzed in this topic.

4.1 Sales Budget of the Chaudhary Group

Sales budget is the statement of budgeted sales for different time periods such as quarters or years. The preparation of all other functional budgets depends upon the sales budget. The prime objective of business is to earn profit so that the first consideration of business must be to prepare effective sales budget. Profit is the amount excess of revenue over cost. Therefore, the sales plan is the foundation for periodic planning in every firm as, sales based on which is cash and all other functional budgets are prepared on the basis of the sales budget.

A comprehensive sales plan comprises the sales activities sales are the basic source of revenue. Therefore, the sales budget is a part of revenue budgets. It is also referred to a market penetration plan. In manufacturing concerns, the volume of final products to be produced is determined by the sales units, which are budgeted. Generally, two types of sales budgets are prepared on the basis of time period covered. First is a long term sales budget, which covers the time period of three to

five fiscal years and second, the short term sales budget covers the time period of accounting year.

4.1.1 Budgeted Sales and Actual Sales in Electronics of Chaudhary Group.

The following table shows that the budgeted and actual sales in electronics of the Chaudhary Group in fiscal year 2062/63 to 066/67 and also the achievement in percentages.

Table: 4.1

**Budgeted And Actual Sales In Electronics**

(RS. In Thousands)

Fiscal Year	Budgeted Sales	Actual Sales	% Of Achievement
2062/63	108640	80550	74.14
2063/64	115000	95860	83.35
2064/65	128000	82100	64.14
2065/66	135000	103500	76.66
2066/67	142000	125200	88.1
	Average = 628640	Average =487210	

Source: Annex- 1

The table 4.1 shows that the budgeted and actual data of total sales of electronics product manufactured by Chaudhary Group during the study period. In the fiscal year 2062/63 the budgeted sales were Rs.108640 thousand and actual sales were Rs. 80550 thousand. Chaudhary group achieved only 74.14 of budgeted sales as compared of the target it had set for that fiscal year. Similarly, Chaudhary group achieved 83.35% of target which was Rs. 95860 thousand in fiscal year 063/64. In that fiscal year Chaudhary Group made remarkable achievement than the targeted sales of the previous fiscal year. The result of achievement was 83.35%. Again the achievement of sales was Rs.82,100 thousand in the fiscal year 2064/65. In the fiscal year 2065/66 the targeted sales again increased Rs.135000 thousand and achievement sales also increased to Rs. 103500 thousand recording 76.66%. In the fiscal year 2066/67 targeted sales were Rs 142000 thousand & actual sales were Rs. 125200 thousand.

The budgeted sales and actual sales in electronics of Chaudhary Group are presented with bar diagram below. In the fiscal years 064/65 achievements is very low. And in fiscal years 2066/2067 the budget sales is increased Rs. 142000 and actual sales 125200 which is 88.1% which is highest achievement up to now.

Figure.4.1

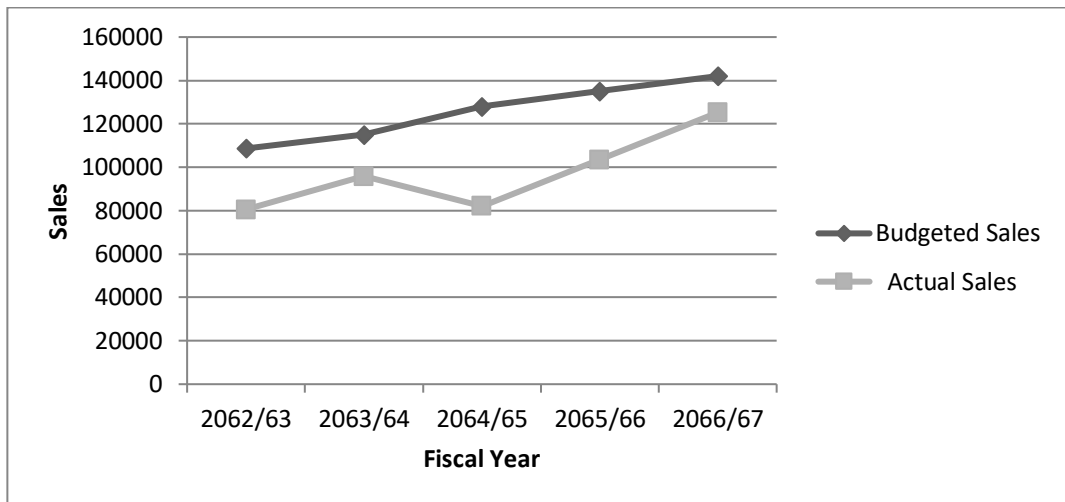**Budgeted and Actual Sales in Electronics products.**
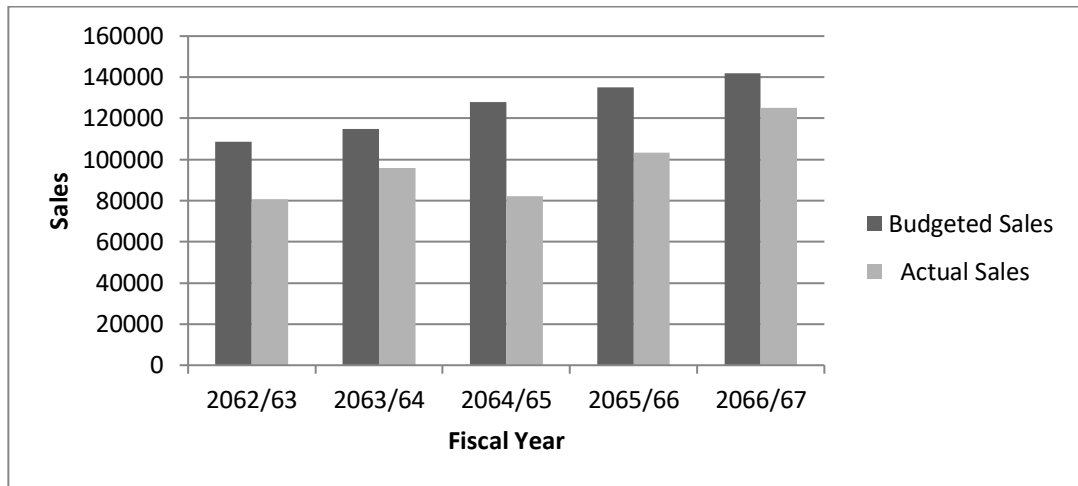
Directly the period of year 2062/63 there was the highest target on sales and the following year it is found that the low Figure of budgeted sales. There after Chaudhary Group Increased the targeted budgeted sales but there was fluctuating on achievement. In comparison the budgeted sales, the firm achieved minimum sales in the fiscal year 2064/065 and maximum on year 2066/67. In the fiscal year 2066/67 Chaudhary Group made more success on sales based on budgeted and actual sales then other fiscal years where as the minimum difference of budgeted and actual sales.

The Figure 4.2 shows the Trend Line sales of electronics in different fiscal years based on budgeted and actual sales of electronics.

Figure 4.2

Trend   line of Budgeted and Actual Sales of Electronic Products

In the Figure 4.2 it is presented the budgeted sales and actual sales in electronics product on the base of different research year. In y axis the budgeted and actual sales and x axis of diagram research year is presented. From the trend line it is found that initially budgeted sales were started 108640 thousand but it increased up to 142000 thousand. In the beginning of research year actual sales were Rs.80550 thousand and Rs.125200 thousand at the end.

Summary of statistical calculation of budgeted sales and achievement.

Coefficient of correlation (r) = 0.7727

Coefficient of determinations (r^2) = 0.597

Regression of achievement on target = 0.77

Probable error (P.E.) = 0.1215

6×P.E. = 0.7296

The correlation coefficient between budgeted and actual sales was 0.7727 which a moderately positive correlation between the variable. This shows that these two variables moved in same direction of achievement and budgeted sales of Chaudhary Groups on electronics products. Since, r > 6 P.E. (0.7727>0.7296), coefficient of correlation between budgeted and actual data is found to be significant. It shows the result of budgeted and actual sales of electronics products was satisfactory Coefficient of determinants (r^2) was 0.5972 which means that only 59.72% of the

60

total variation in the actual sale due to effects of budgeted sales and reaming is due to other factors. The regression equations of achievements is 0.77 it means if budgeted sales is increased by one rupees the actual sales will increased by 0.77 rupee.

4.1.2 Budgeted Sales and Actual Sales in Noodles of Chaudhary Group

From the following table it is found that the budgeted and actual sales in Noodles of the Chaudhary Group on fiscal year 2062/63 to 2066/67 and also the achievement percentages in different research year.

Table: 4.2

Budgeted And Actual Sales In Noodles

(Rs. In Thousands)

| Fiscal Year	Budgeted Sales	Actual Sales	% Of Achievement
2062/63	145000	102570	70.73
2063/64	146980	91870	62.50
2064/65	138000	105450	76.41
2065/66	158535	114800	72.41
2066/67	179070	124150	69.33
	Average= 767585	Average =538840	

Source: Annex-2

The above table no.4.2 shows that the budgeted and actual data total sales of Noodles during the study period produced by Chaudhary Group. In the fiscal year 2062/63 the budgeted sales were Rs.145000 thousand and actual sales were 102570 thousand. Chaudhary group achieved only 70.73 of the target sales it had set during that year. In the fiscal year 2063/64 only Rs.91,870 thousand of sales it achieved where Chaudhary Group had set target for Rs.146980 thousand. In that year the company sales minimum amount of products based on budgeted sales on whole research years where only 62.50% achievement result was found. Then it set low targets on sales in next fiscal year and they improved on sales then previous fiscal year, whereas Rs. 1,05,450 thousand (76.41%) sales achieved on target. Last of the

research year they achieved more sales then previous year but it could not meet the budgeted sales which they have set as targeted. Chaudhary group could not meet the sales target in any of the research year. It achieved 76.41 in fiscal year 2064/65 which was the highest achievement on sales of the research year and 62.50% on fiscal year 2063/64 was the minimum sales of the Noodles. In short it can be said that the data show fluctuation result on the whole study period might cause the sales and marketing strategy which had set by the Chaudhary Group.

The budgeted sales and actual sales in noodles of Chaudhary Group are presented with bar diagram below.
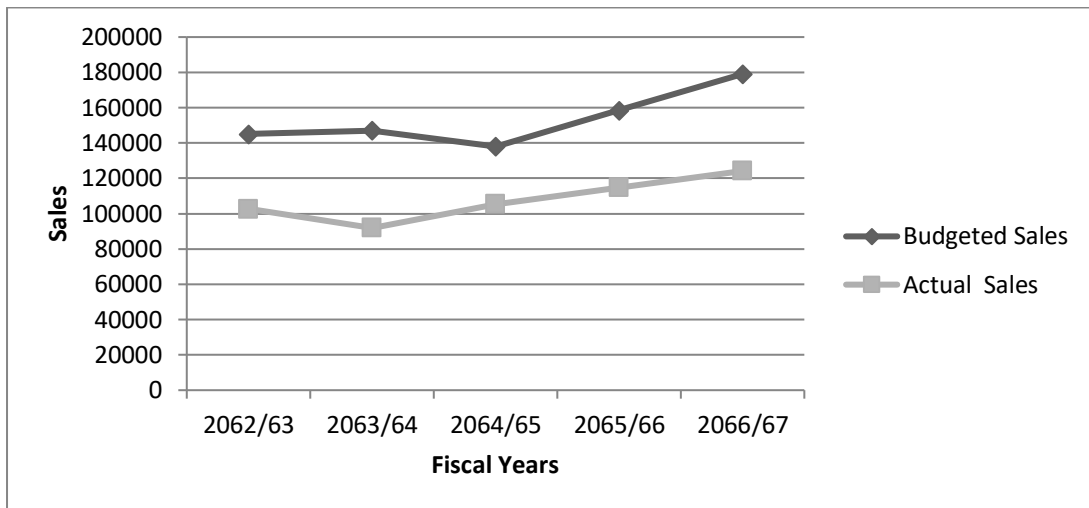
Figure. 4.3

Bar diagram for the Budgeted and actual Sales of Noodles.
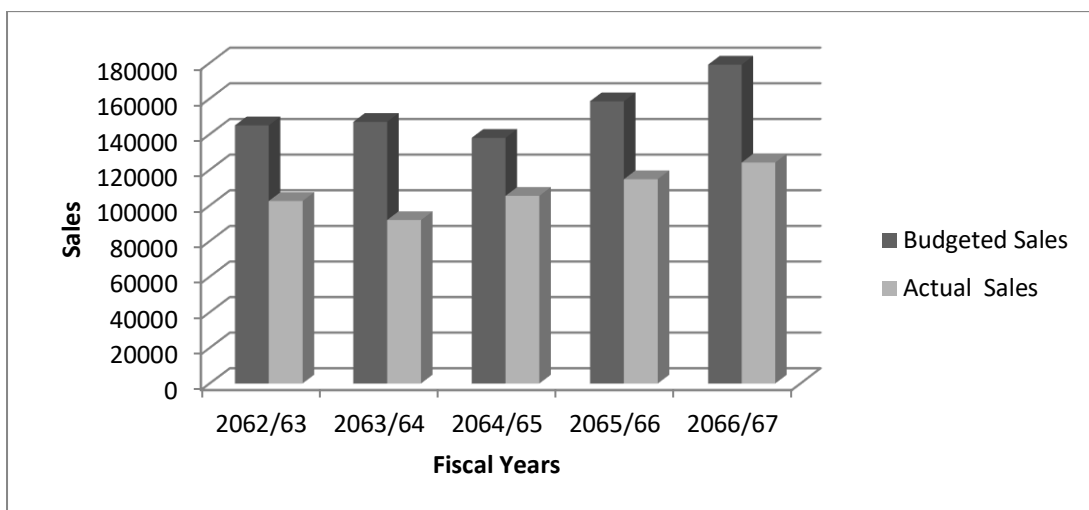
In the research year 2063/64 there was the lowest target on sales there after Chaudhary Group increased the targeted budgeted sales but fluctuation on actual sales. In comparison the budgeted sales the firm sold minimum products in the fiscal year 2063/64 and maximum in the fiscal year 2066/67 but not highest achievement. In the fiscal year 2064/65 Chaudhary Group made more success on sales of noodles based on targeted sales than in other fiscal years because the minimum difference of budgeted and actual sales.

The Figure 4.4 shows the trend line on sales of Noodles in different fiscal years based on budgeted and actual sales.

Figure. 4.4

Trend Line of Budgeted and Actual Sales of Noodles.

In the Figure 4.4, it is presented that the budgeted sales and actual sales in noodles on the base of different research year. From the trend line it is found that initially budgeted sales was nearly Rs.150,000 thousand but it increased thereafter up to Rs.179070 thousand. The achievement of sales on the beginning of research year was nearly Rs.1,10,000 thousand and nearly Rs.12,5000 thousand at the end.

Summary of statistical calculation of budgeted sales and achievement.

Coefficient of correlation (r) = 0.808

Coefficient of determinations (r^2) = 0.652

Regression of achievement on target = 0.617

Probable error (P.E.) = 0.1049

6×P.E. = 0.6298

The correlation between budgeted and actual sales was 0.808 which was very high degree positive correlation between the variable. This shows that these two variables moved in same direction of budgeted and achievement of sales of noodles of Chaudhary Group, since, r > 6 P.E. (0.808>0.6298), correlation between budgeted and actual data is found to be significant. Coefficient of determinants (r^2) was 0.652 which means 65.2% of variation in the actual data is explained by the budgeted data and the rest 34.8% variation is due to other factors. The relationship between achievement and target of sales shows by the regression i.e. 0.617 it means

if budgeted sales is increased by 1 rupees then actual sales is increment by 0.617 rupees.

4.1.3 Budgeted Sales and Actual Sales in Beverage of Chaudhary Group

From the following table it is found that the budgeted and actual sales in Beverage of the Chaudhary Group in fiscal year 2062/63 to 2066/67 and also the achievement percentages in different research years.

Table: 4.3

Budgeted And Actual Sales In Beverage (Rs. In Thousands)

| Fiscal Year	Budgeted Sales	Actual Sales	% Of Achievement
2062/63	123050	92830	75.44
2063/64	128630	96025	74.65
2064/65	156200	102780	65.80
2065/66	131820	103150	78.25
2066/67	149570	109905	73.48
	Average= 689270	Average = 504690	

Sources:- Annex- 3

The above table (Table 3) shows the budgeted and actual data of total sales of beverage during the study period. In the fiscal year 2062/63 the budgeted sales were Rs.123050 thousand and actual sales were 92830 thousand. Chaudhary group achieved only 75.44 of sales on beverage then the target it had set during that fiscal year. Similarly Chaudhary group achieved 74.65 of target which was Rs. 96025 thousand in the fiscal year 2063/64. In fiscal year 2064/65 only Rs. 102780 thousand they achieved where it made the target of Rs156200. In the fiscal year 2065/66 company set Rs. 131820 thousand as a target whereas only Rs. 103150 thousand 78.25 sales achieved on target. Chaudhary group sales was Rs. 109905 thousand in the fiscal year 2066/67 whereas budgeted sales was Rs. 149570 thousand. The data shows the same performance from the beginning or it could not meet the sales target in any of the research year. The firm achieved 78.25% of sales on target in the fiscal year 2065/66 which was the highest sales on beverage of the research year. In short

it can be said that the company could not make effective sales planning in compare with the budgeted and actual sales on beverage also the data shows in every year achievement on target of sales is observed as unfavorable.

The budgeted sales and actual sales in noodles of Chaudhary Group is presented with bar diagram.

Figure: 4.5

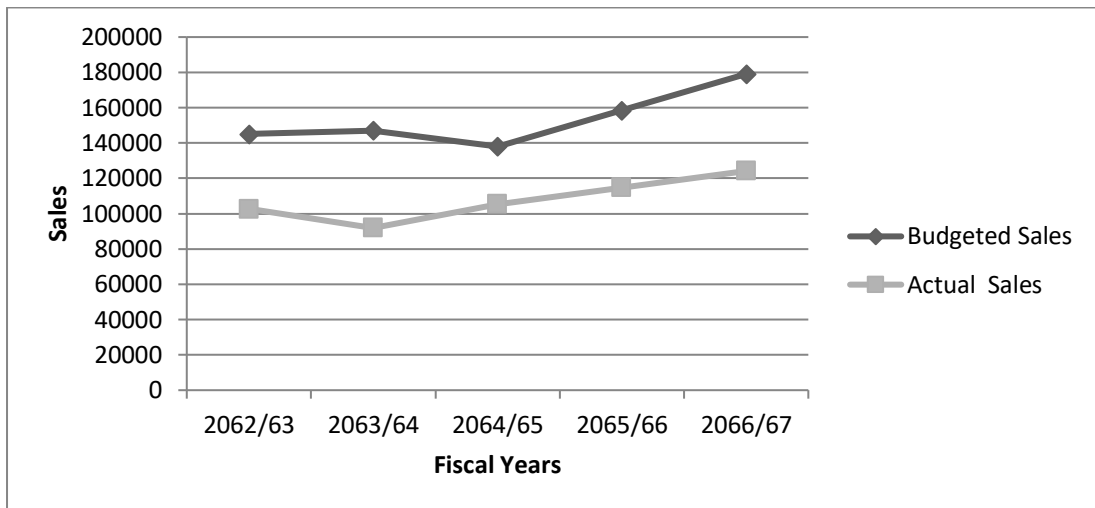**Budgeted Sales and Actual Sales of Beverage**
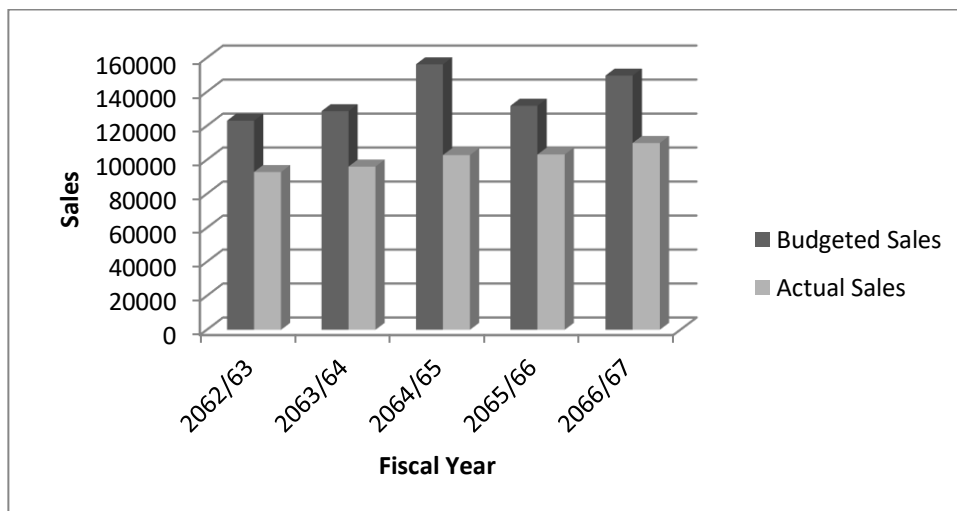
In the beginning of the research year 2062/63 the lowest target on sales there after Chaudhary Group increased the budgeted sales and actual sales of beverage also increase in the same way of targeted sales as increasing from the beginning. In comparison the budgeted sales the firm sold minimum products on year 2062/63 and maximum on year 2066/67. In the fiscal year 2065/67 Chaudhary Group more made success on sales of beverage based on targeted sales then other years because the minimum difference of budgeted and actual sales of beverage.

The trend line of the budgeted and actual sales of beverage set by the Chaudhary Group is presented below.

Figure. 4.6

Trend Line of Budgeted and Actual Sales in Beverage.

In the Figure 4.6 it is presented that present the budgeted sales and actual sales in beverage on the base of different research year. From the trend line it is found that initially budgeted sales was nearly Rs.13,0000 thousand but increased thereafter up to Rs.157,000 thousand. The achievement of sales on the beginning of research year were Rs.90, 000 thousand and nearly Rs.1, 10,000 thousand at the end.

Summary of statistical calculation of budgeted sales and achievement.

Coefficient of correlation (r) = 0.762

Coefficient of determinations (r^2) = 0.581

Regression of achievement on target = 0.3570

Probable error (P.E.) = 0.1264

6×P.E. = 0.7583

The correlation coefficient between budgeted and actual sales was 0.762 which a high degree positive correlation between the variable. This shows that these two variables moved in same direction of achievement and budgeted sales of Chaudhary Group. Since r > 6 P.E. (0.762>0.7583), coefficient of correlation between budgeted and actual data is found to be significant. It shows the result of budgeted and actual sales on beverage products was satisfactory. Coefficient of determinants (r^2) is 0.581 which means that only 58.1% of variation in the actual data is explained by the budgeted data and the rest 41.9% variation is due to other factors. The growth

rate of the budgeted and actual sales of beverage was positive, it shows the average increment of sales in every year both target and achievement. The relationship between achievement and target of sales shows by the regression equation which is 0.3570.

From the following table, it is found that the product wise sales percentage in the total sales of selected products in the fiscal year 2062/63 to 2066/67.

Table: 4.4

Product wise sales percentage of total sales of selected products.

(Rs. In thousands)

Fiscal Year	Total Sales (1+2+3)	Electronics			Noodles	Beverage	
		Amount (1)	%	Amount (2)	%	Amount(3)	%
2062/63	275950	80550	29.19	102570	37.17	92830	33.64
2063/64	283755	95860	33.78	91870	32.37	96025	33.84
2064/65	290330	82100	28.28	105450	36.32	102780	35.40
2065/66	321450	103500	32.19	114800	35.71	103150	32.08
2066/67	359255	125200	34.84	124150	34.56	109905	30.59

Source: Annual Report of Related Company

From the Trend line it is found that Chaudhary Group sold highest percentage of Noodles among the selected products.

Figure: 4.7

Product wise sales percentage of total sales of selected products.
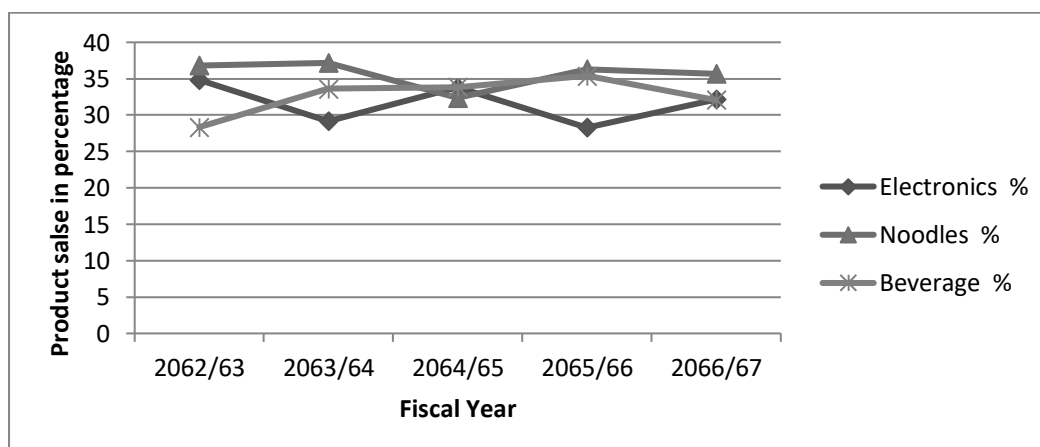
From the trend line, it is found that chaudhary group sold highest percentage of Noodles among the three selected products.

(i.e. Electronics, Noodles and Beverage)

4.2 Production Budget of Chaudhary group

The production budget specifies the planned quantity of goods to be manufactured during the budget period. Production plan does not aim to set the precise amounts and timing of actual production during budget period. Rather, the production plan represents the implications of planned sales volume for production volume as a basis for planning the various aspects of the manufacturing function plant capacity requirements direct material and component requirements, timing of purchase, direct labor requirement and cost and factory overhead. The production budget should be developed in terms of quantities of physical units as well as by amounts, production budgeting is simplified.

4.2.1 Budgeted and Actual Production in Electronics of Chaudhary Group.

From the following table it is found that the budgeted and actual production of electronics products of the Chaudhary Group on fiscal year 2062/63 to 2066/67 and also the achievement percentages in different research years.

Table: 4.5

Budgeted And Actual Production In Electronics

(Rs. In Thousands)

Fiscal Year	Budgeted Production	Actual Production	%Of Achievement
2062/63	126450	102630	81.16
2063/64	128500	118732	92.39
2064/65	145060	106830	73.64
2065/66	158850	123658	77.84
2066/67	168850	126658	75.01
	Average = 727710	Average =578508	

Source: Annex-4

The above table (Table 4.5) shows the budgeted and actual data of total production of electronics during the study period. In the fiscal year 2062/63 the budgeted production was Rs.126450 thousand and actual production was 102630 thousand. Chaudhary group achieved only 81.16 productions on production then the target it had set during that fiscal year.

Similarly Chaudhary group achieved 92.39% of target which was Rs. 118732 thousand in the fiscal year 2063/64. In the fiscal year 2064/65 the company produced only Rs. 106830 thousand where as they made the target Rs. 145060 thousand. In the fiscal years 2065/66 i.e. achievement 77.84% of target which was Rs. 123658.

The same result of achievement was continued up to the fiscal year 2066/67 whereas only Rs. 126658 thousand (75.01%) production achieved on target. Chaudhary group gave the same performance from the beginning; they couldn't meet the production target in any of the research year. For this result Chaudhary Group set the budgeted production without planning of resources and raw material. The firm achieved 92.39% of production target in the fiscal year 2063/64 which was the highest achievement on production of the research year and 73.64% on fiscal year 2064/65 was the minimum production achievement year.

The bar diagram presents the budgeted and actual production of electronics products manufactured by Chaudhary Group.

Figure: 4.8

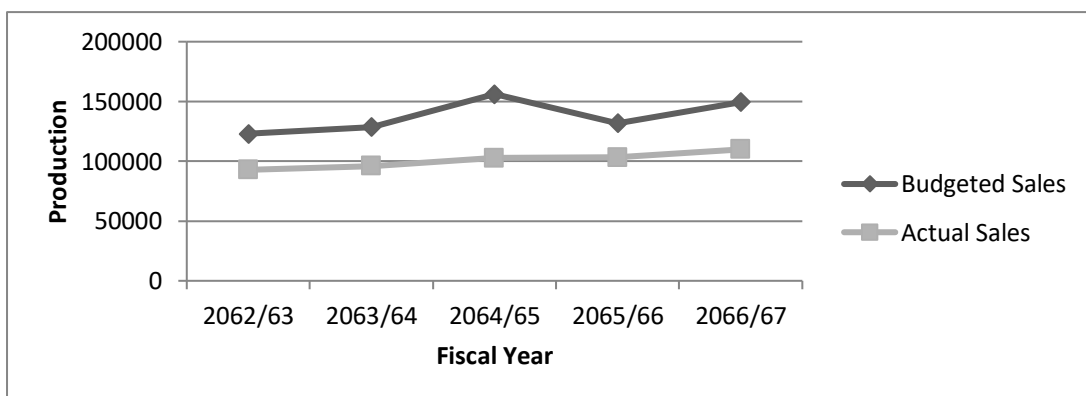**Budgeted and Actual Productions of Electronics Products.**
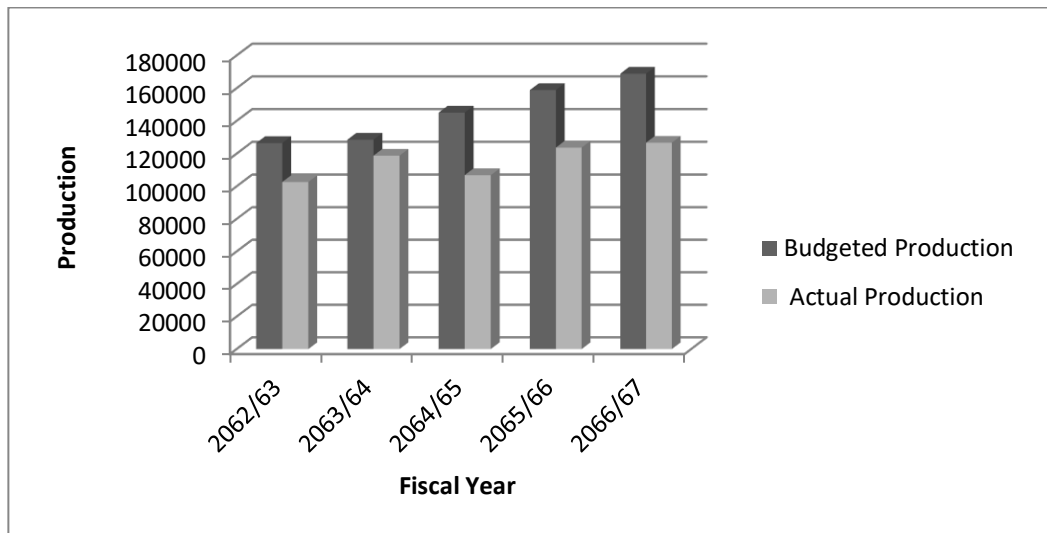
In the last research year 2066/67 there was the highest target of production. In comparison the budgeted production the firm manufactured highest electronics products in the fiscal year 2066/67 and minimum production in the fiscal year 2062/63. In the fiscal year 2063/64, Chaudhary Group made more success on production of electronics products based on targeted production than other fiscal years because the minimum difference of budgeted and actual production of electronics products.

The trend line of the targeted and actual production of electronic products manufactured by Chaudhary group is presented here.

Figure: 4.9

Trend Line of Budgeted and Actual Production of Electronics Products.

In the Figure 4.9, It is found that the budgeted and actual production of electronics products on the base of different research year. From the trend line it is found that initially budgeted production was nearly Rs.130.000 thousand but it increased thereafter for the whole research year. The actual production on the beginning of research year was Rs.102630 thousand and Rs.1,26658 thousand products produced at the end by the company.

Summary of statistical calculation of budgeted production and achievement.

Coefficient of correlation (r) = 0.722

Coefficient of determinations (r^2) = 0.522

Regression of achievement on target = 0.4096

Probable error (P.E.) = 0.1442

6×P.E. = 0.86

The correlation coefficient between budgeted and actual production was 0.722 which a high degree positive correlation between the variables. This shows that these two variables move in same direction of the budgeted and actual production of electronics products produced by Chaudhary Group. Since P.E < r < 6 P.E (0.1442<0.722<0.86) there is a positive relation but nothing can be concluded about the significant of the correlation. Coefficient of determinants (r^2) is 0.522 which means that only 52.2% of variation in the actual data was explained by the budgeted data and the rest 47.8% variation is due to other factors. The relationship between achievement and target of production shows by the regression equation which is 0.4096 that means it budget production is increased by 1 rupee the actual production will increased 0.4096 rupees.

4.2.2 Budgeted and Actual Production in Noodles of Chaudhary Group.

The following table shows that the budgeted and actual production of noodle produced by the Chaudhary Group in fiscal year 2062/063 to 066/067 and also the percentages of achievement in different fiscal years.

Table: 4.6

Budgeted and Actual Production in Noodles

(In thousands)

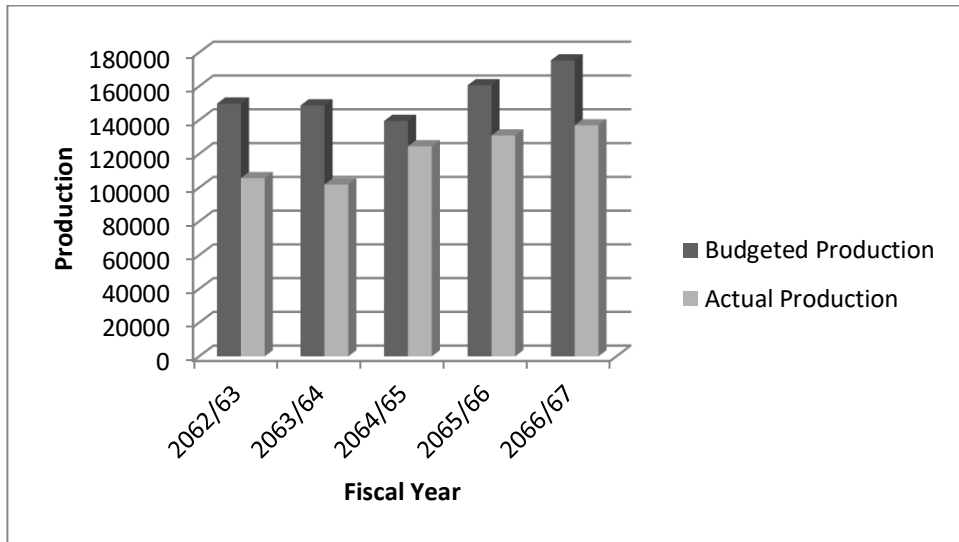| Fiscal Year	Budgeted Production	Actual Production	% Of Achievement
2062/63	149750	105680	70.57
2063/64	148690	101870	68.51
2064/65	139500	124500	89.24
2065/66	160580	130900	81.51
2066/67	175330	136900	78.08
	Average= 773850	Average =599850	

Source: Annex-5

Table 4.6 shows the budgeted and actual data of total production of noodles manufactured by Chaudhary group during the study period. In the fiscal year 2062/63 the budgeted production was Rs. 149750thousand and actual production was Rs. 105680 thousand. Chaudhary group achieved only 70.57% of production then the target it had set during this year.

Similarly Chaudhary group achieved 68.51% of target which was Rs. 101870 thousand then the target in the fiscal year 2063/64. On the fiscal year 2064/65 company produced Rs.1, 24,500 thousand products; the company increased its production but could not meet its target where as Rs. 1, 39,500 thousand. Chaudhary group gave the same performance in last two fiscal years; they could not meet the production target in any of the research year. In the fiscal year 2066/67 also increased its capacity but achieved 78.80% production of target Rs. 175330 thousand. In short the company increased its capacity but couldn't meet the targeted production in every fiscal year because the company might not have proper planning of production target and resources which were needed.

The bar diagram presents the budgeted and actual production of noodles manufactured by Chaudhary Groups as shown in Figure below.

Figure: 4.10

Budgeted and Actual Productions of Noodles.

In comparison the budgeted production the firm manufactured highest production of noodles in the fiscal year 2064/65 and minimum production in the fiscal year 2063/64. In the fiscal year 2064/65 Chaudhary Group was made more success on production of noodles based on targeted production then other years because the minimum difference of budgeted and actual production of noodles.

The trend line of the targeted and actual production of noodles manufacture by Chaudhary group is presented below.

Figure. 4.11

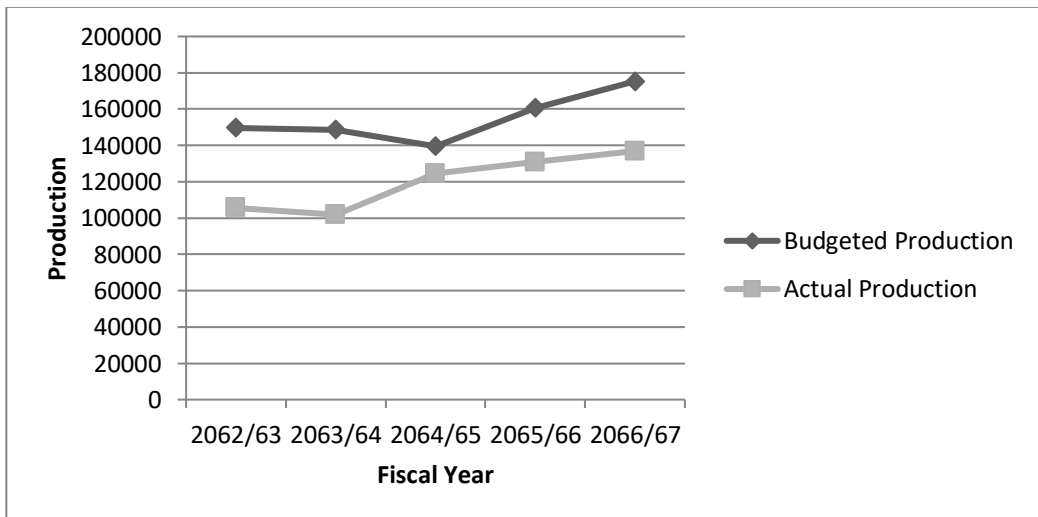**Trend line of Budgeted and Actual Production in Noodles.**

Figure 4.11 presents the budgeted and actual production of noodles on the base of different research year. From the trend line it is found that initially budgeted production was nearly Rs.1,50,000 thousand and increase up to Rs 176000 in last fiscal year 2066/67. The actual production on the beginning of research year was Rs.105680 thousand and Rs.136900 thousand products produced at the end by the company. Summary of statistical calculation of budgeted production and achievement. (Annex 5)

Coefficient of correlation (r) = 0.617

Coefficient of determinations (r²) = 0.381

Regression of achievement on target = 0.697

Probable error (P.E.) = 0.186

6×P.E. = 1.120

The correlation coefficient between budgeted and actual production was 0.617 which was a positive correlation between the variable. This shows that these two variables moved in same direction having more or less differences between the budgeted and actual production of noodles. Since, P.E < r <6 P.E.(0.186<0.617<1.12020) that means there is a positive relation but nothing can be concluded about the significant of the correlation. Coefficient of determinants (r ^{2}) was 0.381 which means that only 38.1% of variation in the actual data was explained by the budgeted data and the rest 61.9% variation is due to other factors. The growth rate of budgeted and actual production was positive due to its increment on budgeted and target production then previous year. The relationship between achievement and target of production shows by the regression equation which is 0.697 it means if budgeted product increased by Rs 1 than actual production will increased 0.697 rupee.

4.2.3 Budgeted and Actual Production in Beverage of Chaudhary Group.

From the following table it is found that the budgeted and actual production of beverage produced by the Chaudhary Group in fiscal year 2062/063 to 066/067 and also the percentages of achievement in different research years.

Table: 4.7

Budgeted and Actual Production in Beverage

Rs In Thousands

Fiscal Year	Budgeted Production	Actual Production	% Of Achievement
2062/63	129500	101320	78.23
2063/64	142650	118265	82.90
2064/65	183600	123060	67.02
2065/66	152820	102890	67.32
2066/67	162650	122060	75.04
	Average =771220	Average = 567595	

Source: Annex-6

The above table 4.7 shows the budgeted and actual data of total production of Beverage of Chaudhary Group during the study period. In the fiscal year 2062/63 the budgeted production was Rs. 129500 thousand and actual production was Rs. 101320 thousand. Chaudhary group achieved only 78.23% of production then the target it had set during that fiscal year. Chaudhary group achieved 78.23% of target which was Rs. 101320 thousand then the target in the fiscal year 2062/63. In the fiscal year 2063/64 company produced only Rs. 1,18,265 thousand (82.90%). products where as targeted production was Rs.1, 42,650 thousand. In the research year 2065/66 company increased its production but couldn't meet its target where was Rs.152820 and achieved only Rs.1,02890 thousand (67.32%).Again in fiscal year 2066/67 target was Rs. 162650 thousand and achieved only Rs. 122060 thousand. They couldn't meet the production target in any of the research year. In the fiscal year 2063/64 the company increased its capacity and achieved 82.90% production of target then again production ratio on target decreased by following two years. In short it can be said that the company increased the capacity of production but could not meet the targeted production in every year. The bar diagram presents the budgeted and actual production of noodles manufactured by Chaudhary Groups is presented below.

Figure: 4.12

Budgeted and Actual production of Beverage.
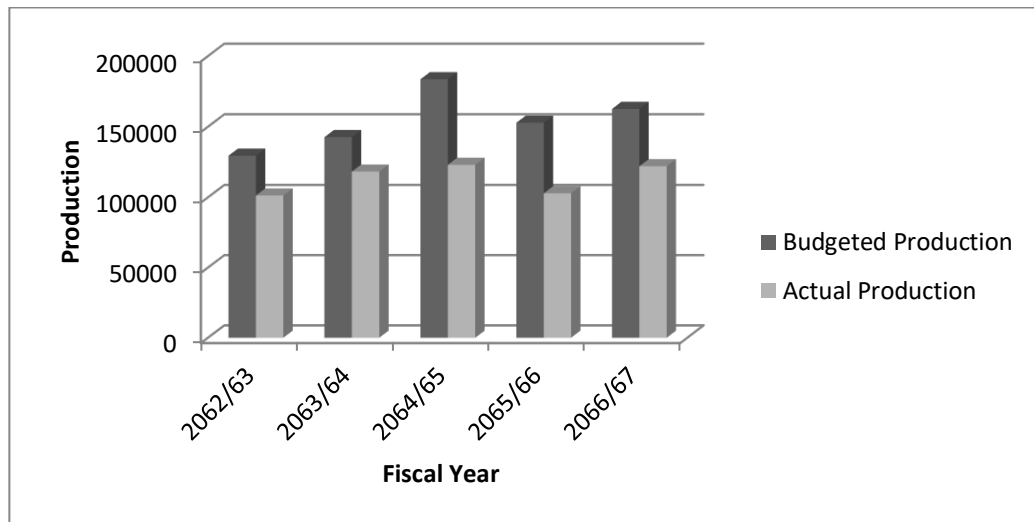
In the beginning of the research year 2062/63 the lowest target of production then increased the budgeted and actual production of beverage. In comparison the budgeted production the firm manufactured highest production of beverage in the fiscal year 2063/64 and minimum production in the fiscal year 2064/65. In the fiscal year 2063/64 Chaudhary Group made more success on production of beverage based on targeted production then other years because the minimum difference of budgeted and actual production of beverage. The trend line of the targeted and actual production of beverage manufactured by Chaudhary group is presented below.

Figure. 4.13

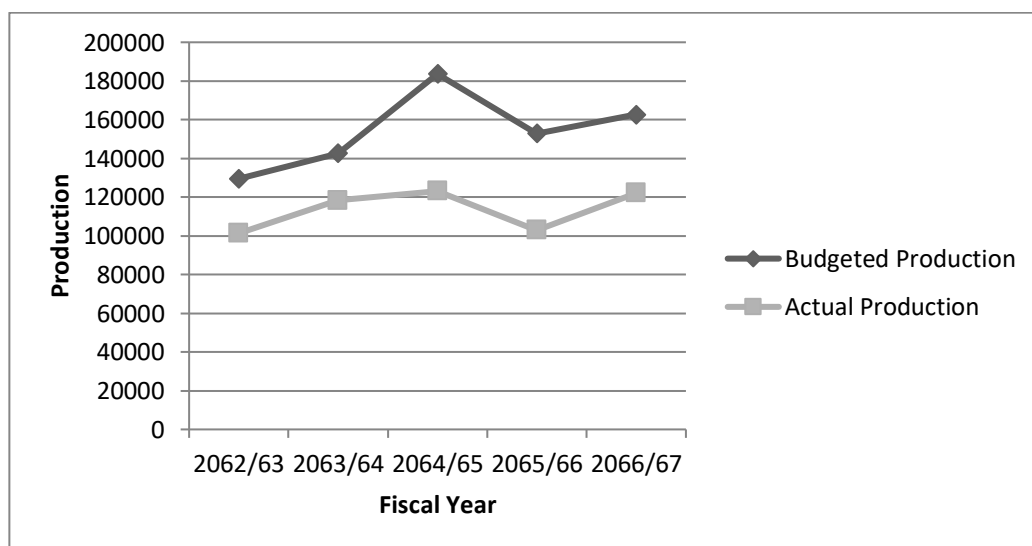**Trend Line of Budgeted and Actual Production of Beverage.**

Figure 4.13 shows the budgeted and actual production of beverage on the base of different research year. From the trend line we find initially budgeted production was nearly Rs.1,30,000 thousand but it increased thereafter for the following years. The actual production on the beginning of research year was Rs.101320 thousand and also Rs.122060 thousand products produced at the end by the company.

Summary of statistical calculation of budgeted production and achievement.
(Annex 6)

Coefficient of correlation (r) = 0.707

Coefficient of determinations (r^2) = 0.499

Regression of achievement on target = 0.365

Probable error (P.E.) = 0.151

6×P.E. = 0.9067

The correlation coefficient between budgeted and actual production was 0.707 which a high degree positive correlation between the variables. This shows that the result of these two variables either increased or decreased in every fiscal year in same way. Since P.E<r < 6 P.E (0.151<0.707<0.9067) it means there is a positive relation but nothing can be concluded about the significant of the correlation. Coefficient of determinants (r²) was 0.499 which means that only 49.9% of variation in the actual data is explained by the budgeted data and the rest 50.10% variation is due to other factors. The growth rate of budgeted and actual production was positive due to its average increment on budgeted and target production then previous year. From the regression equation which is 0.365 it means if budgeted production is increased by Rs 1 then actual production will increased by 0.365 rupees.

From the following table, it is found that the product wise production percentage on the total production of selected products in the fiscal year 2062/63 to 2066/67.

Table: 4.8

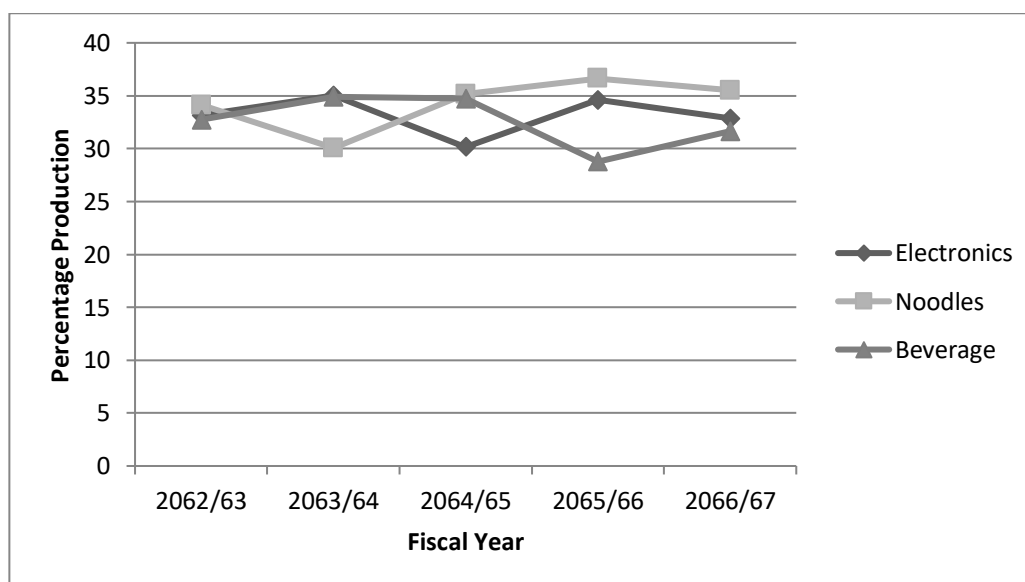**Product wise production percentage on the total production of selected products**

(Rs In Thousand)

Fiscal Year	Total Production	Electronics		Noodles		Beverage	
		Amount	%	Amount	%	Amount	%
2062/63	309630	102630	33.14	105680	34.13	101320	32.72
2063/64	338867	118732	35.03	101870	30.06	118265	34.90
2064/65	354390	106830	30.144	124500	35.14	123060	34.72
2065/66	357448	123658	34.59	130900	36.62	102890	28.77
2066/67	385618	126658	32.84	136900	35.50	122060	31.65

Product wise production percentage on the total production of selected products are presented in the bar diagram below.

Figure: 4.14

Product wise production percentage on the total production of selected products

From the Trend line it is found that Chaudhary Group's production were Fluctuating. Among the three products, Chaudhary Group produced least percentage of Beverages on the total production for every fiscal year, where the percentages of other products were fluctuating.

4.3 Major findings

The study shows that trend of budgeted and actual sales and the budgeted and actual production of Chaudhary Group during the study period. Some of the stated as follows.

- The table 4.1 shows that the budgeted and actual data of total sales of electronics product manufactured by Chaudhary Group during the study period. In the fiscal year 2062/63 the budgeted sales were Rs.10864.0 thousand and actual sales were Rs. 80550 thousand. Chaudhary Group achieved only 74.14% of budgeted sales as compared of the target it had set for that fiscal year. Similarly, Chaudhary Group achieved 83.35% of target which was Rs. 95860 thousand in fiscal year 063/64. In the fiscal year 2066/67 the targeted sales again increased Rs.142000 thousand and achievement sales also increased to Rs. 1,25200 thousand recording 88.1% which highest achievement.

- The above table no.4.2 shows that the budgeted and actual data total sales of Noodles during the study period produced by Chaudhary Group. In the fiscal year 2062/63 Chaudhary group achieved 70.73 % of target which was Rs. 1,02,570 thousand in the fiscal year 2063/64 where as budgeted sales were Rs.1,46980 thousand. In the fiscal year 2064/65 only Rs.105450 thousand of sales it achieved where Chaudhary Group had set target for Rs.138000 thousand. In the fiscal year 063/064 the company sales minimum amount of products based on budgeted sales on whole research years where only 62.50% achievement result was found. Then it set low targets on sales in next fiscal year and they improved on sales then previous fiscal year, whereas Rs. 1,05,450 thousand (76.41%) sales achieved on target. In the research year 064/065 they achieved more sales then previous year but it could not meet the budgeted sales which they have set as targeted. Chaudhary group could not meet the sales target in any of the research year.

- Table above table 4.3 shows that the budgeted and actual data total sales of Beverage during the study period produced by Chaudhary Group. In the fiscal year 065/066 the firm achieved 78.25% of Budgeted sales which is maximum achievement in researchers years and in the fiscal year 064/065 Chaudhary Group achieve minimum.

- The table 4.4 shows that the product wise sales percentage of total sales of selected product from this table we found that Chaudhary Group sold highest percentage of Noodles among the selected product.

- The Table 4.5 shows that the budgeted and actual production in electronics product manufactured by Chaudhary Group during the study period. The firm achieved 92.39% of production target in the fiscal year 2063/64 which was the highest achievement on production of the research year and 73.64% on fiscal year 2064/065 which was the minimum production. From this result Chaudhary Group set the budgeted production without planning of resources and raw materials.

- The table 4.6 shows that budgeted and actual data of total production of noodles. From this table we found that, the first achieved 89.24% of production target in the fiscal year 2064/065 which was the highest achievement on production of the research year and 68.51% fiscal year 2063/064 which was the minimum production. In conclusion, the company increased it's capacity but couldn't meet the targeted production in every fiscal year.

- The table 4.7 shows that the budget and actual data of total production of Beverage of Chaudhary Group. In the fiscal year 2063/064 the company increased its capacity than previous year and achieved 82.90% which is remarkable achievement during the research year. In the fiscal year 2064/065 the firm highly increased in budgeted production due to the previous in budgeted production due to the previous year achievement but the firm achieved only 67.02% on targeted production which is the lowest achievement during the research year.

- The total 4.8 shows that product wise production percentage on the total production of selected products. From this table we found that, Chaudhary Group's production were fluctuation. Among, the three products percentage of beverage production was similar where, the percentage of other products were fluctuating.

CHAPTER-V
SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Summary

Profit planning is one of the most important tools used to plan and control business operation. Profit plan plays major role in the performance of all organizations, manufacturing and non- manufacturing whether they are large or small in size. The effective operation of a business concern resulting into the excess of income over expenditure fully depends upon to what extent the management follows proper planning, effective coordination and dynamic control and how the budget are prepared with the effective consideration of the planned profit of business. The Chaudhary Group's progress over the last sixty-seven years has been a trial-blazer on the Nepalese horizon. Today, a conglomerate of over 40 businesses, the group has an investment outlay of over Rs.1500 million. In a land-locked, developing third world nation, this spells nothing short of very hard-earned success.

Apart from being a responsible citizen, Chaudhary Group forms an intrinsic part of every realm of life from Food & Beverage, Electronics & Home Appliances, Beverage and others. The Strategic Planning Department is a Think - tank of the company, which primarily scans the environments around the business and exploits the opportunities through short and long range planning with respect to Human Resource, manufacturing facilities includes Research & Development, marketing and financial Strategies and systems. Vision, Mission and Corporate Cores will also be monitored periodically by the department. The whole purpose is to create value for the products and services and to serve the customers in everything with satisfied customers, the Chaudhary Group will naturally, continuously and consistently innovate and develop to achieve goal of providing the utmost value for customers. Distinguished as the first Nepalese company to have a distribution network spanning the sub continent, the group is poised to become the first Nepalese corporate entity with a growing presence in the South Asian/South East Asian region's fiercely competitive food and beverage sector. Since its inception, Chaudhary Group has contributed to the upliftment of the nation's economy, equalizing the infrastructure and entrepreneurial capability of Nepal with other developing nations.

Without profit planning and their implantation, no organization can achieve its goals and objectives efficiently. So these days profit planning has become one of the most important management tools used to plan and control business organization. The main objective of planning in business organization is to increase the chances of making profit. The management must continuously involve in planning, organizing and controlling the operation of business organization.

The study mainly focus the sales budget and production budget under profit planning and control of Chaudhary Group, which is highly significant for the company. The study has tried to examine the trend of production and sales based on budgeted and actual Figures and whether Chaudhary Group applying profit planning appropriately or not. Analyze and descriptive research design is followed mainly based on primary and secondary source of data. Statistical tools like percentage, mean, standard deviation, correlation coefficient etc. have been used to analysis the data. This study has tried to analyze and examine the practice, procedure and techniques of preparing various functional budgets. From the analysis of the study, it is found that there is lack of specific objectives, strategic planning, specific target and expertise in the company. The company cannot produce products and sales them which they have been set as target in any of the research year. Being a multinational company only Rs. 1500 million investment outlay does not show so satisfactory position. So, in order to improve such weakness, application of comprehensive profit planning will effectively helpful.

This study report has been divided in five section including Introduction, Review of Literature, Research Methodology, Data Presentation and Analysis and Summary, Conclusion and Recommendation.

5.2 Conclusion

The following are the major conclusion of the study:

- After analyzing the budgeting process of the company we found that the budgets were prepared on traditional basis. Sales plans not made by considering the entire component that affects sales. There is no hard and fast rule, no statistical analysis and no market study to make the budget. The making of the budget seems like just a guess work that is done only through

the past experience without considering future potentials. The company prepares the budget only on annual basis without dividing total amount into interim periods. All these things are happening due to lack of skilled and expert planners.

- Different statistical tools used to analyze the sales and production shown the positive relationship between budgeted sales and production with actual production and sales. Sales and production achievement were below than the targeted. This is due to poor budgeting and poor implementation of the budget.

- There is high degree of positive coefficient correlation between the variable of budgeted and actual Figure in beverage on both sales and production. There is low degree of coefficient correlation between the variable of budgeted and actual Figure in noodles production and high positive coefficient correlation between variable of budgeted & actual Figure in noodles sales. The moderate coefficient correlation between the variable in sales and production of electronics. The company cannot perform the consistency between the production and sales of products.

- The company has not properly planned the production and sales budgets. While making budgets they didn't study about the resources and the market. Every year weather sales or production the company cannot meet the budgeted volume.

- Different types of products are produced by Chaudhary Group. However, it has not been able to balance all types of manufacturing goods. It produces noodles, electronics products and beverage. Most of the sales amount collected from noodles and only negligible amount earn from beverage products. Due to high change in regression equation between Noodles and Bevrage which is 0.617(Noodles) 0.3570 (Beverage).

- There is no research and development work for improving factory productivity, capacity utilization and cost control. No any policies of planning for purchasing of material and sales of goods.

- It has no marketing specialists. So the company is unable to develop an alternative marketing policy for sales expansion. The main reason for low

capacity utilization is due to unavailability of right material of right quantity at right places and at right time.

- Total sales achievement and production of Chaudhary Group are fluctuating year after year. So, the rate of trend and growth is not stable.

- Chaudhary Group is labor-intensive factory but it has not adopted systematic approach of labour planning to produce the planned quantities of goods on the basis of the direct laour hour and direct labor cost.

- The company has not formulated competitive sales strategies. Adequate authority to decide and create new idea to formulate various plan are not available.

5.3 Recommendations

Although, this study is concerned with budgeting practices of Chaudhary group, it may be appropriate to provide a package of suggestion in the light of major findings and conclusions. These recommendations may also have some repercussions, but there is no doubt of these measures to improve the existing condition of Chaudhary group.

- The company should aware of opportunities in the environment is important to reveal the strength and weakness of the organization and understand the problem. Planning begins with a goal or targeted outcome that the organization wishes to achieve. The company should define strategic planning and operational planning clearly and communicate them among various levels of management, which will assist the personnel to cope the mistakes, help in making decisions about the right thing at the right time, and focus on actions required to take in order to shape the future as desired. Participative management, profit planning manuals and effective budget education should be introduced and communicated in the time of formulating plans and policies to lower level management.

- The company should practice intensive plan to improve motivation and morale of employees for better efficiently.

- The company should improve the collection of receivable from the debtors with granting effective offers with in time period.

- The company should have the consistency on the product quality. Change on quality of product may affect the customers who are brand conscious.

- The company should extent its business area that may enhance customer's convenience and will expand business opportunities.

- The business portfolio should be diversified. The high dependency on limited consumable goods business cannot make the company able to meet the highly growing competition in manufacturing business; it should seek other products and services with improvement of existing products.

- In order to be financially stronger, the company should expand its fixed assets. Only the financially strong company holds capability of attracting the potential customers and expanding the business.

- Company should pay attention to fundamental principle of profit plan and control adopting comprehensive profit planning approach while formulating and implementing the profit plan.

- Chaudhary Group should have major programs to achieve set up objectives by taking full advantages of the latest techniques.

- Only sales target has set but no planning has made for promotional plan. Just some advertisement campaign has launch so as to give the sense of presence in the market.

- The management of the company needs to increase production and sales volume for the utilization of available capacity. Alternative supply sources of raw material should be developed to increase capacity utilization.

- The company should launch various training and orientation programs within and outside the country for all levels of employees, which will help in bringing gaps between motivation and morale.

- Chaudhary Group adopts more effective advertising system to communicate the significance of products because advertising plays most important role in the marketing.

- Trained and qualified manpower for budgeting and planning should be hired and present manpower should be trained to developed and

implement the profit plans effectively. Marketing specialist should be appointed to develop effective marketing policy for sales expansion.

- Effort should be made to avoid the idle working time. Strict supervision is necessary to watch and control the wastage of working hour of the employees.

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Annex -1

Budgeted and Actual Sales in Electronics

Fiscal Year	X	Y	x^2	y^2	xy
2062/63	108640	80550	11802649600	6488302500	8750952000
2063/64	115000	95860	13225000000	9189139600	11023900000
2064/65	128000	82100	16384000000	6740410000	10508800000
2065/66	135000	103500	18225000000	10712250000	13972500000
2066/67	142000	125200	20164000000	15675040000	17778400000
Total	628640	487210	79800649600	48805142100	62034552000

Coefficient of correlations (r) = $\dfrac{n\sum xy - \sum x.\sum y}{\sqrt{N\sum x2 - (\sum x)2}\sqrt{N\sum y2 - (\sum y)2}}$

r= 0.772795

Coefficient of determinations $(r)^2$ = 0.597212

Probable Error (P.E.) = $0.6745 \times \dfrac{1-r^2}{\sqrt{N}}$

= 0.1215

Probable Error (6×P.E.) =0.7296

Regressions equations of achievements (b_{yx}) = $\dfrac{n\sum xy - \sum x \sum y}{n\sum x^2 - (\sum x)^2}$ = 0.77

Annex-2

Budgeted and Actual Sales in Noodles

Fiscal Year	X	Y	x^2	y^2	xy
2062/63	145000	102570	21025000000	10520604900	14872650000
2063/64	146980	91870	21603120400	8440096900	13503052600
2064/65	138000	105450	19044000000	11119702500	14552100000
2065/66	158535	114800	25133346225	13179040000	18199818000
2066/67	179070	124150	32066064900	15413222500	22231540500
Total	767585	538840	1.18872E+11	58672666800	83359161100

Coefficient of correlations (r) = $\dfrac{n\sum xy - \sum x.\sum y}{\sqrt{N\sum x2 - (\sum x)2}\sqrt{N\sum y2 - (\sum y)2}}$

r= 0.808

Coefficient of determinations (r)^2 = 0.652

Probable Error (P.E.) $= 0.6745 \times \frac{1-r^2}{\sqrt{N}}$

= 0.1049

Probable Error (6×P.E.) =0.6298

Regressions equations of achievements (b$_{yx}$) = $\frac{n\sum xy - \sum x \sum y}{n\sum x^2 - (\sum x)^2}$ = 0.617

Annex – 3

Budgeted And Actual Sales In Beverage (Rs. In Thousands)

Fiscal Year	X	Y	x^2	y^2	xy
2062/63	123050	92830	15141302500	8617408900	11422731500
2063/64	128630	96025	16545676900	9220800625	12351695750
2064/65	156200	102780	24398440000	10563728400	16054236000
2065/66	131820	103150	17376512400	10639922500	13597233000
2066/67	149570	109905	22371184900	12079109025	16438490850
Total	689270	504690	95833116700	51120969450	69864387100

Coefficient of correlations (r) = $\dfrac{n\sum xy - \sum x.\sum y}{\sqrt{N\sum x2 - (\sum x)2}\sqrt{N\sum y2 - (\sum y)2}}$

r= 0.762

Coefficient of determinations (r)^2 = 0.581

Probable Error (P.E.) $= 0.6745 \times \dfrac{1-r^2}{\sqrt{N}}$

= 0.1264

Probable Error (6×P.E.) = 0.7583

Regressions equations of achievements (b_{yx}) = $\dfrac{n \sum xy - \sum x \sum y}{n \sum x^2 - (\sum x)^2}$ = 0.357

Annex -4

Budgeted and Actual Production in Electronics

Fiscal Year	X	Y	x^2	y^2	xy
2062/63	126450	102630	15989602500	10532916900	12977563500
2063/64	128500	118732	16512250000	14097287824	15257062000
2064/65	145060	106830	21042403600	11412648900	15496759800
2065/66	158850	123658	25233322500	15291300964	19643073300
2066/67	168850	126658	28510322500	16042248964	21386203300
Total	727710	578508	1.07288E+11	67376403552	84760661900

$$\text{Coefficient of correlations (r)} = \frac{n\sum xy - \sum x.\sum y}{\sqrt{N\sum x2-(\sum x)2}\sqrt{N\sum y2-(\sum y)2}}$$

r= 0.722

Coefficient of determinations $(r)^2$ = 0.522

$$\textbf{Probable Error (P.E.)} = 0.6745 \times \frac{1-r^2}{\sqrt{N}}$$

= 0.144

Probable Error (6×P.E.) = 0.86

$$\text{Regressions equations of achievements (} b_{yx}) = \frac{n\sum xy - \sum x \sum y}{n\sum x^2 - (\sum x)^2} = 0.409623658$$

Annex- 5

Budgeted and Actual Production in Noodles

Fiscal Year	X	Y	x^2	y^2	xy
2062/63	149750	105680	22425062500	11168262400	15825580000
2063/64	148690	101870	22108716100	10377496900	15147050300
2064/65	139500	124500	19460250000	15500250000	17367750000
2065/66	160580	130900	25785936400	17134810000	21019922000
2066/67	175330	136900	30740608900	18741610000	24002677000
Total	773850	599850	1.20521E+11	72922429300	93362979300

$$\text{Coefficient of correlations (r)} = \frac{n\sum xy - \sum x.\sum y}{\sqrt{N\sum x2 - (\sum x)2}\sqrt{N\sum y2 - (\sum y)2}}$$

r= 0.617

Coefficient of determinations (r)^2 = 0.381

Probable Error (P.E.) $= 0.6745 \times \frac{1-r^2}{\sqrt{N}}$

= 0.186

Probable Error (6×P.E.) =1.120

Regressions equations of achievements (b_{yx}) = $\dfrac{n\sum xy - \sum x \sum y}{n\sum x^2 - (\sum x)^2}$ = 0.697

Annex-6

Budgeted & Actual Production in Beverage

Fiscal Year	X	Y	x^2	y^2	xy
2062/63	129500	101320	16770250000	10265742400	13120940000
2063/64	142650	118265	20349022500	13986610225	16870502250
2064/65	183600	123060	33708960000	15143763600	22593816000
2065/66	152820	102890	23353952400	10586352100	15723649800
2066/67	162650	122060	26455022500	14898643600	19853059000
	771220	567595	1.20637E+11	64881111925	88161967050

$$\text{Coefficient of correlations (r)} = \frac{n\sum xy - \sum x.\sum y}{\sqrt{N\sum x2 - (\sum x)2}\sqrt{N\sum y2 - (\sum y)2}}$$

r= 0.707

Coefficient of determinations (r)^2 = 0.499

Probable Error (P.E.) $= 0.6745 \times \frac{1-r^2}{\sqrt{N}}$

= 0.151

Probable Error (6×P.E.) =0.906

Regressions equations of achievements (b$_{yx}$) $= \frac{n\sum xy - \sum x \sum y}{n\sum x^2 - (\sum x)^2}$ = 0.365