CHAPTER ONE
INTRODUCTION

1.1 General

Revenue planning control is a newly developed concept as a crucial way in the business organization. It is a recent phenomenon used extensively in the literature of business organizations. It has been familiar only by simple budgeting but a way of managing mostly in the better managed organizations.

Managerial planning always includes the analysis of the alternative course of action which heads to a process decision the revenue planning approach is especially useful in the selection and evaluation of the alternatives to overcome the financial problem encountered by the organizations.

The tactical (short term) and strategic (long term) revenue plans some times constitute many similar models which can be financial aspects of the organizations in the process of revenue planning construction. A procedure such as decision models, income summaries, cash-flow analysis and return on investment analysis provides critical information for assessing the impact of different alternative.

The term comprehensive revenue planning is defined as systematic and formalized approach for performing significance phases of the management planning and control function specifically it involved (a) the development and application of broad and long range objective for the (b) the specification for organization goal. (c) the long –range revenue plan developed in broad term. (d) a short –range revenue plan detailed by assigned responsibility (e) a systematic or periodic performance reports defined by assigned responsibility (f) follow up procedures[1]

Revenue planning function the management rests upon some fundamental views that is the conviction that a management can plan and control the long range desisting of the manufacturing organization by making a continuing stream of well conceived decision. The trust of the comprehensive revenue planning concept goes to the very heart of management that is the decision

[1] Duncan W. Reekie and Crook N. Jonethan, "Management Eco [Haritage Publishers. delhi, 1983] p.380

making process. The revenue planning is used for the development and acceptance of objectives, goals and organization efficiency to achieve these objectives and goals.

Revenue planning means the development and acceptance of objective goals and making on organization efficiency to achieve the objectives and goals. Revenue planning is not a separate technique that can be through of the separated indecently of the total management process. The broad concept of revenue planning entails an interaction of numerous managerial approaches and techniques that might be exploited such as sales forecasting, sales queue to system capital, budgeting, cash flow analysis, CVP analysis, variable budgets, time and motion study, standard costing accounting, strategic planning, production planning, management by objective, organizational planning, manpower planning and cost control.

On the view point of communication, project plan programme can be one of the more effective communication network in an organization. A comprehensive revenue planning and underlying this is the measurement of actual performance against planned objective, goal and understand and reporting of that measurement. The reporting extends to all area of operations and to all responsibility centers in an organization. It involves (a) actual results (b) budgeted or planned result (c) performance variance.[2]

d) Financial plan which includes cash flow plan, capital expenditure plan, projected income statement and projected balance sheet.
Revenue plans are prepared for two time dimensions, strategic long range (5-10 years) and tactical short-range plan for a year detailed by interim time periods. Having prepared a plan it is equally important to implement efficiently and to watch performance. Difference between actual and budgeted results should find out and corrective measures should be taken so that it assures the realistic of the forward plan.

1.2 Concept of Social Organization

Social organizations are those organizations which are registered in District Administration Office under Organization Registration Act 2034. These are

[2] Welsch, Hilton and Gordon" Profit Plans can be broadly devided into two parts",5th Edition.

established with some specific objectives and are accountable to the government and the public of the concerning region. These are owned and run by the people which may provide goods and services for a price or free of cost. In Nepal Social Organizations are established to uplift the socio-economic condition of the Nepalese people. Especially in rural and remote areas, people are still very poor and illiterate; as a result it is very difficult for them to hand to mouth. So, social organization has played a vital role to make them aware for their rights and involve them in income generating activities.

In Nepal, some social organizations have been set up under various legal entities such as special characters:

1.3 Main Characteristics of Social Organization

- People ownership
- Public control and management
- Public accountability
- Service objective
- Small and wide coverage of activities
- Autonomous functioning
- Financing by Committee members/INGOs/NGOs

a) Role of the Social Organization in Developing Country

SOs have specific roles and motives as per their constitutions. Only the governmental organizations are not sufficient for the development of the country due to their limitations/constraints. Social organizations play a major role in achieving the twin objectives of social and economic development envisaged in the national policy. Not only that but also in health sector it has provided a great contribution. National organizations like; Nepal Netra Jyoti Sangh and Nepal Red Cross Society.

NNJS is the National level, non profit making, non governmental and involved in field of eye care activities. It was established in B.S.2035 and now it has 37 district branches all over the country. Likewise, NRCS is also the social, humanitarian organization. It plays a vital role against the resettlement/recovery of the natural disaster; flood, fire, landslides, earthquake etc. It started its ambulance service and blood bank and till date continuing.

So the establishment of Non Governmental Organization was felt necessary to create awareness to the people for the balanced regional development, public welfare, generate employment opportunities and dissemination of the development activities according to the national priorities.

1.3 NGOs/INGOs have greater importance. To utilize the resources efficiently there have an important role of public utility sector in Nepal. Revenue can be viewed from several angles. The most acceptable criteria's are to look at percent of revenue to capital employed (net fixed assets plus working capital) which is a measure of return on investment. Generally an organizations sound efficient which has a good revenue ability base of its own good market standing. It is a well accepted principle that Social Organizations be run on business principles and generate revenue to run the organizations.

1.4 General Introduction to Nepal Netra Jyoti Sangh,Banke Branch Fateh Bal Eye Hospital

The history of Fateh Bal Eye Hospital, Nepalgunj is not so long. It is being only 2.5 decades. When Nepal Netra Jyoti Sangh, Central Office was looking for the space/land, Swiss Red Cross in collaboration of HMG Nepal was also running its eye care programme in Bheri Zonal Hospital in small scale or in one room. Fortunately space for the eye hospital was found. Mrs Bal Divyashwory Shah, W/O Captain Mr. Fateh Jung Shah was seriously sick. Before demise of her soul, she desired to do something for the people and country which might be long lasting. All the circumstances were found matched. One of the present committee members proposed donate the land and building for the humanitarian work i.e, for eye hospital she accepted this proposal. Process for the donation of land and building to Nepal Netra Jyoti Sangh, Fateh Bal Eye Hospital went ahead.

The hospital was named in the joint name of the donors i.e, Captain Fateh Jung Shah and Mrs. Bal Divyashwory Shah and named as Fateh Bal Eye Hospital. All the formalities were done and hospital started doing its activities. One day some one relative to Captain came to him and said this hospital will run till there is support from Swiss Red Cross. If Swiss Red Cross drops its support, how will it manage its operation cost? Means this will become the place for dog's toilets. Mr. Captain became hopeless and immediately came to the former Chairman/Mr. Krishna Gopal Tandon and explained the story and made swear Mr. Chairman that he will not leave the hospital till he is alive.

In collaboration with Swiss Red Cross Fateh Bal Eye Hospital with the support of Lions Club of Switzerland M.D.102 constructed new Out Patient Department building, Inpatient Department building, Operation Theater and Three Quarter for Ophthalmologists. Before construction these infrastructures hospital was using the old building as outpatient department which was not proper for this and was very congested. In the first year of the beginning of the hospital, only 184 patients were examined and later on the number of the patients was found increased every year.

As in the beginning very few people knew that there was eye hospital in Fultekra, Nepalgunj so for the publicity of the hospital and its services, staff were mobilized in the community to look for the eye patients and for publicity of the hospital. The hospital was financially supported by Swiss Red Cross and whatever the income generated was the reserve of the hospital. Gradually the number of the patients increased and the hospital was able to save some money. To cover the service area of mid west region, eye care activities were expanded in Bardia and Surkhet district and the organization started conducting Cataract camps in hilly areas and very many eye patients got eye treatment. The objective of the Swiss Red Cross was to make sustainable to the eye hospital and no financial support will be provided to the eye hospital and from 1997 AD Swiss Red Cross stated reducing in its annual budget provided by Swiss Red Cross. And as per its plan budget was subsidized and now the hospital is self sufficient. The other eye care programme like outreach programme is directly financed by Swiss Red Cross which is separate from eye hospital.
Now this Fateh Bal Eye Hospital has become so popular that patients not only from mid and far west region but also from adjoining districts from India come for eye treatment. The major reasons of this are; well behavior of staff, cheaper treatment cost, quality eye treatment and no any difficulty in accommodation in the hospital premises.

1.5 Service provided by Nepal Netra Jyoti Sangh, Banke Fateh Bal Eye Hospital, Nepalgunj

FATEH BAL EYE HOSPITAL has been providing eye care services to the people of the area especially of mid and far west region and also of the adjoining districts of India for the past 24 years. This hospital has been providing eye care treatment and preventive measures to the community through community programme. The services provided by FATEH BAL EYE HOSPITAL and fees for the services are as follows:

Tests/Treatment	Charges NRs.
Registration	30
Re-registration	15
A Scan	100
Foreign Body removal in OT Superfacial Deep	 100 200
RB Alcohol	200
B Scan (Ultra scan)	300
Laser Treatment – Iridectomy & Capsulotomy	1200
Automated Visual Field Analyser HUMPHRY PERIMETRY	500
Perimetry GOLDMAN	100
Cataract – ICCE/ECCE General Ward	1500
Cataract – ICCE/ECCE Private Ward	2500
Cataract – IOL General Ward	3,400/-
Cataract – IOL Private Ward	4,400/-
Phaco – Cataract – IOL- Biometry-Urine Sugar General Ward	9,760
Phaco – Cataract – IOL- Biometry-Urine Sugar Private Ward	10,400
Phaco- General Lens- Biometry-Urine Sugar General Ward	4,160
Secondary IOL Implant	3400/-
Phaco - General Lens- Biometry-Urine Sugar Private Ward	4,640

Glaucoma	2400
Combined (Cataract & Glaucoma) without IOL	3000
Combined (Cataract & Glaucoma) with IOL	3880/-
DCR Operation	3500
DCT Operation	2500
Large Cyst	500
Entropion	300
Pterigium	500
Evisceration	1000
Enucleation	1,500
Squint	3,000
Incision Drain (I/D)	500
Other minor Operation	300
Emergency – Medical Care in IPD	500
Septic Patients treatment in IPD	1000
Injury Repair/Cornea Repair	1000
Re Suturing	300
Suture Removal in O.T.	100
General Anaesthesia	600
Orthoptic Evation	50
Orthoptic Exercise	25
Paying Clinic	200
Medical Certificate	160
Examination under GA	1000

Urine Sugar	20
Blood Sugar	45
Gram Stain	20
Giemsa Stain	20
Blood RE	45
Blood BTCT	45
Cultural of conjunctiva Swab	125
DLC Test	20
Occult Blood test	45
Urine RE	45
Stool RE	20
Hemoglobin Only	45

ESR Only	45
TC Only	15
PRP	1600
Sectoral PRP	1000
Focal PRP	600

Function and duties of (FATEH BAL EYE HOSPITAL)

According to constitution of Nepal Netra Jyoti Sangh, Banke, functions and duties of the organization are as follows:

The basic function of FATEH BAL EYE HOSPITAL is to provide essential low cost reliable, quality and subsidized eye care treatment.

1.6 Service Rendering Procedure of the hospital

Patients seeking services from Fateh Bal Eye Hospital have to go to Registration Section for Registration and registration card. Then he needs to go to OPD (Out Patient Department) at room no 2 for vision test. After vision test, patient goes to room no 3 (screening section). In room no 3 preliminary examination is done. If case is not complicated or patient is of normal type, patient is discarded from the same room or there is any complication, patient is referred to doctor's room, room no 8,9 or 10 for further examination. After examination in room no 3, if patient is found with refractive error, he is sent to refraction room (room no6).

After examination in room no. 3 or in room no.9/10 if the patient is found with cataract, he is advised for surgery and sent to room no.1 to deposit required fees. After depositing fee, patient is sent to room no.13 for IOL power test or for A scan or biometry test and then patient is sent to Ward section for admission. After completing the process like; BP test, eyelashes cutting and dropping in eye, patient is admitted for surgery. Next day in the morning, patient is taken to O.T.section for surgey. In O.T. patient is made put on O.T.dress and taken to OT table for surgery. If the patient is of cataract and there is no any complication, surgery is performed within 6-10 minutes and patient is sent to Inpatient department. Patient has to stay for 2 days in IPD and then discharged and called to come in 15 days for follow up.

The duration of the stay for a patient is 3 nights. Attendants also stay there and cook food for the patient. There is sufficient space for staying and cooking. There is safe for the patients and attendants. There is very few chances of losing things and money but sometimes this incidence also occurs. Fees taken at the hospital for the services are very reasonable or we can say at subsidized rate as this organization is community eye hospital and established with the objective of non profit making motive. This hospital has three main strengths: (1) qualitative service (2) subsidized rate of service charges (3) good behavior of staff.

With the above reasons this hospital has become so popular in mid western region and adjoining districts of India like; Bahraich, Barabanki, Srabasti, Gonda, Faijabad, Lakhimpur, Sitapur, Balrampur etc. 65% of the total OPD patients and 70% of the total surgical patients represent Indian patients. In the above places, there are good eye hospitals as well but even they come to our hospital for eye treatment. Only the reasons as we have mentioned above.

Two decades earlier, patients of this region(Midwest region) use to go to Sitapur, India for eye surgery. There is the biggest eye hospital in Sitapur, India named as Sitapur Eye Hospital. That time it was so renowned that patients from very far use to go there as the hospital was running very well. After retirement of Surgeon Dr.Manohar Singh, management became failure and could not run the hospital properly. The behavior of the staff and doctor became so rough towards the patients, that patients started to search for better eye hospital where their needs could be fulfilled. We mean to say that human resources is the key factor for making an organization successful. Without this no one can think the shape and development of an organization. So management must keep in it's mind that how to encourage, motivate, reward, satisfy the manpower in the organization.

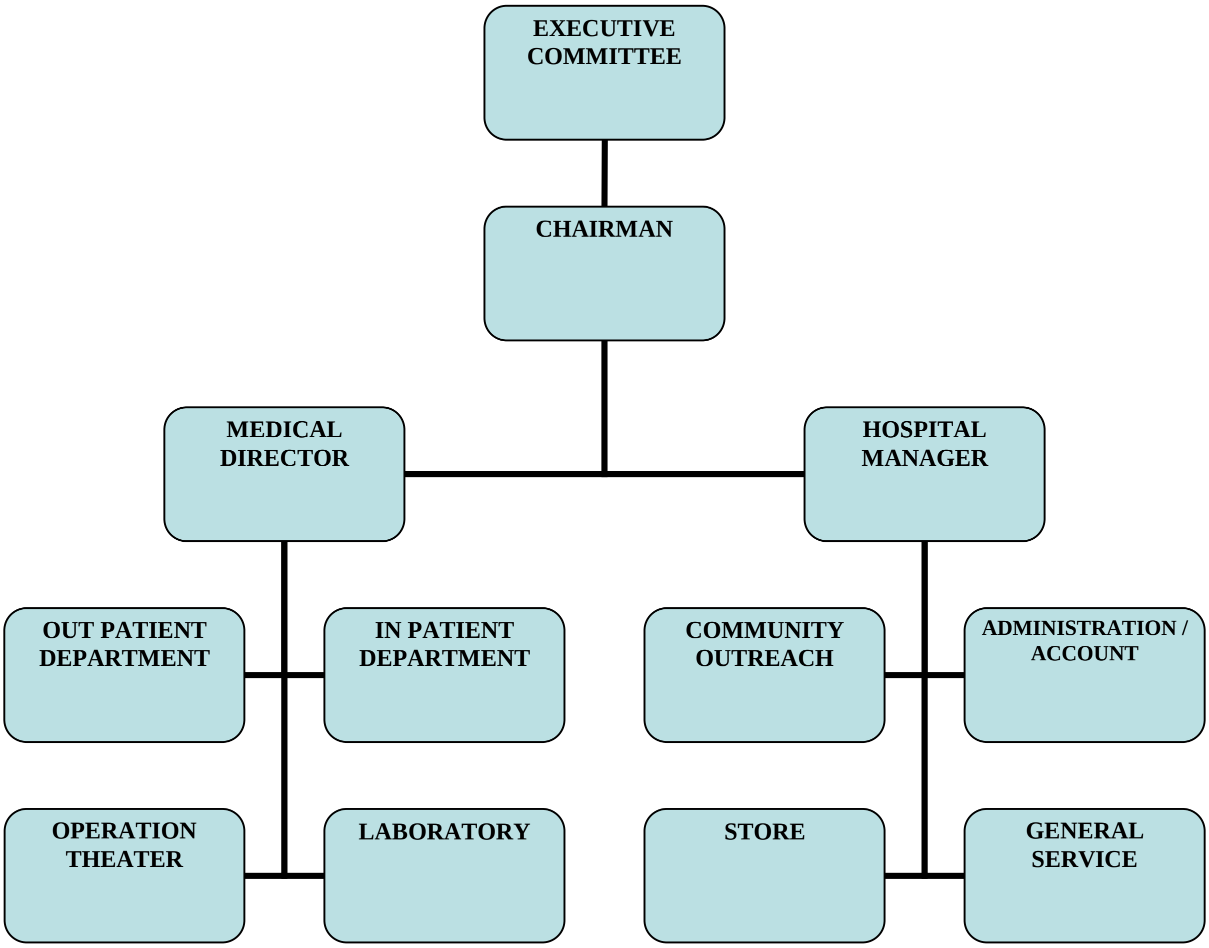
1.7 Executive Committee of the hospital

NNJS, FATEH BAL EYE HOSPITAL has Executive Committee comprising of 18 members. President 1 and members 10 elected and 3 members are still to be nominated. The nomination of the other members is on process as the election of the committee was conducted recently on B.S.2067.8.24. For the routine operation of the hospital, Medical Director for medical matters and Hospital Manager for general affairs are responsible.

The composition of board is as follows:

S.N.	**Position**	**Name**
1.	President	Mr.Ratan Kumar Tandon
2.	Vice-president	Miss Narbada Sharma
3.	Secretary	Miss Shanti Shrestha
4.	Treasurer	Mr.Kanhaiya Lal Tandon
5.	Member	Mr. Jainendra Kumar Tandon
6.	Member	Haji Mr. Raunak Ali Idrisi
7.	Member	Mr.Santosh Kumar Kanodiya
8.	Member	Mr. Panna Lal Gupta
9.	Member	Mr.Haridwar Prasad Gupta
10.	Member	Mr. Giriwar Psd Agrawal
11.	Member	Mr. Kanhaiya Lal Vaidya
12.	Member	Mr. Bimal Kumar Tandon
13.	Member	Mrs. Rajya Laxmi Shah
14.	Member	Lions Club of Nepalgunj President
15.	Member	Medical Director of hospital
16.	Member	Vacant
17.	-	Vacant
18.	-	Vacant

Organizational Chart



1.8 Statement of Problem

NEPAL NETRA JYOTI SANGH, BANKE BRANCH FATEH BAL EYE HOSPITAL is one of the best eye hospitals in Nepal out of 18 eye hospitals. It has been providing good eye care treatment to eye patients of mid and far west region as well as the adjoining districts of Uttar Pradesh of India. It has become able to run on its own income as there is no any financial support from any other NGOs, INGOs or government organizations. It has been providing great contribution in the prevention of blindness. NNJS Banke Fateh Bal eye Hospital has invested huge amount in the hospital and its objective is to provide good quality eye care treatment to all patients at affordable cost.

Although this organization is a leading organization in eye care sector, it faces various operational and managerial problems. Therefore, the successful operation of an organization depends upon the planning system that it has adopted. Revenue plan is one of the most important managerial devices that plays a key role of the effective formulation and implementation of strategic as well as tactical plans of an organization. Theoretically revenue is a broad and some times it seems vague. Planning is the sole concept of any organization. Hence it is the life blood of any organization.

Revenue planning system requires the effective coordination between various function budgets of an organization. The successful operation of any organization, whatever the nature of it largely depends upon planning system that it has adopted. It is clear that revenue planning exploits the opportunities by using limited resources. Revenue plan is a formal expressing of the organization's plans, goals and objectives stated in financial terms for specific future period of time. Revenue plan covers a definite period of time. Generally three types of revenue plan are prepared. The first is long term revenue plan (5-10 years). The second is strategic revenue plan (1-5 years) and the third is short term revenue plan (1 year generally). Majority of organizations prepare long-range and short-range plans, they are prepared on ad-hoc basis.

Whether the organization has maintained adequate inventory level to achieve target (quantity of services provided). Further manpower planning and management capacity utilization, production costing (costing of surgery) system and classification of cost behavior has to be ascertained separately. Out of this analysis, it would also be related to be known revenue ability, liquidity, turnover and operating ratio of the organization. Another considering problem related to the study are whether the management has tried to minimize administrative cost and practice to increase the overall financial performance.

Besides the above mentioned problems, others are as follows:

1. What are the reasons of the organization for poor performance being unrealistic and improper uses of budgeting?
2. What are the fundamental principles adopted in short range planning and long-range planning?
3. To what extent is there the base prepared for applying revenue planning and process of revenue plan followed by FATEH BAL EYE HOSPITAL?

4. Whether the organization is applying budgeting system properly or not?
5. What are the major problem faced by NNJS,Banke, Fateh Bal Eye Hospital in developing and implementing revenue planning?

1.9 Objectives of the study

The main objective of this study is to examine the effectiveness of revenue collection and control system at the hospital. Except this, the following are also the specific objectives of this study:

i) To analyze the variance between budgeted and actual achievement.
ii) To sketch the trend of revenue planning.
iii) To examine the present planning system adopted by this organization on the basis of budgeting.

1.10 Importance of the Study

Nepal is a landlocked and developing country. Health sector is unsatisfactory, although the state has tried utmost to provide the health facilities to the public of every region. Most of the hospitals, health centers are centralized in the cities and in Terai region. Out of this eye care services are also very important. State has not been able to look into eye care services so, Nepal Netra Jyoti Sangh, Central Office is the leading organization for providing eye care services through out the country. It has established 18 big eye hospitals and more than 45 eye care centers in the country. Out of this NNJS, Banke Fateh Bal Eye Hospital, Nepalgunj is also One. This hospital is also facing with the financial problems. With the limited resources It has been carrying out it's programmes with the proper utilization of its limited resources. The study will try to find out the weaknesses as regards revenue planning and so that it is important to make sound revenue planning to provide affordable eye care services to the eye patients.

1.11 Limitation of the Study

Today world is dynamic, everything existing here are of limited characters. Every principle, rule, formula and conditions are applied within limitations. Likewise, this study can not escape from limitations. These are:

i) This study is for partial fulfillment of MBS, so it may not be useful for every aspects.
ii) The study covers only the period for five years (i.e., F.Y.2062/63 to 2066/67), trend and dada will be analyzed.
iii) The accuracy of the study is based upon secondary data available.
iv) Time and resource constraints are another limitation of the study.
v) This study is only a case study, thus the result will not be applicable for all types of organizations.

1.12 Research Methodology

To fulfill the objectives and requirements of this study, basically secondary data and appropriate methodology will be used. The sources of secondary data relating to this study are as follows:

i) Budget books of NNJS, Banke, Fateh Bal Eye Hospital.
ii) Annual Reports.
iii) Magazines and News papers.
iv) Financial statements.
v) Others.

1.13 Design of Study (Chapter Scheme)

This study has been organized into six chapters. These are as follows:

Chapter 1: Introduction
This consists of the focus of the study, a brief review of FATEH BAL EYE HOSPITAL, statement of the problem, objective of the study, research methodology, limitation and importance of the study.

Chapter II: Conceptual Framework and Review of Literature
This includes the fundamental concept and components of Revenue Planning. It also deals with various function budgets and development and process of revenue plans. This also Includes the review of previous research work made in this respect.

Chapter III: Research Methodology

This includes the research design, data collection and procedure, period covered, nature and sources of data, statistical tools used and research variables.

Chapter IV: Data Presentation & Analysis

This includes the data collection, presentation and analysis and how the data is collected. Is data is of primary or secondary status?

Chapter V: Summary, Conclusions and Recommendations

This includes the summary, conclusions and recommendations made on the basis of this study.

Besides this, bibliography and appendix are attached at the end of this study.

CHAPTER - TWO
CONCEPTUAL FRAME WORK

2.1 Revenue

Revenue is the primary measure of business success in any economy. It does not just happen, revenues are managed.[3] If firm can not generate revenue, It can not achieve capital.

There are several interpretations of the term 'Revenue'. An economist will say that revenue is the reward for entrepreneurship and for risk taking. A labor leader might say that is a measure for low efficiently labour has produced and that it provides a base for negotiating a wage increase. An investor will view it is a measure of the return on his or her money. An internal revenue agent might regard it as the base for determining income taxes. The accountant will define it simply as the excess of a firm's revenue over the expenses of producing revenue in a given fiscal period.

Using the accountant's measuring stick, management thinks for revenue as:

- A tangible expression of the goals it has set for the firm.
- A measure of the performance toward the achievement of its goals.
- A means of maintaining the health, growth, and continuity of the company.[4]

It is reward of business. Revenue is obtained by selling products/services in the market. In the perfect competition market it is earned with the help of innovation. So this motives is residual after distributing the reward to all the factors of production, it can be represented as.

Total Revenue = Total Cost + Revenue

Revenue is the primary objective of a business. The word revenue implies a comparison of the operation of business between two specific dates which is usually separated by an interval of one year. No company can survive long

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[3] Richard M Linch and Robert W. Willamson,"Accounting for Management", Planning and Control,[Tata-MC. Grahill Publishing Co. Ltd. Third edition,1984] page 99
[4] IBID,page.100

without revenue. It is the ultimate measure of its effectiveness and in a capitalist society, there is no future for private organization which always incurs losses. Revenue is a signal for the allocation of resources and yardsticks for judging managerial efficiency.

Revenue is the ultimate yardsticks of management's ability to coordinate plan and act in the interest of the consumer. A business firm in an organization designed to earn and these are the primary measures of its success. Social criteria of business performance usually relate to quality of products, rate of progress, and behavior of prices. But these are test of desirability of the whole system, these are the test of the individual firm's performance.[5]

Thus, economic theories of revenue may be put in three broad groups. The first looks open revenue is the reward for bearing risk and uncertainty, the second views revenue as the consequence of traction and imperfection in the competitive adjustment of the economy to dynamic changes, the third sees revenue as the reward for successful invocation.[6]

2.2 Planning

Defined in its simplest terms planning is the determination of anything in advance of action, it is essentially a decision making process that provides a basis for economical and effective action in the future. Effective planning sets the stage for integrated action to take places, reduces the number of unforeseeable crises, promoters the use of more efficient methods and provides the basis for the managerial function of control thereby assuring focus on organization objectives.

Planning is a serious business; but planning are not the targets, which merely express what we would like to see but the action that is taken to achieve these targets.

Planning may be defined as the conscious and deliberate choice of economic priorities by some public authority. An economic plan may be defined as a

[5] Personnel Management: Edwin B.flippo Sixth Edition, MC Graw-Hill Inter-nation edition, p.49.

[6] Dr. B. Wooton Freedonm Under Planning , p.12.

totality of arrangement decided in order to carryout a project concerned with economic activity of an economic.

The planning processes both short and long term is the most crucial component of the whole system. It is both the foundation and the bond for the other elements because it is through the planning process that we determine what we are going to do, how we are going to do it and who is going to do it. It operates as the brain center of an organization and like the brain, it both reasons and communicates.

Planning entails regular measurement of progress towards objectives and goals and the execution of strategies and action program. Yet it is clearly recognized that plans often have to be altered in the right of new circumstances.

Planning should be continuous process and not a once –a year exercise. It should involve all these whose jobs have a significant effect on the fortunes of the company.

It is clearly distinct from forecasting. Forecasting, one of the essential elements of planning is a pre-direction of what will happen on the basis of certain assumption: planning is an attempt to determine what should happen and then to take steps that will make it likely to happen.

2.3 Revenue Planning

After defining revenue and planning now it is going to present some theoretical concept of revenue planning. When the management plans for revenue for a certain period of time, it is called revenue plan. Revenue plan as defined "as an estimation and predetermination of revenues and expressed that estimates how much income will be generated and how it would be spent in order to meet investment and revenue requirement. In the case of institutional operations it presents a plan for spending income in a manner that does not result in loss.[7] It represents an overall plan of operations, covers a definite period of time and formulates the planning decisions of management.

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[7] Jack D. Ninemeier and Raymond S. Schmidgall, "Basic Accounting Standard," p.133

According to I.M.Pandey, "revenue planning is a detailed plan of action during a period of one year or less. Revenue planning helps a firm's financial manager to regulate flow of funds which is primary concern." [8]

Fremgen says that, "Revenue plan is a short term financial plan. It is an action plan to guide managers in achieving the objectives of a firm. A revenue plan is a comprehensive and coordinates plan resources of an organization for some specific period in future."[15]

According to Glenn A. Wehsch, he has used the descriptive term comprehensive revenue planning and control other term used in the same context are business budgeting, managerial budgeting and budgeting. The term comprehensive revenue planning and control is defined as a systematic and formalized approach for performing significant phases for the management planning and control function. Specially, it involves:

i) the development and application of broad and long range objectives for the organization.
ii) the specification for organization goals.
iii) A long range revenue plan developed in broad term.
iv) A short range revenue plan detailed by assigned responsibilities (divisions, products, projects).
v) A system of periodic performance report detailed by assigned responsibilities.
vi) follow – up procedures.

Revenue planning is the heart of management. Without proper planning of revenue it will not just happen, so every organization should systematically plan for revenue in a proper way. Various function budgets are the basic tools for proper planning of revenue and control over them, revenue planning in fact is a managerial techniques and a revenue plan is such written plan, in which all aspects of business operations with respect to all definite future period are included. It is a formal statement of policy, plan, objective and goal established by the top management in respect of some future period. It is a predetermined detailed plan of action developed and distributed as an audit to current operations and as a partial basis for the subsequent evaluation of performance. Thus, we can say that revenue planning is a tool which may be

[8] I.M.Pande, "Financial Management", 7th edition p.233

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

A revenue plan is an advance decision of expected achievement based on the most efficient operation standard of in prospect of time. It is established against which actual accomplishment is regularly compared.[18] Revenue is an outcome of effective and efficient management, which is affected by various factor, revenue planning is that tool which manage all the factors efficiently and effectively. Matz and curry Milton F. Emphasizing on "sound and intelligent planning of revenues, costs and sales in both more important and more difficult that ever before in this age of rapid technological changes. Modern revenue planning encourages action and recognized the divisional and departmental autonomy and responsibility of mangers, motivating them to strive for attainment of the corporate goal. Revenue planning is directed to the final objective of the business and generally includes all of its important elements. Revenue planning is especially effective in enabling middle management to help plan revenue and control cost. Revenue planning is management's primary tool to accomplish its objectives.

Revenue planning is a capacity to make greater risks for this is the way to improve entrepreneurial performance. The risk could be avoided from the proper information. According to Chorfas, "the single most vital factor in an effective revenue planning procedures, right information at the right time, presented and formulated in a way that is easy to comprehend and follow.

Since revenue plan is flexible and depends upon the size of the firm, so that the formats and rules regarding revenue plan also varies according to the nature of business organization. Revenue plan is prepared with in the environment of relevant variables and strength and weakness. Organizational broad objectives are defined and there specified in particular goals. Basic strategy and communicated to the line and staff managers. Generally two types of revenue plans are generated for long term objectives strategic plans and for short term objective tactical plans are developed. These type of revenue plans depend upon the nature of business entity. Generally for a manufacturing organizations following plans are prepared (1) Sales plan (2) Production plan (3) Raw Material Plan (4) Purchase Budget (5) Inventory Budget (6) Labour hour and cost budget (7) Manufacturing overhead budget (8) Administrative expenses budget (9) Selling expenses budget (10) Cash

Budget (11) Capital expenditure budget (12) Flexible Budget (13) Projected income statement (14) Projected Balance sheet (15) Variance analysis for performance report.

Revenue planning thus, becomes a well through out operational plan with its financial implication impressed as both long and short range revenue plans in the form of financial statements, including balance sheet income statements and cash and working capital projections.[9]

Revenue planning is a comprehensive plan expressed in financial term by which an operating program is effective for given period of time. It includes the estimate of (a) the service activities and project comprising the program (b) the resultant expenditure requirements (c) the resources usable for their support, Jones S. Garth N. Says."

Revenue planning through volume cost analysis, however a modern concept of management planning a tool designed primarily for industrial organization. It involves a study of what a business cost and expenses should be at different level of operations and it includes a study of the resultant effect upon revenue due to this changing relationship between volume and cost.

In summary revenue planning means the development and acceptance of objectives and goals and moving an organization efficiently to achieve objectives and goals.

2.4 The Basic Elements of Revenue Planning

The basic elements of revenue planning are as follows:

1. Basic Comprehensive and Coordinated Plans

The Revenue planning considers all activities and operations of an organization the budget prepared by different department inside the organization have to be complied or coordinated and it is done by revenue planning so before preparing a revenue planning firstly all the departments have to be complied and that budget is known comprehensive budget or revenue planning.

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[9] Mutz/Curry Cost Accounting Planning and Contral 5th edition 1972

2. It is expressed in Financial Terms

All activities covered by budget are related with funds so the budget has to be expressed in monetary units i.e., in Dollars, Rupees and Pounds etc.

3. It is plan for the Firm's Operation and Resources

Budget is a mechanization to plan for the firms all operations or activities the budget must plan for the quantity revenue and expressed related to specific operations. The planning should not be done for revenue and expenses only.

2.5 Purpose of Revenue Planning

1. To state the firms expectation (goal) in clearly formal terms to avoid confusion and facilitate their attainability.
2. To avoid a detailed plan of action for reducing uncertainty and for its proper direction of individual and group efforts to achieve goals.
3. To communicate expectation to all concerned with management of the firms so that they are understood, supported and implemented.
4. To coordinate the activities and effort in such a way that the use of resources is maximized.[10]

2.6 Advantages of Revenue Planning and Control

The following main arguments are usually given for revenue planning & control.

1. It forces early consideration of basic polices.
4. It requires adequate and sound organization structure that there must be a definite assignment of responsibilities.
5. It compels all members of management from top down to participate in the establishment of goals and plans.
6. It compels departmental managers to make plans of other departments and of the entire organizations.

[10] Welsch Glenn 5th edition.

7. It requires that management putdown in fingers what is necessary satisfactory performance.
8. It requires adequate and appropriate historical counting date.
9. It compels management to plan for the most economical use of labour, material and capital.
10. It installs at all levels of management the habit of timely, careful and adequate consideration of the relevant factors before reaching important decision.
11. It reduces cost by increasing the span of control because fewer supervisors are needed.
12. It frees exclusive from many day to day internal problems through predator mind polices and clear cut authority relationship. It thereby provides more excessive time for planning and creating thinking.
13. It trends to remove the cloud of uncertainty that exist in much organization especially among lower levels of management relative to basic policy and organizations objective.
14. It pinpoints efficiency and inefficiency.
15. It promotes understanding among members of management of there co-workers problems.
16. It forces the management to give adequate attention to the effect of general business condition.
17. It forces a periodic self analysis of the company.
18. It checks progress towards the objectives of the organization.
19. It forces recognition and corrective action.
20. It rewards high performance and seeks to correct unfavorable performance.
21. It forces management to consider expected future trends and condidion.[25]

2.7 Basic Assumption; Problem and Limitation of Revenue Planning

Revenue planning systems are more common in larger companies to serve management. The usefulness of revenue planning to very small business could have been useful by an early attempt to quality the drams of head strong but sloppy thinking entrepreneurs who never directly faced the uncertainties of their venture.

But there are so many assumption of using revenue planning program. Firstly, the basic plans of a business must be measured in terms of money, if there is to be any assurance that money will be available for the needs for the business.

Secondly, it is possible in a comprehensive way coordination every other workout as forecasted, but also what to do things workout differently from the forecast.

Because effective budgeting requires coordinate planning. It is essential that all personnel participating in the building of the budget are planning towards the same objective and are contemplating the same company, industry and general economic conditions this can be completely issuing a statement of basic assumption prior to the start of the budgeting system.

Revenue planning a control is a systematic approach to the solution of problems. But it is not full proof; it suffers from certain problems and limitations. The major problems in development a PPC system are [11]

i) Seeking the support and involvement of all levels of management.
ii) Developing meaningful forecasts and plans especially the sales plan.
iii) Educating all individuals to be involved in the PPC process and gaining their full participation.
iv) Establishing realistic objectives, policies, procedures and standard of desired performance.
v) Applying the budgeting or PPC system in a flexible manner.
vi) Maintaining effective follow-up procedures and adopting the budgeting system whenever the circumstance changes.

Management must consider the following limitations in using the PPC system as advice to solve managerial problems.

i) The revenue plans based on estimates.
ii) A PPC program must be continually adopted fit changing circumstances.

[11] I.M.Pande, "Management Accounting, A Planning and Approach," p.306

iii) Execution of revenue plan will not occur automatically. Revenue plan will be effective only if all responsible executive exert continuous and aggressive efforts towards their accomplishment.

iv) Not a substitute of management; it is totally wrong to think that introduction of PPC is alone sufficient to ensure success and to guarantee future revenues.

v) It is not realistic to write out and distribute our goals, policies and guidelines to all.

vi) Budgeting places to great a demand on management time. Specially to revise budgets constantly, too much paper work is required.

vii) It creates all kinds of behavioral problem.

viii) It adds a level of complexity that is not needed.

ix) It is too costly, aside from management time.

x) Danger of rigidity, for usefulness, the PPC must be flexile and dynamic in every sense of the word.

xi) Proper evaluation, for find out the inefficiencies proper evaluation should be made on the absence of proper evaluation, budgeting will hide inefficiency. So there should be continuous evaluation of the actual performance, standards also reexamined regularly.

2.8 Long Rang and Short Rang Profit Planning

When managers of the various responsibilities center in the organization receive the executive management planning instruction and the projected plans, they begin intensive activities to develop their respective strategic and tactical short range revenue plans. The strategic long range and tactical short rang revenue plans are usually developed on currently. It is possible that executive management or the chief financial executive advisable because it denies full participation in the planning process by middle managers. Lack of the participation can cause unfavorable behavioral effects. Assuming participatory planning and receipt of executive management instruction the manager of each responsibility center to develop strategic long range revenue plan (5 year) and in a harmony with five year plan, a tactical short range revenue plan (one year). Certain format and procedural instructions should be provided by a centralized source, normally the financial function, to establish the general format, amount of detail, and other relevant procedural and format requirements essential for aggregation of the plans of the responsibility centers in to the overall revenue plans. All of these activities must be coordinated among the centers in conformity with the organization structure.

The format pertain of the long range plan includes the following basic component detailed by each year, income statement, cash flow projection, capital expenditure plan and man power requirement, research plan and long range market preparation plan. The strategic plan does not include a format balance sheet however it is anticipated that important balance items would be included then the long range plan covers all the key area of anticipated activity, sales, expenses, capital expenditure cost, revenue and return on investment.

In order to provide a broad general view of complete short range revenue plan shown here deal primarily with annual result, detailed classification by month responsibility and products. Therefore, these two steps revision that upon receipt of the planning, premises and procedural instructions each manager in charge of a major responsibility center will immediately initiate. Activities with his own functional with five year plan, a tactical short range revenue plan for example a plan might consist of the following part:

- Basic purpose of objectives of the company.
- Marketing plan, manufacturing plans.
- Research development and engineering plan.
- Capital investment plan.
- Financial projection.

2.9 Revenue Planning and Planning

Revenue planning is the final process in a comprehensive planning network. Business planning does not operate within any determined time limit but is conditioned by particular requirement of a company's revenue planning strategic revenue plan monitors strategic planning to ensure that if meets the financial requirement of management in terms of sales, revenue ability and growth. The annual revenue plan is changed with the task of realizing the revenue potential created by strategic planning.

The planning process of an organization would generally involve four fundamental steps.

i) Establishing the objective.

ii) Determining the broad objectives or goal.
iii) Developing strategies.
iv) Formulating revenue plan.

2.10 Forecasting and Planning

Forecasting is the prerequisite for planning. Forecasts are the statements of expected future conditions. These expectations depend upon the assumption made. If assumptions are plausible the forecast has better chance of being useful. Forecasting assumptions and techniques vary with the kind of planning needed.

Forecasting may be of three types. They are:
i) Intermediate term
ii) Short term
iii) Long term

Planning can only be done with forecasting. "The distinction between forecasting and planning is not an easy one."

Webster gives- "To plan ahead" as the leading definition of forecast. Forecasting is our best thinking about what will happen to use in the future. In forecasting we define situations and recognize problems and opportunities. In planning we develop our objectives in practical detailed and we correspondingly develop schemes of action to achieve these objectives."[12]

A forecast is a prediction of future event, condition or situation, whereas plan includes a program of intended future actions and desired results. Forecasting predicts the future events in such away that the planning process can be performed more accurately. "A forecast is not a plan, rather it is a statement and or a quantified assessment of future conditions about a particular subject (i.e., sales revenue) based on one or more explicit assumptions." A forecast should always state the assumptions upon which it is based. A forecast should be viewed as only one input into the development of plan. The management of the company may accept, modify or reject the forecast, other inputs and management judgment about such related items as

[12] American Accounting Association “Reading in Cost Accounting Budgeting and Control “ p.502.

sales volume, prices, sales effort, production and financing. It is important to make a distinction between the sales forecast and the sales plan primary because the internal technical staff should not be expected or permitted to make the fundamental management decision and judgment. Moreover, the influence of management actions on sales potentials in difficult to quality for sales forecasting. Before, the elements of management experience and judgment must hold the sales plan.
Another reason or identifying sales forecasting as only one step in ladles planning is that sales forecasts are conditional."

2.11 Budgeting: As a tool of Revenue Planning

Budgeting is an expression of a firm's plan in financial form for a period of time in future; it is an estimate of future needs calculated for a defined period. It anticipates income for a given period and costs as well as expenses of obtaining this income are set or limited within the ideas of earning a desired revenue or an aid in controlling loss. A business budget is a plan covering all phases of operations for a definite period in future. It is a formal expression of policies, plans, objectives and goals laid down in advance by top management for the undertaking as a whole and every sub division there of.

"Budget, as a tool of planning and control is closely related to the broader system of planning and control in an organization. Planning involves the specification for the basic objective that will guide it. In operational terms, it involves the step of setting objective, specifying goals, formulating strategies and expressing budgets. A budget is a comprehensive and coordinated plan expressed in financial terms for the operations and resources of an organization for some specified period in future."[13]

A budget is a quantitative expression of a plan of action and an aid to coordination and implementation. Budgets may be formulated for the organization as a whole or for any sub unit. Budgeting includes sales, production, distribution and financial aspect of an organization. Budget program are designed to carry out a variety of function, planning, evaluating performance, coordinating activities, implementing plans, communicating, motivating and authorizing action."

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[13] Khan and Jain P.K.” Management Accounting” MC GrawHills Publishing Co. Ltd.p.296

A budget is a written plan for the future. The managers of firms which wise budgets are forced to plan ahead. Thus, these firms trend to do well because they anticipate problems before they occur. A firm without financial goals may find it difficult to make proper decisions. A firm with specific goal in the form budget makes many decisions ahead of time. A budget helps a firm to control its costs by setting guidelines for spending money for in need times because they know at all costs will be compared to the budget. If costs exceed the budgeted cost, an explanation will be required. Frequently exceeding the budget may even be grounds for dismissal. A budget helps to motivate employees to do good job. This is particularly true when employees help in setting up the budget. The complete budget for a firm is often called the master. Budget consists of many functional budgets. These budgets include a target, a production budget, a purchase budget, an expenses budget, an equipment purchase budget and a cash budget, once all of these budget are completed, the master budget for the entire firm is prepared.

"Budgeting control is a system of controlling costs which includes the preparation of budget, coordinating the departments and establishing the responsibilities. Comparing actual performance with that budgeted and acting upon results to achieve revenue ability."

Thus budget is concerned with policy making. The common objectives of budgetary control is to formulate polices aimed at objective established after the consideration of the possible course of events in the future and to provide a means for the constant comparison of actual progress towards this goal against the preconceived results. Budgets not only compared the actual results with those of budgeted but also provide a standard of the performance. Company controls operations through its budgeting and responsibility reporting system. Top executives are able to control every area of the organization through a system of budgetary planning and control reporting by responsibility area. Yardsticks of performance are provided for all productive and service area. And results of operations are accumulated and reported in terms of these yardsticks at all supervisory levels.

While originally the budget constituted a financial document, it is now concerned with devising a coordinated program of operation, providing an effective means of communication among managerial personnel for the purpose of evaluating proposed plans of action, directing the diverse activities towards the accomplish. To achieve predetermined goals and obtaining all requisite approvals thus there is an increasing trend towards extending the frontiers of business budgets to include planning, coordinating and controlling of the entire operation of a business. This has transformed budgets and budgetary control into a valuable tool of purposeful management.

2.12 Objectives of Budgets and Budgetary Control

The basic objectives of budgets and budgetary control are:

i) To smooth out seasonal variation in production by developing new 'fill in' products and there by accomplishing one phase of economic planning. To conform with good business practice by planning for the future.
ii) To operate most efficiently the divisions, departmental and cost centers of a plant.
iii) To establish divisional and departmental responsibilities.
iv) To coordinate the various divisions of a business namely production, marketing, financial and administrative divisions by consultation among the divisional heads and mutual agreement on company policies.
v) To forecast operating activities and financial position.
vi) To provide a method of measurement of operating activities listed.
vii) To provide more definite assurance of earning the proper returns on capital invested.
viii) To prevent waste, to reduce expenses and to obtain the income desired.
ix) To aid in obtaining better control and turnover.
x) To aid in controlling cash.
xi) To centralize management's control and to obtain a more economical use of capital.
xii) To ensure that adequate working capital is available for the efficient operation of the business.

2.12.1 Advantages of Budgets and Budgetary Control

i) The reduction is seasonal variation in production, brought about the budgets, decreases the cost of production by increasing volume.

ii) Advance planning inherent in the budgets is looked upon with favor by credit agencies as indicative of sound management.

iii) the coordination of the main divisions of a concern makes smoother operation and less internal friction which results in the achievement of budget goal.

iv) The efficient operation of the entire unit depends upon all employees working towards a common goal which is endured by the budget.

v) The establishment of divisional and departmental responsibilities prevents buck passing when the budget figures are not achieved.

vi) The forecast of operation and financial conditions sets a goal to shoot for and becomes a basis for dynamic action rather than historical cost system.

vii) The use of budget figures as measurements; performance and financial position makes possible the adoption of standard cost principle in divisions other than the production division.

viii) The desired earning on a given investment of capital sets up a revenue point objectives which is the logical basis to be used in working out the estimated sales volume.

ix) The budgets as stimuli to meet the predetermined goals for both incomes and expenses thereby achieving desired revenues or reducing existing looses.

x) The budget of cash expenditures and cash receipts make it possible for the financial management to forecast their needs for credit and arrange for it in advance.

xi) The centralization of budgetary control over all divisions and departments helps in carry out a uniform age of an authoritarian type of business organization.

xii) The forecast of sales enables the management to work out the economic balance between plant and machinery, storage, warehouse and inventories.

xiii) As goals are setup for begin attained and achievements or failures are revolted only with reference to these goals, results can be viewed objectively with minimum of personal prejudice.

2.12.2 Requirements for Effective Budgeting

i) Support of Top Management

The budget program can only be successful when top management offers the whole heart support and when all managers are motivated about the implementation of budget program.

ii) Clearly Defined Organization

Business organization should be defined so as to provide maximum benefits. There should be a sound plan with well defined and adequately maintained responsibility. Records should be clear, consistently departmentalized and established in such a manner as will indicate definite responsibility on each unit or section of the business.

iii) Accurate Accounting System

Accounting system should be developed so far to hold each part of the organization to its responsibilities. The budget foster coordinated action and whenever this is broken down or interfered with, the responsible factor should be unmistakably revealed.

iv) Unambiguous Policy

A budget program is always based on certain fundamental, the collection of which is called the policy of business. Naturally, therefore, no program can be prepared without the knowledge of the business policy to be adopted during the period covered by two budgets.

v) Preparation by Responsible Executives

Formulation of budget in the participation of executives who are entrusted with the performance and implementations is one of the essential of effective budgeting.

vi) Logical Sequence in the Budget Preparation

It is essential that proper procedures should be evolved for the preparation, submission, examination and review of budget figures in logical sequence.

vii) Constant Vigilance
An effective system of budgetary control requires that provision must be made for the comparison on budgeted and actual results at frequent intervals. As soon as unfavorable trends are detected, immediate action should be taken to remedy them.

viii) Continuous Budget Education
An essential condition for the success of budgeting is that it must be able to sustain the interest of whose should the responsibility of putting budget proposals into effect. This needs continuous "Budget Education" which is concerned with briefing the employees of the undertaking on the objectives, potentials and techniques of budgeting as well as making them understand its uses and limitation.

ix) A degree of Flexibility

Flexibility for both possible and unforeseen circumstances requires essentially in budgeting.

2.13 The Fundamental of Revenue Planning of Control

Basically comprehensive revenue planning and control offers a system practical and proven approach to the management process properly viewed. Revenue planning and control is a comprehensive system to coordinate all aspects of the management process, carefully knitting together the loose ends of management and operation. This all inclusive concept of the revenue planning and control process is frequently minimized or completely overlooked in much of the literate and discussions on the subjects.

A. Fundamental Distinctions [14]

i) The mechanism of revenue planning and control mechanism are such matters as design of budget schedules, clerical methods of completing such schedules and routine computations.

ii) The techniques of revenue plan and control and special approaches and methods of developing information for managerial use in the decision making process. The techniques are many varying from the simple to the sophisticated.

iii) The fundamental of revenue planning and control in concern effective implementation of the management process unseasonable complex endeavors. The fundamental, as we define them at this point, represent desirable management orientation, activities and approaches necessary for proficient and sophisticated application of comprehensive revenue planning and control. These fundamentals need to be established a sound foundation of managerial commitment.

B. An Outline of the Fundamental Concepts of Revenue Planning and Control [15]

i) A management process that includes planning, organizing, staffing, leading and controlling.

ii) A managerial commitment to effective management participation by all levels in the entity.

iii) An organization structure that clearly specifies assignment of management authority and responsibility at all organization levels.

iv) A management planning process.

v) A management control process.

vi) A continuous and consistent coordination of all the management functions.

vii) Continuous fees forward, feed back, follow up and replanting through defined communication channels.

viii) A Strategic (long-term) revenue plan.

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[14] Welsch Glenn A., "Budgeting: Profit planning and control", Delhi, Prentice hall of India,4th edition 1986,p 29-30.

[15] Welsch Glenn A, Hil N, Ronald W. and Fordon; Paul N. "Budgeting: Profit Planning and Control" New Delhi Prentice Hall of India 5th edition 1999,p. 31-32

ix) A Tactical (short –range) revenue plan.
x) A responsibility accounting system.
xi) A continuous use of the exception principle.
xii) A behavioral management program.

C. Managerial Involvement[16]

Managerial involvement entails managerial support, confidence, and participation and performance orientation in order to engage competently in comprehensive revenue planning and control. All level of management, especially top management must consider following points in order to make revenue planning and control program successful.

i) Understand the nature and characteristics of revenue planning and control.
ii) Be convinced that this particular approach to managing is preferable for their situation.
iii) Be willing to devote the effort required to make it operative.
iv) Support the program in all its ramification; and
v) View the results of the planning process as performance commitments.

For a comprehensive revenue planning and control program to be successful. It must have the full support of each member of management starting with the president, the inputs and direction must come from the very top.

D. Organizational Adoption[17]

" A revenue planning and control program must rest upon sound organizational structure for the organization and a clear-cut designation of lines of authorities and responsibilities. The purpose of organizational structure and the assignment of authority are to establish a framework within which organization objectives may be attained in a coordinated and effective

[16] Welsch Glenn A., "Budgeting: Profit planning and control", Delhi, Prentice hall of India,4th edition 1986.

[17] IBIP,p.33

may on a continuing basis. The scope and interrelationship of the responsibilities of each individual manager are specified."

2. Responsibility Accounting[18]

Planning uses historical data, including past financial information as one of its launching platforms. Control includes the measurement of performance by using actual results, much of which must be provided by the accounting system. Actual results are compared with objectives goals and standards to determine variance (favorable and unfavorable) that should light on performance. Therefore, the accounting system must be designed to provide financial information separately for each organizational unit that is by assigned authority and responsibility, accounting system that is one tailored to organizational responsibilities with in this primary accounting structure.

3. Full Communication[19]

Communication is a necessary activity in all factors of management. Communication can be broadly defined as on interchange of thoughts or information to bring about a mutual understanding between two or more parties. It may be accomplished by a combination of words, symbols, messages and subtleties of understanding that come from working together, day in and day out, by two or more individuals. All communication may be thought of as the thing that brings together the human elements is as organizations. Managerial decision and leadership are actuated by communication, the means by which behavior is affected, modified and energized. Too often communicating is taken for granted; consequently, information inflows are inadequate. There must be three primary follows of information in an entity, downward, upward and laterally in the organization.

A revenue planning and control program can be one of the more effective communication networks in an organization. Communication for effective planning and control requires that both the executive and the sub ordinate have the same understanding of responsibilities and goals. Revenue plans if developed through full participation and in harmony with assigned

[18] Welsch Glenn A., "Budgeting: Profit planning and control", Delhi, Prentice hall of India,5th edition 1990,p.41

[19] IBIP,p 57-58

responsibilities, ensure a degree of understanding not otherwise possible. Full and open reporting in performance reports that focus on assigned responsibilities likewise enhances the degree of communication essential to sound management.

4. Realistic Expectation[20]

Revenue planning and control management must be realistic and avoid being either unduly conservative or irrationally optimistic. The care with which budget goals are set for such items as sales, production levels, cost, capital expenditure, Cash flow and productivity determines the usefulness of a revenue planning and control purpose, organization objectives and specific budget goals should represent realistic expectations. To be realistic, expectations must be related (I) to their specific time dimension and (ii) to as assumed (projected) external and internal environment that will prevail during that time span. With in these two constraints, realistic expectations should assume a high level of overall efficiency; however; the objectives and goals should be attainable. Goals that are set so high that they require no special effort will provide no motivation. Thus, organization objective are specific budget goals, in order to constitute realistic expectation, must represent a real challenge to managers and to operational units. The top management of the organization has the direct responsibility for defining the level of challenge that should be represented by realistic expectations.

5. Time Dimensions[21]

Effective implementation of the profit planning and control concept requires that the management of the organization establish a definite time dimension for certain types of decisions. Two important timing issues require careful attention if the planning function is to be carried out effectively. One relates to the concept of a planning horizon and the other relates to the timing of planning activities. Time dimension perspectives in managerial planning require a clear cut distinctions between historical consideration and future considerations. Planning horizon refers to the period of time into the future for

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[20] IBIP,p.53

[21] Welsch Glenn A., "Budgeting: Profit planning and control", Delhi, Prentice hall of India,4th edition 1986, p 40-41.

which management should plan and management time schedule established for initiating and completing certain phase of the planning process.

I. Flexible Application [22]

This fundamental stress that a profit planning and control program (or any other management technique) must not dominate the business and the flexibility in applying the plan must be forth right policy so that "strait jacket" they are not covered by the budget."

In the area of control flexibility is especially important. Expense and cost budget must not be used and interpreted rigidly: the budget must not constraint rational decision that should be made with respect to expensive merely because and expenditure was not anticipated. Also variable expenses budget are frequently used to meet one of the problems of cost control arising form a change in circumstances.

Behavioral Viewpoint[23]

The motivation of human resources through dynamic leadership is central to effective management. The behavioral aspects of the management process have been accorded extensive and intensive investigation by psychologists, educators and businessmen. This attention is increasing in scope and intensity in recognition that there are many unknowns, misconceptions and speculation concerning the response of the individual and the group in varying situation. The comprehensive profit planning and control approach to managing brings many of these behavioral problems into short focus. A sophisticated view of profit planning and control focus on a positive approach to resolve certain behavioral problems clearly, the approach cannot resolve certain behavior problem but in many respects it can provide one effective approach to their partial resolution.

Goal orientation in characteristic of ambitions and competent individuals, who are normally involved in management process. Such individuals have strong personal goal needs; their performance is enhanced through a hierarchy of realistic goals with which they can identify for positive

[22] IBIP,p.42
[23] IBIP,p46-47

motivation. There must be a harmony of goal orientation between the personal interest of the manager and his relationship with organization. Monetary rewards, although goal satisfying in certain ways for most individuals can not satisfy all or even most, goal needs of competent and intelligent people. The more substitute goals needs relate to the satisfactions that one gets from accomplishment and from being a participant in activities that upper relevant to him, related to goal or orientation is the recognition that managers at all levels one much more likely to understand, accept and pursue those goals and plans that they help formulate in a meaningful way participation in the establishment of organization objectives, goals and policies with which they will be directly involved has come to be recognized as one of the more effective approaches to managerial motivation all organizational goal needs. From this perspective behavioral consideration in regard of the rewards. Performance and results should be taken intensively.

J. Activity Costing[24]

Responsibility accounting system generally accumulates costs by department, and product costing system associate costs with units of product or service. Organizations also frequently find it useful to associate costs with activities. By decomposing on organization's production process into a discrete set of activities and then accounting costs with each of those activities. Management is in a better position to determine the cost and benefits of continuing the activities moreover, by systematically identify defendant activities. Some managers have found to their surprise, that the same activity was being done in a dozen different laces in the company. An activity cost analysis an assist managers in eliminating refund and activating that are not cost-benefit effective and achieving greater coordination among the activities that remain.

K.Zero-Base Budgeting [25]

Associated with the concept of activity costing is zero-based budgeting under zero-based budgeting, every budget is constructed on the premise that every activity in the budget must be justified. Zero-based budgeting has been used by many organization both private organizations and governmental units. It

[24] Welsch Glenn A., "Budgeting: Profit planning and control", Delhi, Prentice hall of India,5th edition 1990,p, 42-43.

[25] IBIP,p 43-44

starts with the basic premise that the budget for next year is zero and that every expenditure, old and new, must be justified on the basis of its cost and benefits. The discipline of zero-base budgeting takes a different approaches-in fact, a reverse approach to this problem of justifying everything. What it says is this begins with where you are and establish a business-as-usual budget for next year the same way, and the same things you would do if you were not concerned about constraints or total justification.

L. Coordination Using PPC [26]

Some management authorities list coordination as a separate function of management; however most view it as an effect that ensures when the managerial functions of planning, organizing, staffing, directing and controlling are accomplished. Coordination is the synchronization of an entity effectively works towards the common objectives, with due regard for all other subdivisions and with unity of effort. Such a result is often referred to as goal congruence. It means developing and maintaining the various activities with the organization in proper relationship to each other. This harmony or effort toward the organization objective is one of the control takes of management because it involves a reorganization of differences in effort, timing, policies and allocation of resources. Frequently, a lack of coordination in an organization is apparent when an aggressive department head is permitted to expand the department out of the department only, although the decision may negatively affect other department and alter their effectiveness. For example, there must be very close coordination between to sales and production departments. Sales should not plan to sell more than production can provide and vice-versa. These must be coordination at all vertical levels on well as horizontally.

How is coordination attained? Fundamentally, coordination is attained through effective performance of the management functions.
However, certain of that function have particular relevance in this respect. Coordination involves the interpersonal relationships of people in the work situation as they exchange views, technical expertise gossip and attitudes. When management at all levels understands how their particular function contributes to the overall organization objectives, a basic foundation for coordination is established. It is important that each member of management,

[26] IBIP.p49-50

from the top to the lowest level knows well in advance what is planned and how. When and by whom it is to be accomplished. Communication downward upward and horizontally is fundamental to coordination.

M. Management Control Using PPC

The primary purpose of control is to ensure attainment of the objective, goals and standards of the organization. Control has many factors such as direct observation, oral expression, narrative memoranda, policies and procedures, report of actual results, and performance report. Comprehensive profit planning and control focuses on performance reporting and evaluation of performance to determine the causes of both high and low performances.

N. Follow-up[27]

This fundamental holds that both goods and substandard performance should be carefully investigated, the purpose being three fold.

i) In the case of substandard performance, to lead in constructive a manner to immediate corrective action.
ii) In the case of outstanding performance to similar operation and
iii) To provide a basis for better planning and control in the future.

2.14 Establishing the Foundation for PPC

Establishing a sound foundation is necessary to successful implementation of the profit plan program. For this, organization should take certain steps. Welsch, Hilton and Gordon have summarized the steps into six points for initiating PPC Program.

i) Commitment by the top management to the broad concept of PPC and a sophisticated and understanding of its implications and operations.
ii) Identification and evaluation of the controllable and non controllable variable of the environment and the characteristics of the organization.

[27] Welsch Glenn A., "Budgeting: Profit planning and control", Delhi, Prentice hall of India,4th edition 1986,p 49

iii) Evaluation of the organizational structure and assignment of managerial responsibilities and implementation of changes deemed necessary for effective planning and control.

iv) Evaluation of recognition of the accounting system to ensure that it is a tailored to the organizational responsibilities.

v) A policy determination must be made in respect to the time dimensions to be used for PPC purpose.

vi) Development of budget education program to inform management at all levels about: (a) the purpose of the program, (b) the manner in which it will operate, (c) the responsibility of each levels of management, (d) the way of program which can facilitate the performance of each manager's function.

2.15 Components of PPC[28]

A PPC program should have all its components that are required to fulfill the objectives which are supposed to be fulfilled by the PPC program. Welsch, Hilton and Gordon have presented the following component of PPC program.

A. The Substantive Plan

i) Broad objectives of the organization.
ii) Specific organization goals.
iii) Organization strategies.
iv) Executive management planning instruction (planning premises)

B. The Financial Plan

i) Strategic long range profit plan.
   a) Sales, cost and profit projections.
   b) Major projects and capital addition.
   c) Cash flow and financing
   d) Personnel requirements.

ii) Tactical short range (annual) profit plan

   a) Operating plans:

Planned income statement

[28] IBIP

i) Sales plan
ii) Production (or merchandise purchase) plan.
iii) Administrative expenses budget.
iv) Distribution expenses budget.
v) Appropriation type budgets (i.e., research and development, promotion, advertising)

b) Financial Position plan

Planned Balance Sheet

i) Assets
ii) Liabilities
iii) Owner's equity

c) Cash flow plan
d) Variable expenses budget
e) Supplementary data
f) Performance report (including any special report) each month needed.
g) Follow-up, corrective action and re-planning report.

2.16 Profit planning Process

The major process of profit planning is as under.

1) Identification and evaluation of external variables.
2) Development of the broad objectives of the organization.
3) Development of specific goals for the organization.
4) Development and evaluation of company strategies.
5) Executive management planning instructions.
6) Preparation and evaluation of project plans.
7) Development and approval of strategic and tactical profit plans.
8) Implementation of profit plans.
9) Use of periodic performance report.
10) Implementation of follow up.

2.17 Master Budget- Budgeting for Short Range

Budgeting for the short range is concerned with facilitating and controlling the activities of responsibility center on an annual or even month to month basis. Short range budgeting provides managers with a means for comparing actual operational with budgeted figures and reporting the result of these comparisons to higher level managers.[29]

The master budget is the organizations primary short term budgetary device. These comprehensive budgets often prepared through a standard cyclone of events that occur on a specific timetable each year.

The complete budget for a organization is often called master budget. The master budget consists of many functional budgets. These budgets include a sales budget, production budget, purchase budget, an expenses budget, an equipment purchase budget and a cash budget. Once all these budgets are completed the master budget of the entire organization is prepared. A master budget is a summary of functional budgets plan and profit or loss during the budget period.

The master budget is the profit and loss statement for the next financial year or other period covered by the budget. It may be recalled that a budget with reference to planning and control refers to comprehensive and coordinated budgets generally known as master budget. A master budget normally consists of three types of budget.(1) Operating budgets (2) Financial budgets (3) Special decision budget. Another classification of a master budget is (I) fixed/static budget and (ii) flexible/variable budget.

The preparation of master budget is major event in any organization. This complex process involves the efforts of many people from all levels of management. Master budget preparation is a negotiation process in which initial proposal by responsibility managers are subject to revision as the different components of the budget are brought and reviewed.

2.18 Development of Revenue Plan

2.18.1 Target or Sales Plan

Preparation of target is the starting point for the development of profit plan. After having the planning premises of the organization the sales plan is developed.

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[29] John R. Schermerhorn, J.R. Management for Productivity John Willey and Son USA, p 482

The strategic and tactical sales plans have distinct parts (I) The planned volume of sales at the planned sales price per unit for each product (ii) The sales promotional plan (advertising and other promotional cost) and (iii) The sales elements of a comprehensive profit plan (iv) to facilitate management's control of sales activities. The target is the sales master plan for the future period. the target itself is an estimate for three main figures (a) The income that will be earned from sales (b) the cost and expenses of making these sales and (c) The sales surplus the income from the sales will depends on the quantity and the price of the goods which will be sold.

All the other plans and budget is dependant upon the target. The budget is usually presented both in units and dollars of the sales revenue or sales volume. The preparation of sales plan is based upon the sales forecast.
A variety of methods are used to forecast the sales for the planning period.

Unless there is a realistic sales plan, practically all other elements of a profit plan will be out of kilter with reality. The sales plan is the foundation for periodic planning in the firm because practically all other organization planning is built on it. The primary sources of cash is sales, the capital additional needed. The amount of expenses to be planned.

The manpower requirements, the production level and other important operational aspects depend on the volume of sales. In inventory with the comprehensive profit plan, both strategic long term and tactical short term sales plans must be developed. Thus one commonly observes a five year strategic sales plan. Many management decisions commit a large amount of resources involving a life span of many years. Basic strategies and major moves often irreversible commitment of resources and long time span.[30]

The primary purpose of a sales plan are (I) to reduce uncertainty about future revenues(ii) to incorporate management judgments and decision into the planning process (iii) to provide necessary information for developing other elements of a comprehensive profit plan (iv) to facilitate management's control of sales activities.

[30] Welsch Glenn A. 4th edition p 139-140.

2.18.2 Sales planning and Forecasting

It is important to make distinction between sales planning and forecasting because they are often confused. A forecast is not a plan. They have different purpose but, are relative. A forecast is a statement of future conditions about a particular subject based on one or more assumption. Management may accept reject, or modify the forecast. It is only one input of a comprehensive sales plan. A sales plan incorporates all management decisions that are based on forecast other inputs and management judgment about such related items as sales plan is not conditional but forecast is conditional. It also technical staff functional.

2.18.3 Strategic and Tactical Sales Plan

A comprehensive project plan, both strategic long term and tactical short term sales plans must be developed. The usual case is a five or ten years strategic sales plan and one year tactical sales plan.

Strategic or long term sales plans usually involve in depth analyzes of future market potentials, which was to built up from a basic foundation such as population changes, state of economy, industry projections and finally company objectives. Long term managerial strategies would affect such areas as long term pricing policy, development of new products and innovations of present products, new directions in marketing efforts, expansion or change in distribution changes and cost patterns.

Tactical or short term sales plan is prepared to plan sales for 12 months for the first quarter. At the end of each month or quarter throughout the year, the sales plan is restudies and revised by adding a period in the future and by dropping the period just ended. Thus tactical sales plans are usually subject to review and revision on a quarterly basis. The short term sales plan are usually developed in term sales plan includes a detailed plan for each major product and for grouping of minor products. Short term sales plans must also be structured by marketing responsibility for planning and control purpose. Short term sales plans may involve the application of technical analysis; however, managerial judgment plays a large part in their determination. A short range sales plan should include considerable detail, where as a long range plan should be in broad terms.

2.18.4 Development of Comprehensive Sales Plan

To develop a comprehensive sales plan the following process should be followed.

Step 1. Develop management guidelines for sales planning.
Step 2. Prepare sales forecast
Step 3. Assemble relevant data
- Manufacturing capacity
- Sources of raw materials and supplies
- Availability of key people of labour forces
- Capital availability of alternatives distributions channels.

Step 4. Develop strategic and tactical sales plan.
Step 5 Consideration of alternatives
Step 6 Developing pricing policies.
Step 7 Developing product line consideration
Step 8 Price cost volume consideration.

2.18.5 Components of comprehensive Sales

The component of sales plan is as follows:[31]

	Component	Strategic plan	Tactical
1.	Management policies	Broad and general	Detailed and specified for the year
	Marketing plan (sales service revenue)	Annual amounts: major groups	Detailed by product and responsibility
	Advertising & promotion plan	General by year	Detailed and specified for the year
	Distribution (selling) expenses plan	Total fixed total variable expenses: by year	Fixed and variable expenses: by month & by responsibility

[31] Welsch Glenn A., "Budgeting: Profit planning and control", Delhi, Prentice hall of India,5th edition 1990,p176

2.19 Production Plan Budget

The production planning refers the development of policies about efficient production level, use of production facilities and inventory levels. The second step of profit planning and controlling is the production budget. Quantities planned in marketing budget, adjusted to confirm to production inventory policies, volume of out puts that must be manufactured by production and by interim time period are the areas of production planning.

"The production budget is an estimate of the quantity of goods to be manufactured during the budget period. In developing production budget the first step is a stability policy relative to inventory levels. The next step is to determine the total quantity of each production that is to be manufactured during the budget period. The third step is to schedule this production budget in the final step in budgeting manufacturing operation. To plan production effectively, the manufacturing executive must have informations relative to the manufacturing operation necessary for each product. They must have at hand information relative to the use and capacities of each manufacturing department. The company cost accounts should provide certain historical data essential in planning production quantities and cost. The direct of profit planning and control should provide staff assistance when needed. When the recommended production is completed by the production department should be submitted to the executive. Committee for appraisal and then to the president for tentative approval prior to its use as a basis for developing the materials, labour and factory overheads budgets.

We can understand the production planning mathematically as where.
Production unit=Planned sales+Closing Inventory-Initial Inventory

Production budget includes the production, finished goods inventory work in progress inventory and factory overhead.

"To plan production effectively, the manufacturing manager must develop information about the manufacturing operation necessary for each product. The manager should develop information about the used and output capacities of each manufacturing department. the managers must provide historical data about production quantities, costs, and availability of resource. Control should provide staff assistance when needed.

When the production plan has been completed by the production manager. It should be given to the executive committee for evaluation and then to the president for tentative approval prior to its use as a basis for developing the direct materials direct labour and factory overhead budgets.

2.19.1 Responsibility for Production Planning

The completed marketing plan should be given to the manufacturing executive who is responsible for translating it in to a production program consistent with managerial policies and subject to certain constraints. Planning scheduling and dispatching of the actual production through the year are functions of the production department therefore, it is essential that responsibility for the planning of these functions be performed by the production managers. The managers have first hand knowledge of the plant of personnel capabilities, availability of material and production process. Although responsibility rests directly considered in such matters as inventory level stability of production and capital additional (plant capacity).

2.19.2 General Consideration in Planning Production and Inventory Level

To develop the production, manufacturing executives must resolve the problem of coordinating sales, inventories and production so that the lowest possible overalls cost results. The important of coordination of production planning can not be overemphasized. Because it affects so many decisions relating cost, capital commitments employees and so on. Decisions required to develop the production plan includes the following.[32]

- Total production requirement (by product) for the budget period.
- Inventory policies about levels of finished goods work in progress and cost of carrying inventory.
- Plant capacity policies such as the limits of permissible departures from as stale production level through the year.
- Adequately of manufacturing facilities(expansion of contraction of plan capacity)
- Availability of direct materials, purchased components and labour

[32] Welsch Glenn A. 5th p.(213-214)

- Length of processing time.
- Economic lots or runs.
- Timing of production throughout the budget period, by product and by responsibility centers.

2.19.3 Long Range VS Short Range Production Plan

Planned levels of production are important for long range and short range issues. To develop a long range plan (say five years in the future), broad estimates of production levels are necessary to plan plant capacity requirements, factory cost structures, personnel requirements and cash flows. For long range planning purpose, only major increase or decrease in inventories need to be taken into account.

Developing a tactical short range profit plan requires a different approach because of the need for greater precision and detail. The short range production plan should be a harmony with the time dimensions used in the short range profit plan. Thus the common pattern should be an annual production plan detailed by products and by months or quarters. Also the production activities should be planned by responsibility centers within the manufacturing division.[33]

2.19.4 Developing the Production Plan

Production managers must translate the qualities in the target into unit production requirements for the budget period for each product while considering management inventory policies. The production plan is developed prior to the end of the current year; the beginning inventory for the budget period must be estimated after determining the budget production. It should be produced by interim time periods. Interim production must be planned to (i) provide sufficient goods to meet interim sales requirements (ii) keeping interim inventory level within policy constraints and (iii) manufacture the goods as economically as possible. An efficient requirement, essential inventory levels and stable production level.

The following formula is generally used to calculate the planned production.
Planned production

[33] Welsch 5th edition p.214

Requirements for sales (units)
Add:- Desired final inventory of finished goods
Total required production
Less- Initial Inventory of finished goods
Planned Production for the year

2.19.5 Setting Inventory Policies

In most businesses, inventories represent a relatively high investment and may exert significant influence on the major function of the organization. Each function tents to generate different and frequently consistent, inventory demands, Inventory policies should include (I) establishment of inventory standards such as maximum and minimum levels of turnovers and (ii) the application of techniques and methods that will assure conformity to selected inventory standards. Budgeting requires that inventory levels from month to month. In determining inventory policies for finished goods, management should consider these important factors.

- Quantities needed to meet sales requirement
- Perishability of item
- Length of the production period
- Storage facilities
- Adequacy of capital to finance inventory production some time in advance of sales
- Cost of holding the inventory
- Protection against raw material shortage
- Production against price increases
- Risk involved in inventory
- Price declined
- Obsolescence of stock
- Casualty loss and theft
- Lack of demand
- Customer return policies

There are mainly three types of production policies as under

i) Stable production VS unstable inventory policy

In every month or specified period, fixed production units are to be produced equally while closing inventory of finished goods is to be unstable in this policy. Therefore, budgeted sales of the period are unequal.

ii) Unstable production VS stable inventory policy

The production units are to be fluctuated or unstable in each period and units of final inventory are to be stable at the end of each period. The number of units produced and budgeted sales are directly related.

iii) Flexible in both production and inventory policy

The flexible units are produced as well as flexible units of final inventory are maintained in this approach for specific budget period. Sometimes this policy may be beneficial and sometime it may be harmful for the production budget but it reduces. Some disadvantage of both first and second policies to some extent.

These policies of production depend upon the nature of sales and inventory policies. For example, assuming the seasonal sales, it is possible to maintain a stable production level only if inventories are allowed to fluctuate inversely with sale, On the other hand, a stable inventory level in possible only if production is allowed to fluctuate directly with sales from the point of view of economic operations, it is generally desirable to keep both inventories production stable, a situation that is impossible given seasonal sales.

In many companies where sales of the primary product are seasonal, production levels are stabilized by developing new product that can stored or that have inverse seasonal patterns. Stabilization of production is desirable for a number of compelling reasons and generally resold in significant reduction of cost and improvements in operations.

2.20 Material Budget or Plan

When the sales plan and required quantities of each product to be manufactured are specified in production plan, the next step is to prepare material budget. When the production budget is completed then the requirement of raw materials components to be in the process of manufacturing the finished products could be estimated. Based on the production budget, the qualities of materials to be used in determined and this determination of material usage leads to the solution of the problem of when and how much to purchase of each material. A purchase budget gives the details of material purchase to be made in the budget period.

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

To ensure that the appropriate amounts of raw materials and component part will be on hand at the time required and to plan for the cost of such material and parts, the tactical short term profit plan should include (1) a related budgeted or materials and parts usually requires the following four sub budgets.[34]

2.20.1 Material and Parts Budget

Direct materials, as a manufacturing cost, is represented by the material and parts used directly in manufacturing finished goods. This budget specifies the planned quantities of each raw material and part required for planned production. It should specify quantities of each raw material and part by time, product, and responsibility center. The basic input is the number of units of each type of material and part required to manufacture each unit of finished goods. Thus, preparation of the direct materials and parts budget requires a careful study of the products to determine units usage rate. The unit usage rates are multiplies by the planned number of unit of finished goods to be produced to compute the total units of materials and parts required.

The materials budget includes only the quantities to direct materials, factory supplies, and indirect materials that are included in the manufacturing or factory overhead budget. The budgeted quantities of each raw material and part needed for each finished product must be specified in the materials and parts budget by interim period and by responsibility centers. The manufacturing managers should be responsible for developing the date included in the material and parts budget.

[34] Welsch 5th edition p 240

The basic inputs to develop the direct materials and parts budget are (I) volume of output planned and (ii) standard usage rate by type of raw materials and part for each finished product. Material usage rates are applied to the production data to develop the materials and parts budget. Unit usage rates can be derived (I) during initial development of the products, (ii) from engineering studies, (iii) from part consumption records and bill of materials. In many manufacturing situations, it is not difficult to determine standard unit usage rates for unit raw materials and part used in each department per unit of finished product but where specific unit usage rates cannot be developed, planning of raw material and part requirements may be a critical budget problem.

2.20.2 Material and Parts Purchase Budget

The purchase budget specifies the estimated quantities to be purchased and the estimated cost for each raw material and the required delivery dates. The material and parts budget provides the purchasing manager with the data needed to develop purchase plan. Careful planning of purchase can result in significant cost saving in many organizations. The purchasing managers should be assigned the responsibility for preparing a detail plan of purchase. It is direct responsibility of purchasing manager be knowledge about the market for items that must be purchased, and to plan the unit cost for use in the purchase. Purchase budget specifies both quantities of raw material to be purchased and amount to purchase materials. The purchase manager orderly maintain the time of purchase materials and inventory requirements by material. To develop the purchase budget the purchasing manager responsible for the following.

1. Adhering the management policies about materials and parts inventory levels.
2. Determines the number of units and the timing of each type of material and part to be purchased.
3. Estimating the unit cost of each type of material and part to be purchased. Formula for budgeted purchase quantity of each material can be given as under.
    - Planned material and parts purchase= total material and part used + final inventory –beginning inventory

2.20.3 Material and Parts Inventory Budget

This budget specifies the planned levels of raw material and part inventory in terms of quantities and cost. The difference in units between the requirements as specified in the material and part budget and the purchased budget is shown as planned increase or decrease in materials and part inventory budget. As with the finished goods inventory budget with respect to sales and production. The material and parts inventory budget provides a cushion between material and parts requirements and purchase. The timing of purchase will depends on inventory policies. The primary consideration in setting inventory policies for material parts.

1. Timing and quantity of manufacturing needs.
2. Economic in purchasing through quantity discount.
3. Availability of material and parts.
4. Lead time (order and delivery)
5. Perishability of materials and parts.
6. Storage facilities needed.
7. Capital requirements to finance inventory.
8. Cost of storage.
9. Expected changes in the cost of materials and parts protection against shortages.
10. Risks involved in inventories.
11. Opportunity costs (inadequate inventory).

Like finished goods inventory policies, raw material and parts inventory policies are intended to minimize the sum of two classes of costs, the cost of carrying the inventory and the cost of not carrying enough management policy with respect to purchase and inventory should be specified. The two basic timing factors are (i) how much to purchase at a time (ii) when to purchase. How much to purchase at a time is determined by a well-known approach called Economic order-quantity (EOQ). EOQ can be calculated by using the following formula:

EOQ= $\sqrt{2AO/C}$

Where, A= Annual requirements in units.
O= Average annual cost of placing an order.

C= Annual carrying cost of carrying one unit of inventory for one year.

The second question, when to purchase is determined by reorder point. Re-order point is the time when a purchase is made while the re-order point is reached when the inventory level is equal to the time to re-order and receives the replacement.

2.20.4 Cost of Material Used Budget.

This budget specifies the planned cost of the material and parts that will be used in the productive process. The quantity of materials and parts required for the planned production is specified in the materials and parts budget and units material and parts cost are specified in the purchase budget. Thus, quantity and unit cost data are available to develop the budgeted cost of materials and parts that will be used. If the purchase budget anticipates a constant unit cost for a material or parts during the planned period. Multiplication of units by unit cost yield the budgeted material or parts cost. Alternatively, when a changing unit price is planned for material and parts, the budget of the cost of material and parts used and the related inventory budget must be developed using a selected inventory flow such as FIFO, LIFO, moving average, or weighted average, FIFO is usually referred because of its internal consistency.

In conclusion, the four separate sub budgets listed above are directly related. Collectively, they can be viewed as the material and parts budget and this budget should be designated in such a way that the related activities and costs be budgeted in terms of responsibility center, interim time periods, type of raw materials and parts and type of finished product.

2.21 Direct Labour Cost Budget or Plan

Planning labour cost involve major and compels problem areas (I) personnel need (ii) recruitment (ii) training (IV) job description and evaluation (v) performance evaluation (VI) union negotiations and (vii) wage and salary administration. A comprehensive revenue planning program should incorporate appropriate approaches applicable to each problem area. A revenue planning program can not resolve special personnel problem, but it directs careful consideration to them and aids in placing them in perspective.

Effective planning if long term and short term labour cost will benefit both the company and its employees.[35]

When production budget is completed and planned units of each product to be produced is budgeted then labor will be prepared by multiplying the estimated labour hours per units and units to be produced for each product to determine the direct labour hours to be planned.

Labour generally is classified as direct or indirect. Direct labour costs include the wage paid to the employees who work directly on specific productive output. As with direct material cost, labour costs that can be directly traced to specific production and defined as direct. Indirect labour involves all other labour costs such as supervisory salaries and direct material and direct labour costs are frequently referred to collectively as the prime cost of product.

2.21.1 Approaches Used in Planning Direct Labour Cost

The approach used to develop the direct labour budget depends primarily on the (I) method of wage payment (ii) type of production process involved (iii) availability of standard labour times and (IV) adequately of the cost accounting records relating to direct labour cost.

Basically, three approaches are used to develop the direct labour budget.

- Estimated the standard direct labour hours required for each unit of each product, then estimate the average wage rated by department, cost center or operation. Multiply the standard time per units of product by the average hourly wage rate, giving the direct labour cost per unit of out-put for the department cost center or operation by the unit direct labour cost rate obtain the total direct labour cost by product.

- Estimate ratio or direct labour cost to some measure of out-put that can be planned realistically.

- Develop personnel tables by enumerating personnel recreating (including costs) for direct labour in each responsibility center.

[35] Welsch 5th edition 280

2.21.2 Objective of Direct Labour Plan

To assess labour requirement
To prepare manpower planning
To estimate cash requirement
To give information for cash budget
To estimate per unit labour cost
To control the labour budget

2.21.3 Planning Direct Labour Hours and Wages Rates

Internal factors may indicate the most practical approach to use for planning direct labour hours. An important function of industrial engineering is to develop standard labour time for various operations and products. In some producing departments, reliable labour time standards can be developed. In some cases, it is impractical to estimate direct labour time except in term of average based experiences. Four approaches commonly used in planning labour times are the following:

1. Time and motion studies
2. Standard costs
3. Directly estimate by supervisor
4. Statistical estimate by a staff groups

Therefore, the planned direct labour hours=planned production* Standard rate.

If it is possible to relate planned production to direct labour hours and to plan wage rates realistically for each productive department, computation of planned direct labour cost involves multiplying planned labour hours by planned wage rates.

It is also important for services and retail companies to budget labour costs. Labour accounts for a very promotion of expenditure in bank, restaurants, hotels and hospitals and transportation companies. Such companies do not generally use the classification of direct labour and labour costs are usually referred to as an operating expenses.

2.22 Expenses (Overheads) Budget or Plan

In developing a revenue plan, expenses must be planned carefully. Planning expenses should follows (1) projecting cash out flows, and (2) effective cost control: Managers should view expenses level essential to support the objectives and planed programs of the organization. Thus, expenses planning should not focus on decreasing expenses but rather on better vitalization of limited resources. Viewed in this light realistic expenses planning and control may prompt either decreased or increased expenditures, the gain to organization (such as revenue return on investment, cash) occurs as a result of better operational programs, increasing scope of activities, improved quality, and higher employee, performance, expenses planning and control must focus on the relationship between expenditures and benefits derived from those expenditures. The essential benefits must be developed as planning goals and sufficient resources must be planned to support the program essential for their accomplishment.[36]

2.22.1 Cost Behaviour

Fixed Expenses

Those expenses that are constant in total form month to month, regardless of fluctuations in output or volume of work done. Because any expense can change this concept must be applied (a) to realistic or relevant range of output and (b) in relation to a give set of conditions (management polices, time constraints and characteristics of the operation).

ii) Variable Expenses

Those expenses, those changes in total, directly with change in out put or volume of work done. The out put must be measured in terms of some activity base. Such as units completed, direct labour hours or number of service calls, depending on the activities in the responsibility center.

iii) Semi Variable Expenses

[36] Welsch 5th edition,p.260

Those expenses that are neither fixed nor variable because this posses some characteristics of both. As out put changes semi variable expenses change in the same direction but not in proportion to the change in out put.

2.22.2 Planning Manufacturing or Factory Overheads

After the production plan is completed. These cost budgets normally are developed simultaneously and are then consolidated into a budget appropriately labeled the planned cost of goods manufactured. The budget requires that all manufacturing cost be identified, either directly or by allocation with each product.

Manufacturing overhead is that part of total production cost not directly identifiable with (traceable to) specific products or jobs. Manufacturing overhead consists of (I) indirect material (ii) indirect labour (including salaries) and (iii) other miscellaneous factory expenses item such as taxes, insurance, depreciation, supplies, utilities and repairs. (Each of these cost present major problem in themselves. In highly mechanized manufacturing situations, overhead cost typically are considerably higher than in less mechanized situation).

For the budgeting and cost accounting purpose manufacturing overhead involves the following two problems.

- Control of manufacturing or factory overheads.
- Allocation of manufacturing of factory overheads to products manufactured.

2.22.3 Planning Selling and Distribution Expenses

Selling and distribution expenses include all costs related to selling, distribution and delivery of products to customer. In many companies this cost is a significant percentage of total expenses. Careful planning of such expenses affects the revenue of the firm.

Fundamentally, the top marketing executive has the direct responsibility for planning the optimum economic balance between (i) the target (ii) the advertising budget (iii) distribution expenses budget. Therefore revenue planning and control views sales, advertising and distribution expenses are one basic problem rather than as three separate problem. All these expenses must be systematically planned by responsibility center.

2.22.4 Planning Administrative Expenses

Administrative expenses include operational costs other than manufacturing and administration. In general, they are incurred in the supervision of land service to all major functions of the business rather than in the performance of any one function. Because a large portion of administrative expenses are fixed rather than variable, the nation persists that they can not be controlled. Outside of certain to management salaries, which in the case of a corporation, may be set by the board of directors, most administrative expenses one determined by management policies and decision. It is common to find administrative costs top heavy when measured by the volume of business line. Generally it is best to base budgeted administrative expenses on specific plans and programs. Past experience, adjusted for articulated change in management policy the general economic conditions are helpful. Because most administrative expenses are fixed. On analysis of the historical record will generally provide a sound basis for budgeting them.

2.23 Capital Expenditure Budget or Plan

The investment decisions of a firm are generally known as the capital budgeting, or capital expenditure decision. A capital budgeting decision may be defined as the firm decision to invest its current funds most efficient in long term assets in anticipation of an expected flow of benefit over a series of years.[37]

Capital budgeting expenditure is the use of funds to obtain operational assets that will (a) help earn future revenues or (b) reduce future costs. Thus capital budgeting is the process of planning and controlling the strategic and tactical expenditures for expansion and contraction of investments in operating assets as property. Plan, equipment, major renovation, and patents. Typically capital expenditure projects involve large amount of cash, other resources and debts that are tied up for relatively long period of time.

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[37] Pande I.M., Financial Management 7th edition p.353

Capital expenditure becomes expenses in the future as their related goods and services are being used to earn higher future revenues from future revenues or to achieve future cost saving. Therefore, capital expenditures involve two planning and controlling phases: (a) Investments and (b) expenses.

Capital expenditure budget is the firm's formal plan for the expenditure of money to purchase fixed assets. It is an internal corporate document that lists the allocated investment projects for a given fiscal period.[87]

Capital budgeting involves the generation of investment proposals, the evaluation of cash flows, the selection of projects based upon acceptance criterion and final continual revaluation of investment projects after their acceptance. Thus the capital budgeting involves following steps.

6. Consideration of investment proposal including alternatives
7. Application of revenues, cash flows and analysis of cost benefit of the project
8. Estimation of available funds and utilization of funds
9. The objective is to maximize the revenue with the utilization of available funds.

The top executive, working with other members of executive management has the primary responsibility for the capital additions budget. However, the primary responsibility for the projects and other proposals should include divisional and departmental managers. There are three stages of capital budgeting, proposal generation, analysis and implementation. The important step involved in capital budgeting process are (a) project generation, (b) project evaluation, (c) project selection and (d) execution, Welsch , Hilton and Gordon have suggested the following process for planning and controlling capital expenditure.

Phase Activity

1. Identify and generate capital additions projects and other needs.
2. Develop and define capital additions proposal.
3. Analyze and evaluate all capital addition, proposals, and alternatives.
4. Make capital expenditure decisions to accept the best alternatives and the assignment of project designations to select alternatives.
5. Develop the capital expenditure budget.

6. Establish control of capital expenditure during the budget year by using periodic and special performance report by responsibilities centers.
7. Conduct post completion audits and follow up evaluation of the actual results from capital expenditures in period after completion.

2.23.1 Capital Expenditure Decision

Capital expenditure decision means the selection of one alternative from the completing capital expenditures alternatives or projects by the management. While doing such decision focus should be given mainly on two over riding problems; first investment decision selecting the best alternatives based on their economic worth to the company, and second financing decision-determining the amount and source of fund needed to pay for the selected alternatives. These cash constraints may necessarily limit the projects and proposals that can be initiated. There are numbers of method available for making such decisions usually following methods are used for evaluating investment proposals.

1. Discounted cash flow method.

- Net present value
- Internal rate of return

2. Short-cut and simple method

- Pay back period
- Accounting rate of return

2.24 Planning and Controlling the Cash Flow

The planning and controlling of the cash inflows, the cash flows and related financing is important in all organization. Cash budgeting is an effective way to plan and control the cash flows, assess cash needs, and effectively used excess cash. A cash budget shows the planned cash inflow, out flow and ending position by interim periods for a specific time span. Most companies develop both long term and short term plan about their cash flows. The short term cash budget basically includes two parts: (I) The planned cash receipts (inflows) and (ii) the planned cash disbursement (outflow).

The cash budget focuses exclusively on the amounts and timing of cash inflows and outflows. In contrast, the other budget focuses on the timing of all transactions both cash and non cash. The primary purpose of the cash budget is to

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.
3. Establish the need for financing and/or the availability of idle cash for investment.
4. Coordinate cash with (a) total working capital (b) sales revenue (c) expenses (d) investment and liabilities.
5. Establish a sound basis for continuous monitoring of the cash position.

2.24.1 Techniques for Improving Cash Flows

Planning the cash flows of a company should include consideration, of how to improve cash flows. Improving cash flow basically involves increasing the amount of available cash on day to day basis. To accomplish this objective the management should focus on (a) the cash collection process to speed up cash collection, (b) the cash payment process to show down the payments of cash, and (c) the investment policies for the immediate investment of idle cash balance to maximize interest earnings.

Some of the ways often used to improve the efficiency of the cash collection process are as follows:

1. Review the lag the date of sales of goods and services on credit to the mailing of (a) invoices and (b the first billing.
2. If cash discounts are given to customers for early payment, review their effect on early cash collections and whether the discount is too high too low. Also, monitor whether the discount policy is being violated in the company.
3. Review of credit granting process to determine whether bad credit risks are being screened out.

4. Consider ways to decrease the time between the date that customers pay by cheque and the date that the cash is available for use in the company's bank account.

Some of the way often used to improve the efficiency of the cash payment process is as follows:

1. Make all the payment on the latest non penalty day, done out pay early.
2. Make all payments by cheque preferable on Friday to maximize float in favor of the company.
3. Take all cash discounts allowed for early payment.
4. Establish a policy of no cash advance (to both out side and employees.)
5. Establish policies, and a payment process, to minimize the possibility of fraudulent payments by company employees.

The company should develop a specific policy about the investment of temporarily idle cash. Such as (a) type and mix of acceptable securities, (b) monthly reporting and monitoring of the portfolios, and (c) safeguarding and disposal of temporary investments.

2.24.2 Other Sub-Budgets Required for Completion of the Revenue Plan

The planning process involves a long –range revenue plan and a short range revenue plan. In developing this plan, many budgets schedules are prepared to details plans for each phase of a company's operations. The final step in planning process is to complete the revenue plan by combining the components schedules and preparing planned financial statement. Planned income statement the planned balance sheet, and the planned and the planned statement of cash flows are prepared in order to determine the implications of the company's plans for its future financial conditions.
As this point in revenue planning, the budget directors have an important respectability. A side from designing and improving the overall system. the budget director has been described as an advisor to the various managers helps to develop plans for responsibility center.

To complete the annual revenue plans of as organization the following sub-budgets are required.

h) Planned statement of cost of goods manufactured
i) Planned statement of cost of goods sold
j) Planned statement of cash flows
k) Planned balance sheet
l) Planned income statement

2.25 Alternative in Developing the Revenue Plan

The clerical and mechanical parts of the revenue plan development might suggest clerical activities that result in the production, inventory, purchase, labour and materials budgets. This views in misleading because it ignores the fundamental importance of decision making. Policy formulations and consideration of alternative action through the planning process. We have emphasized the importance of participation by all members of management in providing the decisional inputs. The development of decisional inputs and preparation of sub-budget by the managers of each responsibility center is the heart of a comprehensive revenue planning and control program. Numerous situations have been cited to show how management in the process of developing the revenue plan, is faced with alternative are:

1. Sales price: Management must set pricing policies and estimate the quantities of goods that can be sold at given prices.
2. General Advertising Policies: Limitation of advertising expenditure local vs national, product vs institutional advertising.
3. Sales territory and sales force expansion or contraction.
4. Sales mix- Sales refers to the relative sales emphasis given to the various products sold by the company.
5. Balance between sales, production and inventory levels.
6. Research and development expenditures.
7. Capital expenditures.
8. Testing alternative decisions.

If the revenue in industry is satisfactory, preparation of the profound plan can be continued. If the revenue is unsatisfactory, management should examine the alternative decisions made to date.

2.26 Implementing the Revenue Plan

The ultimate test whether the effort and cost of developing a revenue plan are worth in its usefulness to management: this is a cost benefit test. This posses some fundamental questions. How should the plans be implemented?
Should the revenue be used as a pressure device? How should it be used by the top, middle, and low levels of management?
We have emphasized that a revenue plan should represent potentially attainable goals, yet the goals should present a challenge to the organization. The plan should be developed with the conviction that the organization is going to meet or exceed all major objectives. Participation enhances communication. If the principle is to be effective, the various executives should have a clear understanding to their implementation responsibilities.
After approval of a revenue plan, the next step its distribution to the center managers in the organization. The guiding principle in establishing the distribution policy might be providing one copy to each member of the management team according to his or her overall distribution of the revenue plan, a series of revenue plan conference should be held. The top executive comprehensively discusses the plans, expectations and steps in implementation. At this top level meeting, the importance of action flexibly and continuous control should be emphasized. In particular each manager must understand that the budget is a tool. The budget conference should be conducted until all levels of management are reached. Managers must clearly understand their responsibilities and how their part of the revenue plan fits to the overall company's revenue plan. These conference should include "Revenue and cost awareness" throughout management and if conducted properly, will trend to ensure positive support for the objectives.

The revenue plan, regardless of how well designed and how carefully developed, cannot be managed. In the final analysis, people, not budgets (or other similar tools) perform the management functions. Use of the revenue plan as a guide to action and performance. Directed towards attaining or bettering the goal quantified in the annual revenue plan, requires continuous management effort and attention.

CHAPTER THREE
REVIEW OF LITERATURE

The review of literature is a crucial aspect of the planning of the study. The main purpose of literature review is to find out what work have been done in the area of the research problem under the study and what has not been done in the field of the research study being undertaken.

The reviews of literatures are available in the field of Profit Planning of Nepal Telecom. I tried to find out these on Revenue Planning but could not get as I am writing this on Revenue Planning of Fateh Bal Eye Hospital. There is no any literature written on Profit Planning/ Revenue Planning regarding Fateh Bal Eye Hospital. So I am compelled to mention the following literatures which are almost similar organization like Fateh Bal Eye Hospital.

3.1 Jeevan Kumar Acharya[38]

Thesis presented by Mr. Acharya on the topic " A study on Profit Planning in FBEH". The sources of data used were both primary and secondary, but main data are collected from secondary sources. The main objectives of the study are as follows:

- To highlight the Nepal Telecom.
- To analyze the various functional budget that is prepared in Nepal Telecom.
- To evaluate the variance between target and actual of the organization.
- To draw picture of capacity utilization of Nepal Telecom.
- To assess the financial/Performance/analysis of Nepal Telecom.

Mr Acharya has pointed out some major findings passed on analysis of data and available informations are as under:

- The top level executives are only involved in planning and decision making. Lower level participation is not encouraged.
- The Nepal Telecom fails to maintain its periodic performance report systematically.
- Goals and objective are limited only to the high ranking officials.

[38] Acharya Jeevan Kumar, "Profit Planning in NTC" Unpublished Master Degree Thesisi submitted to Central Department of Management, T.U. Kirtipur, April 1999.

- There is lack of proper coordination among the various departments.
- There is inadequate supply of man power.
- Lack of systematic revenue planning and plans are prepared on "Adhoc basis".
- There is lack of dynamic and effective cost control program and there is also no separate costing department.
- The variance analysis is completely ignored in this corporation.
- Since the overheads are not classified systematically; it creates problem to analyze its expenses properly.
- The corporation is sufferi7ng from higher fixed cost.
- Nepal Telecom is operating under 6 year study period, but the revenue earned is not enough.

3.2 Suman Acharya[39]

- The financial position in satisfactory.
- There is a problem of autonomy in NEPAL TELECOM.
- There is not any concept of revenue planning system in NEPAL TELECOM.
- There is a communication gap between department to department and top level management to lower level management.
- NEPAL TELECOM is suffering from high fixed cost.
- NEPAL TELECOM has started 3 months billing system to its customers who have only local telephone facility, which is very beneficial.
- Here in the corporation, the top level executives are only involved in the planning and decision making.
- In NEPAL TELECOM overheads are not classified systematically and it creates problem to control cost.

[39] Suman Acharya, "Profit Planning in Nepal Telecommunication Corporation" Unpublished Master Degree Thesis, Submitted to Central Department of Management, T.U.Kirtipur,April,2000.

3.3 NandLal Dhakal[40]

Mr. Dhakal has submitted a thesis on the topic "Revenue Planning of Nepal Telecommunication Corporation". The main objective of the study are as follows:

- To highlight the NEPAL TELECOM.
- To analyze the variance between actual and standard budget of NEPAL TELECOM.
- To point out valuable suggestion and recommendation.
- To observe the NEPAL TELECOM's revenue planning on the basis of several management budgeting.
- The main findings of his report as pointed out by Mr. Dhakal are:
- The actual production lines are more variable than budgeted production lines.
- NEPAL TELECOM cannot succeed in selling telephone lines according to the demand of the consumers.
- The financial analysis shows that the financial performance of NEPAL TELECOM is not so good in the study period.
- The analysis shows that NEPAL TELECOM’s main revenue source is ISD sector. It covers more than 60 percent of total revenue.
- The cash budget shows huge amount of cash or bank balance.
- NEPAL TELECOM has completely ignored the variance analysis.
- The revenue pattern of NEPAL TELECOM is going in increasing order.

3.4 Binod Kumar Shah[41]

Mr. Shah has submitted his research report on the topic" Revenue Planning in NEPAL TELECOM." The study covered only five years. The main objectives are:

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[40] Dhakal, Nandalal, "Profit Planning in Nepal Telecommunication Corporation" Unpublished Master Degree Thesis, Submitted to Central Department of Management, T.U.Kirtipur,August,2000.

[41] Shah Binod Kumar, Profit Planning in Nepal Telecommunication Corporation" Unpublished Master Degree Thesis, Submitted to Central Department of Management, T.U.Kirtipur,April 2011

- To assess the financial /performance /analysis of NEPAL TELECOM.
- To point out suitable suggestion and recommendation.
- To examine the practice and effectiveness of revenue planning in NEPAL TELECOM.
- To analyze the various functional budgets that is prepared in NEPAL TELECOM.
- Some of the major findings pointed out by Mr. Shah are as follows:
- The balance sheet of NEPAL TELECOMV shows huge amount of cash and bank balance remaining idle and it indicates some deficiency of the corporation to utilize its liquid assets.
- The leverage ratio shows decreasing pattern of total debt.
- Net revenue of NEPAL TELECOM is going on increasing trend.
- Turnover ratio is not good.
- NEPAL TELECOM is operating in revenue but is not satisfactory in monopoly situation.
- According to the regression equation, actual production relationship with budgeted production is positive.
- Liquidity ratio shows high portion of current assets, which is not a good sigh of NEPAL TELECOM.
- Sales of NEPAL TELECOM are going to increase every year but increasing rate is not fixed.

CHAPTER FOUR
RESEARCH METHODOLOGY

4.1 General

Research methodology refers to the various sequential steps (along with a rational of each such step) to be adopted by a researcher in studying a problem with certain object/objects in view. It is also the way to solve systematically about the research problem. This study has intense relation with the application of PPC in manufacturing concern, regarding the objectives to analyze, examine and interpret the application of PPC in Fateh Bal Eye Hospital. It, therefore, requires an appropriate research methodology. As the basic objective of the present research is to highlight the current practice of PPC and its effectiveness, the research methodology followed here is to achieve the basic objectives and goals of this research work. Following are the major content of research methodology in course of this dissertation.

4.2 Research Design

In order to make any type of research, a well set research design is necessary, which fulfills the objectives of the study. Generally research design refers to the conceptual structure within which the research is conducted.

"A research design is the arrangement of conditions for collection and analysis of data in a manner that aims to combine relevance to the research purpose with economy in producer."[1] The preparation of the design involves the consideration of the following:

i) The means of obtaining the information.
ii) The availability and skills of the research staff and /or agencies.
iii) Methodology.
iv) The time and cost of the research.

The present research work here mainly is related with the quantitative plans and accounts of FBEH, so analytical approach has been considerably adopted to present the data, but the quantitative aspects of the research, such as; effectiveness of the revenue planning in FBEH and implementing the project plans are explained in words, where necessary. The present research design here specially deals with secondary data.

4.3 The Population and the sample

The research work is related with project planning aspect of Social organizations in Nepal so the whole social organizations in Nepal are the population of the study. Due to time, resources and other constraints only one representative social organization is randomly selected i.e., FATEH BAL EYE HOSPITAL.

4.4 Period Covered

Revenue planning has two dimensions: long range and short range. For long – range planning it is analyzed five years trend from fiscal year 2062/63 to 2066/67 and for short-range planning. One year data i.e, for fiscal year 2066/67 is taken.

4.5 Nature and Sources of Data

Information is the life blood of any research so, the significance of the research depends upon the nature, availability and accuracy of information. To fulfill the objectives of this study. Especially secondary data have been used. These data have been taken from published and unpublished articles, financial statement of FBEH, similar provisions dissertation, magazines and newspapers, booklets, financial report FBEH.

4.6 Tools Used

Secondary data are managed and analyzed in proper table and formats. Interpretation and explanations are made wherever necessary. To analyze the collected data financial and statistical tools such as standard deviation. CVP analysis, correlations coefficient, probable error, regression coefficient, time series analysis, flexible budget and diagrams have been used as per need.

4.7Research Variables

Sales, production, expenses, power looses, manpower, revenue and loss, capital expenditure and cash-flows relating long-term period of FBEH are the research variables of present study.

4.8Research Procedure Followed

i) The various books are collected and explored.
ii) Useful secondary data are used.
iii) Data are described and explained in the light of theoretical basis.
iv) The collected data are presented and arranged in tabulation forms and analyzed by applying the various statistical and financial accounting tools.

CHAPTER FIVE
DATA PRESENTATION AND ANALYSIS

5.1 Introduction

The main purpose of this research paper is to examine the revenue planning system in social organization in the context of revenue planning in public utility concern and FATEH BAL EYE HOSPITAL(FBEH) has been selected for this purpose. To accomplish these objectives, this chapter of research paper will analyze the various aspect of revenue planning and their achievement and related variance of the organization. Revenue planning means the development and acceptance of objectives and goals and moving an organization efficiently to achieve the objectives and goals. "An effective mechanism of financial management and control can be built upon a sound comprehensive budgeting system."

The main objective of this study as mentioned in introduction chapter is to analyze the revenue planning of FBEH. In order to fulfill this objective concrete course of research methodology has been attempted to follow which is explained in chapter four. Now in this chapter the author has tried to analyze the revenue planning and then present the actual position of revenue planning and also tried to compare actual and identify related variance.

Social Organizations are established in order to prepare infrastructure services to produce the required goods and other services in the country to increase export items and decrease imports to help in controlling price situations to create opportunities for employment to increase government national development as well as assist in the country's economic advancement. For example ; social organization like Nepal Red Cross Society. Revenue planning and control is important for the best utilization of capacity and effective and efficient achieving and accomplishing the goals and objectives in planning, production planning, overhead expenses, capital budgeting, cash flow and manpower planning. In Nepal, social organizations are established with explicit objectives of mobilizing resource and earning reasonable revenue necessary for the development of the country as envisaged in the second plan of late government has issued instructions to the public organization/social organization to earn a minimum return on the capital employed.

Generally two types of revenue planning are formulated to achieve the organizational objective. FBEH has a practice of preparing both strategic long-range and tactical short-range revenue plan. Though, it prepares both long-range and short –range revenue plan, the present study does not deserve the quality to analyze it in detail because of time and research constraint. Therefore, the study mainly focuses on tactical short-range revenue plan of the FBEH. However, the data of the service provided to the eye patients in the previous years are also presented and analyzed to know the overall economic and financial trend to estimate the possible future trend of the FBEH. For the purpose the study covers the period of five years i.e. fiscal year 2062/63 to 2066/67.

The short term revenue plan is analyzed by taking relevant figures and various functional budgets of one fiscal year. One fiscal year may represent the technical process and other procedures of preparing budget, their use for the purpose of revenue planning , comparison with actual achievement and analysis of variances for other years, because such process are some for every year and repeated each year in the time of preparing and analyzing budgets. For this F.Y.2066/67 has been selected as representative year to analyze the short term plan. Various functional budgets of 2066/67 their bases of preparation, actual achievement and related variances between budgeted and actual are analyzed in detail. Attempt is made to point out the reason behind the deviation between budgeted and actual results and some recommendations have also been pointed.

5.2 Targeted number of patients of FBEH

The target is the foundation for planning in business organization. It is the primary step in developing the overall budget procedure and it is the primary source of cash and all other functional budgets are prepared on the basis of target. The target plan is that step which opens the door of financial plan. It is an estimation of number of service receiver for uncertain period of future when actual target is not far from the planned target then it is known as good plan. For this, target preparation should be done on realistic ground. If target is not realistic, all other budgets will not be realistic.

Targeted plan is prepared on the basis of forecast, generally target plan and sales forecast are used in a same sense but they are not the same. A sales forecast has to be translated into sales plan and various factors have to be taken into consideration. Sales plan preparation involves the following four interrelated step. (a) the sales(service) forecast, (b) the marketing plan (c) the advertising and expenses budget, (d) the selling expenses budget.

The overall responsibility of preparing target is up on planning directorate of FBEH. Maintaining coordination with revenue section, the target is prepared by planning directorate. Like as other manufacturing concern, it has no distribution channels, patients self come to the hospital for eye treatment.

Now, the attempt begins to present the FBEH previous service performance and it's achievements to know about the service trend of past and to forecast the possible future trend. For this purpose we have to analyze the past service data of the organization.

The following table presents the target and achievement in numbers and in Rs. from the fiscal year 2062/63 to 2066/67.

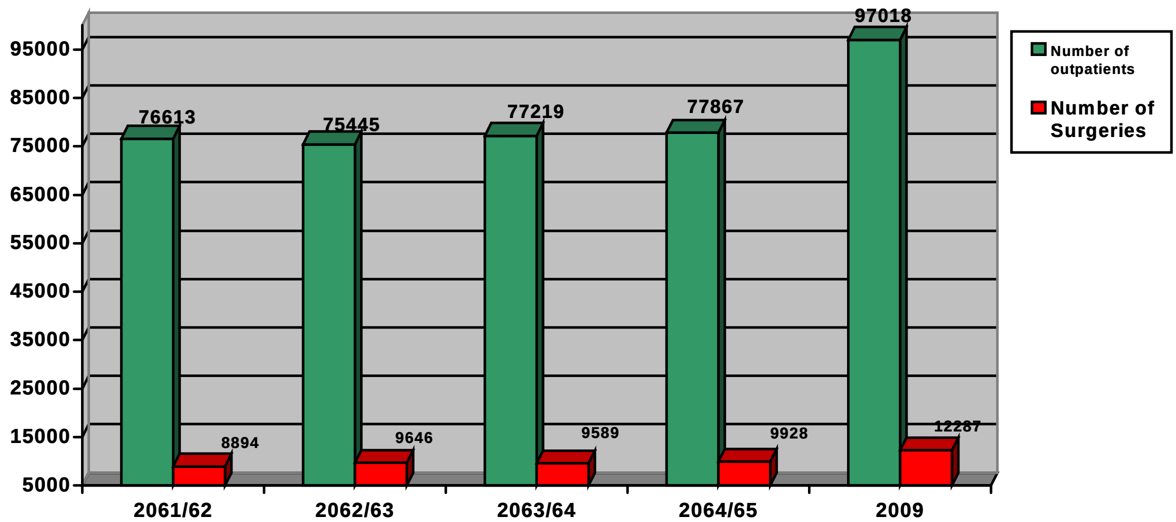
Table 1
Targets and Achievement

Fiscal Year	No. of O.P.D. Patients			No. of surgeries		
	Planned	Actual	Achievement (%)	Planned	Actual	Achievement (%)
2062/63	69000	64,211	93.06	9000	8,894	98.82
2063/64	70000	63,866	91.24	9800	9,646	98.42
2064/65	70000	65,270	93.24	10600	9,589	90.46
2065/66	72000	66,577	92.47	10548	9,928	94.12
2066/67	75000	76012	101.35	11000	12,287	111.70

Comparative information from 1986 A.D. to 2009

Year	Number of Outpatients	Number of surgeries
1986	4,569	153
1987	7,267	694
1988	9,529	942
1989	12,336	1,144
1990	13,302	1,218
1991	17,677	1,978
1992	19,314	2,280
1993	21,523	2,899
1994	27,771	3,806
1995	29,577	3,757
1996	32,490	4,697
1997	31,324	4137
1998	34,246	5334
1999	40,389	5,527
2000	43,326	6,372
2001	48,995	6,405
2002	53013	7,257
2003	56,863	7,971
2004	62,604	8,135
2005	64,211	8,894
2006	63,866	9,646
2007	65,270	9,589
2008	66,577	9,928
2009	76,012	12,287

Graph 1



(Comparative no. of OPD and OT patients from 2061/62 to 2065/66)

Budgeted and Actual Revenue, Budgeted and Actual Expenditure of FBEH

Fiscal Year	INCOME			EXPENDITURE		
	Budgeted	Actual	Achievement (%)	Budgeted	Actual	Variance
2062/63	1,90,16,300/-	1,95,07,113/-	102.58	1,74,24,116/-	1,72,46,439/-	+1,77,677
2063/64	2,04,00,700/-	2,45,91,817/-	120.54	1,96,88,000/-	2,24,57,792/-	-2,76,9792
2064/65	2,20,57,000/-	2,59,88,706/-	117.83	2,04,34,890/-	,33,59,463/-	-2,92,4573
2065/66	2,45,17,000/-	3,07,41,903/-	125.39	2,58,79,000/-	,80,74,600/-	-21,95,600
2066/67	4,06,86,800/-	3,78,27,966/-	92.97	3,21,12,000/-	,54,22,366/-	-33,10,366

Income:

The above presented table shows that the planned and actual achieved income of FBEH. It shows that the systematic target and actual income received is satisfactory. When we analyze the planned and actual income of each year, we can say that the budgeted are based on historical performance. From the above table we can say that actual income achievement of FBEH is highly consistent. Actual collected revenue is more than the budgeted revenue in every year except In 5th year. In f.y.2062/63 the achievement is100 percent but in other 3 years, income are generated more than budgeted income. But in f.y.2066/67 the achievement is only 92.97 percent because of highly estimation in the incomes. This indicates the consistency of budgeted plan and realistic targets.

Expenses:

The above presented table shows that the planned and actual expenses of FBEH. There is much variance in the budgeted expenses and actual expenses. In every year actual expenses are more than the budgeted expenses but in f.y.2062/63 the actual expenses is less than the budgeted expenses by Rs.1,77,677/- which shows the poor estimation of expenses or there is no any control while making expense or there is system of making expenses as per the need of organization. This organization is run by the committee of NNJS. Even routine operations/expenses are sanctioned by the authorities of the committee or we can say the whole committee is involved in the hospital activities so the committee is fully accountable for the financial affairs and do not much care regarding the budgeting.

In order to find out the nature of variability of target and actual performance of different years, we have to calculate the arithmetic mean, standard deviation, and coefficient of variation of the planned and actual performance of FBEH for 5 years from F.Y.2062/63 to 2066/67. The data calculation of these statistical tools is presented in Appendix No.1.

Table 2

Now, summarizing the results is given below

Particular	**Planned OPD**	**Achieved OPD**	**Planned Surgery**	**Achieved Surgery**
Mean (X)	71200	67187.20	10189.60	10068.80
S.D. (σ)	2135.42	4512.50	710	1160.12
C.V.	2.99	6.71	6.97	11.52

The above table shows the result of calculated statistical tools. According to the calculation, the mean of actual performance is lower than budgeted. Also the standard deviation and coefficient of variation is also lower than budgeted. Lower coefficient of variation indicates more consistency or lower degree of variability. Therefore, actual performance of FBEH shows that nature of less variability than budgeted performance.

5.3 Revenue Planning of the Hospital

The objective of the organization is to eliminate the blindness from the mid and far west region of the country. As per the survey, 80% of the total blindness can be avoided through medical treatment and making people aware regarding eye diseases. As the major cause of the blindness is Cataract and it can be cured with surgery. So all eye hospitals have given more priority on Cataract. It is treated by IOL implantation and it has become a major part of the income generation of the organization.

The following are the details of the surgical performance:

IOL implantation 7990 numbers in the year 2008.

9762 numbers in the year 2009.

This is the cataract surgery and rate /surgery is Rs.2880/- which totals Rs.2,30,11,200.00 and it is the major part of the total income and in the year 2009, a total of 9762 cataract surgery performed with total income Rs.2,81,14,560/-.

Table 3

Phacoemulcefication

Year	No. of Surgery	Surgery Fee Rs.
2008	86	8,94,400/-
2009	81	8,42,400/-
2010	200 (forcast ; Oct –Dec.)	20,80,000/-
2011	500 forcast	52,00,000/-

This is also the cataract surgery with latest technology with 3.2 mm incision through which foldable IOL is inserted and it folds automatically and within 2/3 hours after the surgery, patient can go back his/her house and becomes fit for his/her routine work. Rate of the surgery is Rs.10,400/- including surgery fee, bed charge, medicine cost etc.

The organization has made the strategy to divert the IOL patients towards phaco surgey. Because of the latest and less complication and quick recovery after surgery, phaco surgery is becoming more popular but due to expensive surgery few people has been motivated for this surgey. So the management can decide reduce the price of the phaco surgery and attract more and more patient for this surgery.

Currently approximately 8000 patients get cataract surgery out of them if at least 5000 patients go for phaco surgery and if the rate of this surgery is reduced to Rs.5000/-. The total income from this surgery comes to Rs.4,00,00,000/-. If not total income from cataract surgery becomes Rs.2,30,40,000/- which is less than that of the income from phaco surgery.

The following is the detail of income from different heads.

Table 4

Income from Service Fee

Particulars	F.Y.2066/67	F.Y.2065/66	F.Y.2064/65	F.Y.2063/64	F.Y.2062/63
Registration Fees	2,492,200.00	2,053,625.00	1,372,820.00	1374935	666,190.00
Operation Fees	47,995.00	748,750.00	883,600.00	927,230.00	967,500.00
Operation Fees-Minor	339,025.00	247,715.00	226,825.00	199,700.00	139,430.00
Resuturing	15,800.00			0	
Operation Fees-IOL	24,499,615.00	22,023,195.00	18,518,525.00	16,692,500.00	14,077,415.00
Combined Operation	2,500.00	-	4,000.00	7,500.00	5,700.00
Glaucoma Surgery Fees	73,500.00	-	-	-	-
Phaco Operation Fees	1,183,130.00	354,800.00	593,050.00	268,000.00	198,885.00
Corneal Repair	2,500.00				
Paying Clinic	112,080.00	150,520.00	115,710.00	97,700.00	75,950.00
Biometry Fees	777,385.00	752,000.00	580,900.00	532,300.00	513,100.00
B.Scan	20,100.00	13,640.00	17,120.00	3,795.00	3,150.00
Perimetry Fees	7,700.00	6,800.00	2,800.00	2,800.00	2,400.00
Cabin Charge	209,960.00	197,700.00	282,250.00	248,100.00	223,900.00
Laser Fees	418,200.00	157,200.00	150,400.00	175,080.00	153,400.00
PRP Test	4,200.00	10,000.00	6,400.00	-	
Refraction fee				8,520.00	114,670.00
Orthoptic charge	56,970.00				
Emergency Medical Care in IPD	7,000.00	16,000.00	20,500.00	46,000.00	30,300.00
Squint	6,000.00	22,000.00	17,500.00	15,500.00	1,500.00
Septic Patient Treatment	90,000.00	68,000.00	59,000.00	80,900.00	33,900.00
Evisceration Fee	5,500.00	28,000.00	19,500.00	9,700.00	8,200.00

General Anaesthesia	88,965.00	83,750.00	84,050.00	46,100.00	8,400.00
Sugar Test (Urine)	129,335.00	127,800.00	115,535.00	109,500.00	97,135.00
Sugar Test (Blood)	12,810.00	17,525.00	15,851.00	29,395.00	26,255.00
DLC Test	3,420.00	1,300.00	3,600.00	3,140.00	2,960.00
DCR	44,000.00	115,000.00	-		
DCT	49,000.00	104,000.00	-		
HB Test	2,480.00	2,340.00	-		20.00
ESR	1,330.00	260.00	-		
Occult test	175.00				
BTCT	350.00				
Stool Test	-	20.00	-		
TC Test	315.00	400.00	-		
Subsidy in surgery fee	3,553,910.00				
	34,257,450.00	**27,302,340.00**	**23,089,936.00**	**20,878,395.00**	**17,350,360.00**

Miscellaneous Income

Particulars	**F.Y.2066/67**	**F.Y.2065/66**	**F.Y.2064/65**	**F.Y.2063/64**	**F.Y.2062/63**
Low Vision Device Sale	-	304.00	697.00	2,550.00	453.00
SRC Endowment Fund				1,285,185.00	518760
Utilization of SRC Endowment Fund for Surgery		-	218,550.00		
Shop Rent	327,411.61	327,767.00	299,384.00	296057.5	275,613.00
Other Income	35,218.06	176,885.90	66,382.00	19474.75	16,771.00
Grant NNJS-Low vision				98277	206700

Grant NNJS-Community Eye Care Prog.	169,800.00	197,024.40	63,330.00	9,000.00	
Support From VDCs	-	14,000.00	40,000.00	68,000.00	
Support for eye care planning workshop	126,000.00				
Donation- Cash	50,000.00	61,020.00	-	57,400.00	
Donation- kind	-	5,940.00	-		
Income from Medical Shop	404,516.00	405,643.31	220,004.61	141,366.53	60,228.48
Income from Specs shop	96,702.33				
Royalty from Specs Shop	-	241,304.00	400,000.00	322282	180,819.00
Registration Fee-Eye Camp	78,801.00	4,020.00	17,050.00	14,354.00	
Registration Fee-Ear Camp	37,950.00	80,900.00	26,550.00		
Operation Fee-Ear Camp	98,000.00	116,050.00	37,700.00		
Support from NGMC				300000	
Support from Kailpal Academy	100,000.00	100,000.00	100,000.00		
Profit on sale of Asset	-	-	23,784.30		
Support from Plan Nepal	-	53,190.00	-		
Medicine sale/CECP	19,527.00				
Specs Sale/CECP	6,900.00				
	1,550,826.00	**1,784,048.61**	**1,513,431.91**	**2,613,946.78**	**1,259,344.48**

To analyze the relationship between planned and actual performance and another statistical tools i.e., the coefficient of correlation is used. The achievement should increase as the planned has increased, this means there should be positive correlation between the planned and actual performance.

After analyzing the actual overhead budget of the FBEH, the followings are pointed out. They are as follows:

1. The overheads are going on in increasing trend in each fiscal year.
2. Least square method shows the increasing trend of the overhead expenses of FBEH.
3. The administrative expenses are lower than other expenses.
4. The depreciation expenses are higher than other expenses.
5. Manpower Planning of FBEH

Man power planning or human resource planning is not easy rather compel task for the organization. However the well planned human resource is the wealth of the organization. Therefore the comprehensive revenue planning includes the human resource planning.

The budgets point out the estimate of manpower requirements necessary to produce the service. To apply the concept of revenue planning in social organization, effective planning and controlling of manpower cost is essential. Human resource or manpower planning includes personnel need requirements, training, job description and evaluation, performance appraisal, union negotiation and wage and salary administration.

FBEH has fixed salaried employees and few daily wage workers and some contract workers are employed. These daily wage workers are allowed to work if the necessary is felt. The staff who are employed permanently are paid on the basis of time not on the basis of productivity. The productivity of daily wage worker who work in contract are completely neglected.

The following table shows the human resources in current year.

Table 5

Manpower Allocation (Manpower Plan)

Technical Staff:

S.N.	**Post**	**No.**
1	Medical Director	1
2	Deputy Medical Director	1
3	Ophthalmologist	2
4	Ophthalmic Officer	3
5	OAS	5
6	OA	5

7	Staff Nurse	2
8	Anaesthesia Assistant	1
9	CMA	2
10	Lab Assistant	1
11	Eye Worker	5
12	Ward Aid	2
13	Eye Worker Trainees	5
	Sub Total	**35**

Administrative Staff:

S.N.	**Post**	**No.**
1	Hospital Manager	1
2	Account Officer	1
3	Supervisor - General Services	1
4	Store Keeper	1
5	Assistant Accountant	1
6	OPD Desk Incharge	1
7	Assistant OPD Desk Incharge	1
8	Registrar	1
9	Assistant Registrar	1
10	Driver	1
11	Plumber	1
12	Electrician	1
13	Peon	4
14	Security Guard	5
15	Cleaner	2
16	Laundry Man	2
17	Sweeper	5
18	Cook	1
19	Gardener	2
	Sub Total	**33**

Grand Total	**68**

The above table shows that FBEH has a total of 68 employees to undertake the activities of the organization. The total manpower is classified as technical and administrative. There are altogether 9 officer level staff and 59 assistant level staff.

5.4 Capital Expenditure Budget of FBEH

Capital expenditure is the process of planning and controlling the long term and short term expenditures for expansion and contraction of investments in operating (fixed) assets. A capital expenditure is the use of fund to obtain operational assets that will help to earn future revenues or to reduce the future costs. Capital expenditure includes such fixed assets as property, plan equipments, major renovations and patents. In capital expenditure projects, funds are tied up for relatively long period of time. Capital expenditure budget enables management to plan the amount of resources that should be invested in capital addition. A major issue in controlling the actual expenditure are consistent with the plans and that funds are available when the expenditures are incurred.

FBEH prepares both short-term capital expenditure budget. But the long – term budget is not prepared in detail. It is not published for external use. Only the concerned corporation can analyze the long-term capital expenditure budget. In case of FBEH, capital expenditure plan is prepared and finalized by the board of the FBEH. The purpose of plant and machinery, heat and lighting, office equipment, spare parts, furniture and fixtures, vehicles and other various constructions of building, electronic equipments, repair and maintenance etc. all are included in the capital expenditure budget.

5.5 Revenue and Loss Account of FBEH

Revenue is considered as one of the major element of each and every business endeavor for survival, further development and fulfilling social expectation. In modern business, efficiency and effectiveness of any business organization or management are measured from earning power of revenue. However, the concept of revenue is changing time to time. At present reasonable revenue approach has been becoming at a strong position. FBEH also prepares to know the possible future trend of revenue or loss. It shows the final conclusion of operation on an accounting year. At the end of each accounting year, the financing department prepares the income statement of FBEH.

FBEH's operational position is in a good condition. Every year FBEH is able to earn surplus money in increasing trend.

Above table no 4 shows the revenue pattern of FBEH for five years from FY 2062/63 to 2066/67.

5.6 Cost Volume Surplus/profit Analysis

Cost –volume –revenue analysis includes the related concepts of (a) contribution analysis and (b) break even analysis. Both analysis rests upon the concept of cost variability (i.e. fixed or variable expenses budget) contribution analysis involves a series of analytical techniques to determine and evaluate the effects on revenues of changes in sales volume, sales price, fixed expenses and variables expenses.

i.e., Contribution margin= Revenue-Variable cost.

Break even analysis focuses on the break even point. This is usually graphed to show the relationship between revenue, fixed expenses and variable expenses, fixed expenses divided by the contribution margin equals break even sales volume.

The analysis of relationship among the cost of service, the volume of the service rendered and fixed cost is known as cost-volume-revenue analysis, CVP analysis is an analytical management tool for studying the relationship between volume, cost price and revenue. It shows which level of activity is necessary to be break even to generate certain amount of revenue.

According to the cost behavior, cost can be broadly divided into two ways; one is the fixed cost and the other is variable cost. Fixed cost remains fixed in total for a certain range of output for a certain time. It is capacity cost such as depreciation. Tax, insurance, salary etc. variable cost change directly with change in output but remains constant in per unit basis. Those expenses that are neither fixed nor variable in nature are known as semi-variable costs.

Cost-volume –revenue analysis of FBEH is based on certain assumption which is as follows:

1) Miscellaneous income which is a non-operating income is excluded from CVP relationship.
2) Concept of variability is valid. Therefore, cost can be classified as fixed and variable.
3) Cost-volume structure is based on the accounting data of f.y.2066/67.

Planning Revenue with Cost –Volume –Revenue Analysis of FBEH

a) Variable Cost Volume Ratio (C.V.Ratio)

The ratio shows the proportion of variable cost and sales revenue. The following formula is used to calculate the P.V. Ratio.

a) Profit Volume Ratio(P.V.Ratio)

This ratio shows the proportion of contribution margin for fixed cost and profit per Rs.of Sales(service). The formula is:

$$\text{P.V.Ratio} = 1 - \frac{\text{Variable cost}}{\text{Sales Revenue}}$$

$$= 1 - \frac{5767170.47}{34257450.00}$$

$$= 0.83 \text{ or } 83\%$$

$$\text{BEP (in Rs.)} = \frac{\text{FC}}{\text{PV Ratio}}$$

$$= \frac{26287840.16}{0.83}$$

$$= 3,16,72,096.57$$

BEP (in no.of Cataract Surgery)
Cataract surgery fee per case is Rs.2,880/-

$$\text{i.e. BEP} = \frac{31672096.57}{2880.00}$$

= 8997.75 or 8998 surgeries

Profit = (sales revenue*pv ratio)- fixed cost
= (34257450.00*0.83)- 26287840.16
=21,45,843.34

F.Y.2066/67
Sales Revenue Rs.3,42,57,450.00
Variable Cost Rs.57671701.47
Fixed Cost Rs.26287840.16

The FBEH is in break even point or it has operated above breakeven point under the present cost structure. It indicates the satisfactory position of FBEH in terms of cost-volume-profit analysis.

5.7 Findings

The various functional budgets of FBEH have been presented along with their achievements by comparing budgets and actual results. By analyzing the various functional budgets and financial position using different types of statistical and financial tools, we come to know that there are many internal as well as external problems existing in the FBEH revenue plans. On the basis of different analysis. Observation and informal discussion the following major findings have been drawn.

1. The sales of FBEH are increasing every year, but the increasing rate is not fixed. Actual sales line are always below than budgeted sales but actual sales revenue are always high than budgeted. but in F.Y.2066/67 actual sales revenue is lower that budgeted sales revenue.
2. the balance sheet of FBEH shows huge amount of cash and bank balance (requiring) lying idle and this indicated some deficiency of the corporation to utilize its liquid assets.
3. Actual production lines are of the nature of high variability than budgeted production line.
4. FBEH prepares both long-range and short-range target, but these are not prepared in detail. Also there is a system of keeping management information system (MIS) report.

5. The cost –volume revenue analysis in FBEH shows that BEP (Break even Point) is satisfactory.
6. Working capital ratio are going in increasing tend and net working capital ratios are going increasing trend which shows FBEH has earned more revenue. Also the assets turn over ratio are moving to increasing trend, which is a good sign for FBEH.
7. The organization moves in the track of gaining good operating and net revenue in future because the financial position is in satisfactory situation.
8. The Net revenue of FBEH is going on increasing trend.
9. Overhead expenses are not classified systematically and this creates problem to analyze its expenses properly.
10. There is lack of proper coordination between the various responsible departments and only the top level executives are involved in planning and decision making process and lower level participation is not encouraged.
11. Internal and external variable providing opportunity, threat and weakness are not identified clearly. The goals and objectives are not in a clear –cut way.
12. FBEH is running in surplus but this is not satisfactory in monopoly situation.

CHAPTER SIX
SUMMARY, CONCLUSION AND RECOMMENDATION

6.1 Summary

In Nepal social organizations are established with the objectives of accelerating the rate of socio-economic growth. Mobilization of available resources, generate employment opportunities as well as earning reasonable revenue necessary for the development of the country but new Nepal is in a state of crisis, fundamentally rooted in a failure of productive organization associated with its economic and political under development. Most of the social organizations are running in inefficiency and ineffectiveness due to lack of managerial efficiency. To come out from such situation, revenue planning is one of the most important tools used to supervise and control organization operations.

Revenue planning and control means the development of objective and goals and motivate the organization to achieve the goals and objectives effectively and efficiently. This is one of the most important management tool for planning and controlling business operation, the effective operation of a business concern resulting in to the excess of income over expenditure fully depends upon as to what extent the management follows proper planning, effective coordination and dynamic control only preparation of plan is not sufficient for the successful operation of the business in addition this effective implementation follows-up system is very important.

The study has been organized in six main changers consisting of introduction, conceptual framework, review of literature, research methodology, presentation and analysis of data and summary, conclusion and recommendations.

6.2 Conclusions

After analyzing in detail the present practice of revenue planning system of FATEH BAL EYE HOSPITAL concludes the following points.

1. There is positive correlation between budgeted OPD and OT service and actual OPD and OT service.

2. FBEH has not been adequately considering controllable and non-controllable variables affecting the organization.
3. FBEH analyzes its strengths and weakness in depth because of the present competitors.
4. Revenue earned by FBEH is sufficient to make FBEH self-reliance in its activities.
5. The balance sheet of FBEH shows huge amount of bank balance lying idle and it indicates some managerial deficiency to utilize its liquid assets.
6. Cost –volume –revenue analysis shows that BEP is satisfactory.
7. There are no clear cut boundaries to separate cost into fixed and variable.
8. All the employees are paid on time basis, which gives them a fixed salary. Due to the fixed payment on time basis, qualified and creative personnel are unsatisfied and it has become a good for those employees who are time killing staff.
9. The actual service rendered lines are always below the budgeted but actual revenues are always higher than budgeted.
10. Net revenue of FBEH is going in increasing trend as shown by the income statement.

6.3 Recommendations

After the detailed analysis of the revenue planning system in FBEH as the representative case study of social organization, it seems necessary to develop, implement and improve the revenue planning system in FBEH from initial stage to end. Following suggestions can be recommended to improve the performance of the organization.

1. FBEH has no practice of allocating overhead costs into different headings which makes problem in controlling costs. So FBEH should allocate overhead costs into appropriate heading. Actual overhead of FBEH crosses the budget limit, so for the effective operating of the organization, budget discipline should be established
2. The organization's liquidity position is satisfactory. However it is important for this organization to behave like entrepreneur to make the best use of liquid funds. It has no estimate of how much fund is needed

for immediate use and all the use of funds should be invested in the higher rate of interest earning investment.

3. To increase the net revenue of FBEH there should be control in the operating as well as non-operating expenses. There is increasing some unnecessary and wasteful expenses, repair and maintenance expenses, consumables.

   There is possibility to bring down those unproductive expenses if the management and staff of FBEH are to be more careful in cost factor.
4. The FBEH's staff is the main brain to utilize the organizations's assets more effectively and efficiently through which FBEH can increase its revenue earning capacity. The organization must prepare its staff highly qualified, dynamic and energetic. Therefore it would be better to have its own training center for the personnel.
5. Revenue plan manual should be prepared and communicated to all concerned.
6. Right person should be placed to the right position.
7. To make revenue planning system more progressive, the concept of PPC should be applied in order to improve overall performance.
8. The target must be prepared on the realistic ground because all other budgets depend upon the target.
9. The financial position of the organization should be timely evaluated through ratio analysis and other relevant financial and statistical tools models are recommended to evaluate its financial position.
10. FBEH must open a separate revenue planning department and must appoint a revenue planning director to achieve organizational goals.
11. Variance analysis should be effective. The favourable and unfavourable variance must be analyzed carefully and the course for unfavourable variance should be analyzed carefully and the course for unfavorable variance should be diagnosed and identified immediately
12. The finance section should be more involved in planning of cooporations activities. It should also build up a Management Information System (MIS) to help top management to take timely and appropriate action.
13. Long-term objectives should be clearly formulated so as to make a clear direction between revenue motives and social motives.

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Appendix: 4

Calculaltion of Mean, Standard Deviation and Coefficient of Variance of Planned no. of Outpatients

Fiscal Year	x (planned OPD)	$x=(x-\overline{x})$	$x=(x-\overline{x})$
2062/63	69000	-2200	4840000
2063/64	70000	-1200	1440000
2064/65	70000	-1200	1440000
2065/66	72000	800	640000
2066/67	75000	3800	14440000
	ΣX=356000	ΣX=0	ΣX=22800000

$$\overline{X}= \frac{\Sigma X}{N} = \frac{356000}{5} = 71200$$

$$\sigma x= \frac{\Sigma X}{N} \quad \frac{22800000}{5} = 2135.42$$

$$C.V.(x)= \frac{\sigma x}{\overline{X}} \times 100 = \frac{2135.42}{71200} \times 100$$

$$=2.99$$

Calculaltion of Mean, Standard Deviation and Coefficient of Variance of Actual no. of Outpatients

Fiscal Year	y (Actual OPD)	$y=(y-\overline{y})$	$y=(y-\overline{y})$
2062/63	64211	-2976.20	8857766.44
2063/64	63866	-3321.20	11030369.44
2064/65	65270	-1917.20	3675655.84
2065/66	66577	-610.20	372344.04
2066/67	76012	8824.80	77877095.04
	ΣY=335936	ΣY=0	ΣY=101813230.80

$$\overline{X}= \frac{\Sigma Y}{N} = \frac{335936}{5} = 67187.20$$

$$\sigma y= \frac{\Sigma Y}{N} \quad \frac{101813230.80}{5} = 4512.50$$

$$C.V.(Y)= \frac{\sigma y}{\overline{X}} \times 100 = \frac{4512.20}{67187.20} \times 100$$

$$=6.71$$

Appendix: 5

Calculaltion of Mean, Standard Deviation and Coefficient of Variance of Planned no. of surgery

Fiscal Year	x (planned surgery)	$x=(x-\overline{x})$	$x^2=(x-\overline{x})$
2062/63	9000	-1189.60	1415148.16
2063/64	9800	-389.60	151788.16
2064/65	10600	410.40	168428.16
2065/66	10548	358.40	128450.56
2066/67	11000	810.40	656748.16
	ΣX=50948	ΣX=	ΣX=2520563.20

$\overline{X}=\frac{\Sigma X}{N} = \frac{50948}{5} =10189.60$

$\sigma x=\frac{\Sigma X}{N} \quad \frac{2520563.20}{5}=710.00$

$C.V.(x)=\frac{\sigma x}{\overline{X}}\times 100 \quad =\frac{710}{10189.60}\times 100$

=6.97

Calculaltion of Mean, Standard Deviation and Coefficient of Variance of Actual no. of surgery

Fiscal Year	y (Actual surgery)	$y=(y-\overline{y})$	$y^2=(y-\overline{y})$
2062/63	8894	-1174.80	1380155.04
2063/64	9646	-422.80	178759.84
2064/65	9589	-479.80	230208.04
2065/66	9928	-140.80	19824.64
2066/67	12287	2218.20	4120411.24
	ΣY=50344	ΣY=0	ΣY=6729358.80

$\overline{X}=\frac{\Sigma Y}{N} = \frac{50344}{5} =10068.80$

$\sigma y=\frac{\Sigma Y}{N} \quad \frac{6729358.80}{5}=1160.12$

$C.V.(Y)=\frac{\sigma y}{\overline{X}}\times 100 \quad =\frac{1160.12}{10068.80}\times 100$

=11.52