CHAPTER -I

INTRODUCTION

1.1 Background of the Study

The starting point in preparing profit plan is the sales plan, which displays the projected sales in units and Rupees. The sales planning process is an essential part of profit plan and control because, it provides for the basic management decisions, about marketing and based on these decisions it is an organized approach for developing a comprehensive sales plan. If sales plan is not realistic and relevant, most if not all of the other parts of overall profit plan are also not realistic. Therefore, if the management believes that a realistic sales plan cannot be developed, there is little justification for PPC, Similarly, if it were impossible to assess the future revenue potential of a business, there would be little or no incentive to investors and prospective investors, Hence, the sales plan is both ends and means of revenue planning.

The preparation of a sales plan requires forecasting of sales, the sales forecasting is one of the inputs in sales plan. A critical step in the budgeting process sales forecast as distinguished from a sales plan is a technical projection of the potential customer's demand for specified time horizon with specified underlying assumption. It is converted to a sales plan when management has brought to bear on its judgment-planned strategies, commitment of resources and the managerial commitment to aggressive action to attain sales goal. Sales plan provides standard for comparison with the result actually achieved thus it is an implement control device of management, where forecasting represents merely a probable events over which no control can be exercised.

Profit Plan

Profit plan is most important of management; it helps in planning and coordinating, if used appropriately, but not a replacement for management. Profit planning is a comprehensive and coordinated plan expressed in financial terms for the operations and resources of an enterprise for some specific period in the future. Profit planning is a comprehensive statement of intentions expressed in financial terms for the operation of both short and long period. It is a plan of the firm's expectation and is used as a bass for measuring actual performance of managers and their units.

Profit planning is predetermined detailed plan of action developed and distributed as a guide to current operations and as partial basis for the subsequent evaluation of performance. Thus it can say that profit planning is a tool which may be used by the management in planning the future course of actions and controlling the actual performance (Gupta, 1992). Every company or institution is established based on the definite goals and objectives. According to the objectives, the company performance is tasks. Mainly two types of institutions such as profit oriented and service oriented instructions are established, but most of them are profit oriented because profit is the lifeblood of the business which not only keeps it alive but also assures the future and makes it sound. Profit planning is an important tool of the firm to achieve the objectives. "Profit do not just happened profits are managed" (Lynch, 1998:30P) so to manage the profit. The management should follow various processes for profit planning because the management process and profit planning and control are related each other.

A profit plan is an advance decision of expected achievement based on the most efficient operating standards in effect or prospect of time it is established against which actual accomplishment is regularly compared.

Profit maximization is the basis objectives of a firm and to make profit render reliable service to its customers. Profit is a device to measure efficiency of a firm.

The term comprehensive profit planning and control it defined as a systematic and formalized approach for performing significant phase of the management planning and control function. Especially it involves:

- The development and application of broad and long-range objectives for the enterprises.
- The specification of enterprises goals.
- The development of strategic long rang profit plan in broad terms.

- The specification of tactical short-range profit plan detailed by assigned responsibility (division, products, and projects).
- The establishment of a system of periodic performance reports detailed by assigned responsibility and follow up procedures

In many of the better-managed companies, comprehensive PPC has been identified as a way of managing. It focuses directly up on a rational and systematic approach to management by objectives and realistic flexibility in performing the management process.

Private Enterprises

Private enterprise are those which are managed, controlled and owned by individual to provide goods or service to the people at reasonable price. In such enterprise, individual invest oneself as well as with partnership. In Nepal, private enterprises are established with fund of individual. Private enterprises are established for commercial purpose but they also involve for social responsibility & public welfare and thus are strong means of socio-economic development of nation. Standing on that fundament, Private enterprise has to maintain proper balance between profit and social responsibility.

Mainly the exploitation of consumers and workers, necessity of development of infrastructure, defenses structure, utilization of natural resource and unemployment condition of nation compels individual to establish private enterprises. When see the history of Private enterprises, find that most of them well created by government themselves to manage certain key sectors of the economy (Joshi, Shyam 1994).

Different scholars, agencies and government have defined the term ‘private enterprises’ differently to suit their own respective situations. Basis of a free market capitalist system ,it is a business unit established ,owned, and operated by private individuals for profit ,instead of by or for any government or its agencies .A privately owned enterprises refers to a commercial enterprises that is owned by private investors ,shareholder or owners ,and is in contrast and is in contrast to state institutions ,such as publicly owned and government agencies .Private enterprises comprise the private sector of an economy . An economic system that contains a large private sector where privately run businesses are the backbone of the economy is referred to as capitalism. This contrasts with socialism where industry is owned by the state or by all of the community in common. The act of taking assets into the private sector is referred to as privatization. The goal of private enterprises differs from other institution; the major difference being private business exists solely to generate profit for the owners or shareholders. A privately owned enterprise is one form that private property may take.

- **Sole proprietorship:** A sole proprietorship is a business owned by one person .The owner may operate on his or her own or may employ others. The owner of the business has total and unlimited personal liability of the debts incurred by the business.
- **Partnership:** A partnership is a form of business in which two or more people operate for the common goal of making profit. Each partner has total and unlimited personal liability of the debts incurred by the partnership. There are three typical classifications of partnership: general partnerships, limited partnership and limited liability partnerships.
- **Corporation:** A business corporation is for profit, limited liability or unlimited liability entity that has a separate legal personality from its members. A corporation is owned by multiple shareholders and is overseen by a board of directors, which hires the business's managerial staff .corporate models have also been applied to the state sector in the form of government-owned corporations. A corporation may be privately held (That is , close – that is ,held by a few people) or publicly traded.

Privately owned businesses are typically divided into two subcategories: privately held companies and publicly traded companies. Publicly traded firms list their shares on the stock market, allowing for more diversified ownership as anyone who purchases their stock becomes a partial owner and is able to receive a portion of its profit. Despite the term "public" in its name, a publicly listed company does not entail public ownership because it is not owned by the whole society. It just means that shares of the company are for sale to anyone in the general public who wishes to purchase them. Publicly listed corporations may be partially owned by peacemakers

The history of incorporated private firms in Nepal is short .The Nepal companies Act of 1936 AD provided for the incorporation of industrial enterprises on joint stock principle with limited liability. The first such firm, Biratnagar jute mills, was a collaborative venture of Indian and Nepalese entrepreneurs. It was formed in 1936 with initial capital of 160000 Indian rupees. In response to shortages of some consumer goods during World War II (1939-45) fourteen private companies emerged in such drivers fields as mining, electrical generation, and paper and soap production. The initial capital invested in each of theses industries was small. In 1942 two paper mills emerged as joint ventures of Nepalese and Indian entrepreneurs. Industrial growth gained momentum after 1945, although the end of World War II had reduced the scarcity of good and caused many of theses companies to incur losses.

Under the Nepal companies Act, there was no provision for private limited companies. In 1951, however, a new act was implemented with provisions for private limited companies. The act encouraged the establishment of ninety –two new private joint stock companies between 1952 and 1964. Most of these companies were much smaller than existing companies. Under the provision of the 1951 act, public disclosure of the activities of the firms was not required; where as the 1936 act allowed substantial governments intervention. The industrial enterprises Act of 1974 and its frequent amendments shifted the government's emphasis on growth from the public to the private sector. However discrepancies between policy and practice were evident and public sector continued to be favored.

Role of Private Enterprises in Nepal

Nepal is exercising mixed economic policy for its economic prosperity. It creates the co-existence of private and public sector. Sustain economic growth –production and employment are complimentary and vital to economic growth. Growth creates jobs that use labor and contributes to reduce poverty .Private enterprises contribute to economic growth by boosting production .Other economic actives, that is, transport and communications are dependent on production. Growth increases and expands tax base that enables government to generate revenue which can be used for public well-being and enhancing human productivity.

Expand job opportunities –Employment does not only provide the source for livelihood but also enhances the opportunity to live with dignity. People always look for opportunity to work and make their identity even through they have income for living. Employment is key link between output growth and poverty alleviation. Employment contributes in increasing household expenditure on health, housing and education. Secure, safe and well paid jobs and productive self –employment are important pathways out of poverty for the billions of poor men and women in developing countries that struggle to survive. Due to informal nature, private enterprises also provide job opportunities to those who could not find in formal economy.

Improvement in the quality of life –the demands for the basic social services (health, education, drinking water, sanitation etc) is increasing. The government's performance is also judged against its capacity to deliver theses services. Delivering that service to growing population demands pragmatic and corporative approach. Private enterprises can compliment the government in providing those services and improving infrastructures –The essentials for the sustainable improvements of livelihoods. As a measure to respond to increasing demand for education and health services, governments have already adopted the policy of promoting private sector participation in education and health. Construction contractors have contributed in building infrastructures. Private provision of good and services with public financing can also be well suited to the social sectors, as another from of support for poverty reduction. Private enterprises can be engaged on a contractual basis to operate not for profit social facilities, like schools and health clinics. They support in empowering the poor by providing them with services and consumer products, increasing the opportunities of choices and reducing costs. Local businessman support people in meeting the needs of basic goods at a reasonable cost which makes life easier. The social benefit of the strong and vibrant small and medium enterprises in empowering people to alleviating poverty for many of the poor have been well recognized. Nepal provides a good example of the contribution of local businessman in remote and underprivileged areas .Private enterprises are already meeting the needs of the poor in places where the government does not reach. The end result of improved services to the poor can be seen in terms of economic growth and reduced poverty.

Development of private enterprises demands careful analysis of the constraints, The identification of appropriate remedial measures and the developments of suitable implementation strategy .Entrepreneurs in developing countries face a number of challenges at various stages of business operations i.e. registration ,set up ,operation and expansion .Modernizing technical skill of traditional craftsmen through training and the provision of equipment is critical to boost local economy and prevent people leaving their traditional business.

The co-existence of both private and public sector is necessary and useful for achieving the twins' objectives of social and economic development, envisaged in national level policy. Mainly, the role of PEs has been in basic infrastructure, defense sector, industrial estate public utilities, and commercial sector, trading and sectors. PEs are important to create industrial bases in the country, to provide better goods/service to the people at reasonable price, to generate employment opportunities, to collect government revenue, to mobilize the national resource into productive uses and to fulfill the government plans and objectives. PEs has helped to boost the standard of living, to balance regional development, to utilize resource optimally, to contribute import substitution and export promotion. Therefore, the role of PEs in developed and developing countries like Nepal is the most important for socio-economic development of people, enterprise and the nation. No nation in the world is without private enterprises.

However, almost Nepalese Private Enterprises have been earning from their business. They are able to generate substantial return from their investment and at last to contribution to the nation through dividend as well as tax. They are providing economic and the financial support to the government and thus after the restoration of democracy.

Overview of Constant Business Group Pvt. Ltd.

CBG was established in 2060 BS with three founders MR. Rajesh Kazi Shrestha, MR. Deepak Kazi Tuladhar and MR. Lokman Glochha. Under the PATNERSHIP ACT. 2020BS. The authorize capital of company is ten millions. It is located at Durbar Magra Yak and Yati road Kathmandu. It takes the all loan from global bank at the study period. The Global bank makes all process from L.C open to Document settlement.

It is not so big company as other competitor company like Hyundai and Tata. It has more than forty employees. In Nepal, the automobile business is growing year by year. & business is growing up and up. The purpose of CBG is to be number one company in automobiles sectors. CBG doing action to grave these opportunities. Nepal is a very small market so international car manufacturing company are not interested to established company and Nepali also are not able to manufacture cars. so Nepali bring vehicles from foreign and sales. That's why CBG are established.

CBG has own workshop name is Lumari Motors Pvt.Ltd., Which is located in Balaju of Kathmandu. Lumari Motor provides spare parts and service for all cars which are sales by CBG. Pvt. Ltd. CBG has own showroom named is Suva Motors. CBG imports cars from Malesiya, Korea and Chaina. CBG has a authorize agent of this country. The main objective of Constant business Groups is to provide cars easily and reasonable price. CBG import ZOTYE, REXTION, PROTON, KAYRON, LIFEN, and UFO AND LOBO branded cars. CBG provide cars for dealers all over the Nepal. The dealers are namely, in Ktm Choice Motors, Harati and joshi Automobiles .In Pokhara A One Multinational Group Pvt .Ltd. Amee Traders and Gandaki Trades and In Butwal, Lokesushila Auto concern etc.

Service provided by CBG

- CBG provides cars
- Spare parts service
- Garage service and workshop service
- Two year free service for cars.

Revenue collection is always a much-contemplated topic for companies and enterprises. If reviewed the following data related to annual revenue and annual cash Collection of past few years, it is satisfying considering the defaults of dues in other business in our country. Constant Business group Pvt. Ltd. (CBG) has three different ways of revenue collection process. Collection through sales for cars. CBG sales the cars to dealer and individual .collection through sales of spare parts. And last one is, collection through provide service to car holder from maintenance of cars.

1.2 Statement of the Problem

The industrialization in the process of value added contributes to the creation of new employment opportunities and economic integration. As long as this sector cannot be expanded on a promotional basis, proper development of the economy is also not possible. However, owing to constrain in the supply of the raw material , basic infrastructure, low purchasing power of people, under capital market ,lack of phenomenon and has not been able to make the desire headway . As long as the private sector investor do not take a leading role in the rapid social-industrial development of the country as desired the role of Government owned enterprises becomes very important especially in terms of developing the infrastructure, extending social services and increasing industrial production. Giving this fact, more prominence and greater recognition was given in the various plans of government to the role of govt. corporations.

Profit planning and control (PPC) model provides a tool for more effective supervision of individuals operations and practical administration of a business as a whole. So, the successful operations of any it largely depend upon the planning system that it has adopted. Profit plan is one of the most important managerial devices that play key role for the effective formations and implementation of strategic as well as tactical plans of an organization. Profit planning system requires the effective coordination between various functional budgets of an organization like as sales plan, production, material requirement budget, labour cost budget, cash budget and capitals expenditures budget.

Success is not matter of chance, profit does not just happen. It is to be panned to managed. Revenue planning analysis provides the technique of profit planning framework. Based on the annual report published, performance of the Nepalese industries cannot be considered as satisfactory. Poor performance is the outcomes of poor planning, controlling and decision making .This has raised the question whether Nepalese manager are competent enough or not? Do they practice revenue planning analysis techniques to carry out planning, decision making and controlling function?

The research question mainly focused to such problems:

1. Whether CBG is practicing revenue planning or not?
2. Which parts of revenue planning mostly used and which are not exercised at all?
3. Are there any shortcoming with planning practice and its implementation?
4. Which method and Techniques are adopted for revenue planning?
5. What are the major problems faced by CBG under its revenue planning process?
6. Are the present practices of revenue planning effective?

1.3 Objectives of the Study

The main objective of this study is to analyze the existing revenue planning practice of CBG. Besides this, following are the objectives, which will be, considered for research purpose.

- To analysis the existing revenue planning practices of CBG.
- To evaluate the revenue planning system and its impact on profitability of CBG.
- To make comparison between revenue and cost expenses planning.

1.4 Significance of the Study

This research study is concerned with the revenue planning in Constant Business Group as case study, which analyze the proper applicability of revenue planning system in the business group.

Profit planning process significantly contributes to improve the profitability as well as the overall financial performance of an organization by the help of the best utilization of resources. The financial performance of an organization depends purely on the use of its resources. Budgeting is the key to productive financial planning so all the organizations running under commercial principle have to give regard to these most important single tools while managing their physical and financial target. If planning process of an organization is effective and result oriented the pace of development naturally steps forward.

Organization should practice revenue planning to reduce uncertainty and to earn good return. Every organization should systematically plan it activities. Planning has become important for growth and development for an enterprise. It also in making managerial decisions. A proper planning process helps to achieve organizational objectives easily. The present study deals with revenue planning. As revenue, planning is the corner stone for every planning proper planning for revenue is necessary for the organization. This study is more significant to private enterprises as it will try to analyze and examine the relation of sales planning other functional planning like production, inventors etc. The study will be useful and beneficial to all interested parties concerned with planning it will provide valuable suggestions and ideas to people related in revenue planning any firm and CBG. Proper applicability of Revenue planning system in the private enterprises

1.5 Limitations of the Study

Today world is dynamic, everything existing here are of limited character. Every principle rule and formula and conditions are applied within the limitations likewise, this study cannot escape from limitations the study is confined only to profit planning and budgeting in Constant Business Group. The researcher has however tried to eliminate the limitation to the best possible extent, yet it suffers from the following limitations.

- The study is limited to the related revenue planning of CBG.
- The study is covering the data of 6 year only from CBG.
- The study is based upon the secondary data mostly.
- The time & the availability of resources is the main limitation of the study.

1.6 Organization of the Study

This thesis has been mainly divided into five chapters which are as follows:

Chapter I: Introduction: First chapter of the thesis is introductory part which includes the background of the study, about revenue planning, statement of the problem, object of the study, significance of the study, limitation and significance of the study.

Chapter II: Review of related literature: This chapter includes conceptual framework, review of the published and unpublished books, journals, articles, previous unpublished masters' degree thesis etc.

Chapter III: Research methodology: Third chapter explains the research methodology used in the study, which includes research design, sources of data, population and samples, data analysis tools etc.

Chapter IV: Data presentation and analysis: Fourth chapter is the main body of the research deals with presentation and analysis of data using different financial and statistical tools.

Chapter V: Summary, conclusion and recommendations: This is the concluding chapter of the research deals with summary of the study, conclusion and recommendations for further improvements.

Finally, bibliography and appendices have also been included.

CHAPTER -II

REVIEW OF LITERATURE

In this chapter the researcher has presented the conceptual framework of revenue planning and its applicability in business activities has been incorporated. In this connection, the researcher has reviewed various literatures in the form of books written by various prominent authors, published newspapers, journals, browsing materials from the concerned websites and encyclopedia, previous dissemination in the relevant subject matters etc. There are two parts in the review of literature i.e. conceptual/theoretical framework and empirical literature review.

2.1 Conceptual Framework

Conceptual framework about the CBG, its activities, profit-planning concepts, and review of books, previous study. So far, this study is concerned with reviewing the Revenue planning of CBG. In this connection, the researcher has reviewed various literatures in the form of books, newspapers, journals, browsing materials from the concerned web sites, previous dissertations in the relevant subject matters etc.

2.1.1 Revenue Planning

Revenue results from the sales of goods and rendering the services. Revenue is measure in terms of charge made to customers, clients or tenants for good and services provide them. It also includes interest and dividend earned on investment and other increase in the owner's equity except those arising form capital contribution and adjustment. Revenue from ordinary sales and from other transaction in the ordinary course of business is some times described as operating revenue. (Bhattacharya and Dearden, 1980 137 p)

The revenue planning estimates are only a guide to the level of future revenue not a guarantee. If the economic remains strong; the planning estimates are likely to underestimate future revenues. But, the economy fails to perform at the high level anticipated in the control; the planning estimates will overstate future revenues.

Responsibility centers for sales district are often designated as revenue center. The revenue center for the sales budget is normally a sales zone or sales district i.e the unit under the control of an area sales manager.

A reasonable degree of accuracy is hard to achieve in sales budget but it is imperative owing to dependency of other budget on sales. No method will ensure absolute accuracy but reasonably correct forecast are much more likely to result from thorough market research and analysis and application of this knowledge to the individual circumstances of particular business. (Varma & Agrawal, 1996:3.33P)

The revenue plan should be designed to coordinate the efforts of the sales department, production department, and all other departments. Many factors must be considered when sales budget is established, including sales trends, limitations on the supply of merchandise or the company's market, competing product, the expected amount of advertising and general level of the economy. Since most of these unknown companies frequently maintain a specially trained staff to increase them.

The revenue planning process is a necessary part of PPC. It provides for the basic management decision about marketing and based on those decisions, it is an organized approach for developing in a comprehensive sales plan. If the revenue plan is not realistic, all of the other parts of the overall profit pal also are not realistic. Therefore, if the management believes that a realistic revenue plan can not be developed; there is little justification for PPC. Simply if it were really impossible to assess the future revenue potential of a business, there would be little incentive for investment in the business initially or for continuation of it except for purely speculation ventures that most managers and investors preferred to avoid it. (Welsch, Hilton & Gordon; 1999:171-172)

The logical starting point in developing the revenue planning is to estimate sales. It does not follow, however, that the revenue estimation can be considered in isolation or that once the revenue estimates has been computed, the other element of revenue and expense. In fact, the level or amount of certain expense may have a considerable influence on the revenue. For example: the relationship between advertising and sales (Finney & miller, 1963:389).

The company erases profit only when it is able to sell its product and not when it produces them. It is no use producing goods that are not likely to be sold and for which there is a limited demand. In some business, it is necessary to establish that the product will sell even before it is produced. In normal times of keen competition, the sales, forecast must be realistic. It is undoubtedly true that past can provide experience and information, which will be of assistance in estimating present and future revenue, but care must be taken in presenting past facts to management so that incorrect conclusions may not be drawn there from .The factor influencing the level of revenues may be classified as external and internal (Varma & Agrawal, 1996:3.19-3.30)

1. **Internal Factors**: These include promotional aids such as advertising, incentives to salesman, ability of the organization to satisfy demand, quality of the finished product, changes in prices etc.

2. **External factors**: These include the fluctuations in the size of population, the general level of prosperity, the extent and severity of completion in the market, government policy and regulation. Charges in fashion and tastes, degree of competition expected from new product etc. elasticity of demand for the product is of obvious importance if prices are expected to undergo a change.

2.1.1.1 Revenue Planning Process

A planner should complete the following process for planning the revenue. They are as follows (Welsch, 1999:176-182)

Step 1: Development Management Guidelines for Revenue Planning

All management participants in the sales planning process should be provided with specific management guideline to be followed in sales planning. Fundamentally, those guidelines should specify sales planning responsibilities. The purpose of these guidelines is to attain coordination and uniformity in the sales planning process. The guidelines should emphasis enterprises objectives, goals and sales strategies. The guideline also should direct attention to such areas as product emphasis, general pricing polices, major marketing strategies and competitive position.

Step 2: Prepare Sales Forecast

One or more sales forecast should be prepared. Such separate forecast should use different assumptions, which should be clearly explained in the forecast. The management guidelines should provide the broad assumptions. Forecasting methods are broadly classified as (a.) quantitative, (b.) technological, and (c.) judgmental. These forecasting methods include times series smoothing, decomposition for time series, advanced time series, simple and multiple regressions, and modeling. The forecasts should include strategic and tactical forecasts that are consistent with the time dimensions.

Step 3: Assemble other Relevant Data

In addition to steps (1) and (2), all other information relevant to developing realistic sales plan should be collected and evaluated. This information should relate to both constraints and opportunities. The primary constraints that should be evaluated are

- Manufacturing capacity.
- Source of raw materials and supplies, or goods for resale.
- Availability of key people and labor force.
- Capacity availability. Availability of alternative distribution channels.

These five factors require evaluation and coordination among the heads of the various functional areas in developing a realistic revenue plan.

Step 4: Develop the strategic sales plan

Using the information provided in step 1, 2, and 3 the management develops a comprehensive revenue plan. To do this the planning process must be structured to maximized motivation of the sales force and realism in the revenue plan. These processes should recognize the importance of management goals both strategic and tactical. The process of developing a realistic revenue plan should be unique to each company because of the company's characteristics its products, its product, its distribution channels, and the competence of its marketing group. Four different participative approaches widely used are characterized as follows; (i) sales force composite, (ii) sales division manager's composite, (iii) executive decision, and (iv) statistical approaches.

Step 5: Securing Managerial Commitment to Attain the Goal in the - Comprehensive Revenue

Top management must be fully committed to attain the sales goals that are specified in the approved revenue plan. This commitment requires full communication to the sales manager of the goals: approve marketing plan and strategies by sales responsibilities. The commitment must be strong and ever present day to day operations.

2.1.2 Sales Budget

Sales are primary source of revenue. Sales Budget is the starting point of other budget. The preparation of sales plan is based upon the sales forecasts. It is also known as corner stone for all the other budgets. The sales Budget is the foundation for periodic planning in the firms because practically all other enterprises planning is built on it. All the other plans and budget are depending upon the sales budget. The budget is usually presented in both units and dollar of the sales revenue or sales volume. That is because the production level and the inventory level and hence manufacturing costs as well as non-manufacturing costs generally depend on the forecasted level of unit's sales or revenue.

The sales planning process is a necessary part of PPC because

- It provides further basic management decisions about marketing.
- Based on those decisions, it is an organized approach for developing a comprehensive sales plan. If the plan is not realistic, most if not all the other parts of the overall profit plan also are not realistic. Therefore, if management believes that, a realistic sales plan cannot be developed; there is little justification of PPC.

Primary Objective of Sales Budgets is as follows:-

- To reduce uncertainty about future revenue.
- To incorporate management judgment and decision into the planning process.
- To provide necessary information for developing other elements of a comprehensive profit plan.
- To facilitate management in controlling sales activities.

2.1.3 Sales Panning vs. Sales Forecasting

Forecasting is the perquisite for planning. Sales forecasting is the statement of expected of future condition of sales . Sales planning are the foundation for preparation of the comprehensive master budget. Sales planning and forecasting often are confused. A forecast is not a plan rather it is a statement and or a quantified assessment of future conditions about particular subjects i.e. sales revenue based on one or more explicit assumption Sales plan for any period starts from the analysis of the past trend, economy & expectation of future phenomenon and future forecasting. Sales forecasting known as prediction, estimation and expectation for future related to sales.

Although related, they have distinctly different purpose. A forecast should always state the assumption upon which it is based. Forecast should be viewed as only one input into the development of sales plan. The management of a company may accept common modify or reject the forecast. In contrast, a sales plan incorporates management decisions that are based on the forecast, other inputs and management judgment about such related terms as sales volume, price sales efforts production and financing.

2.1.4 Long-Range Sales Plan or Strategic

Long range sales plan is more then five year plan which required depth analysis of future market potential, which may build up from a foundation such as population changes, state of economy, industry projections and finally company objectives. A comprehensive sales plan includes both strategic and technical sales plan. Strategic sales plan is known as long-range sales plan. Usually it is 5 to 10 years. As a practical approach, a company may schedule completion of strategic long-term sales plan as one of the first steps in overall planning process. Long-term sales plan are usually developed as annual amounts. The long term sales plan uses broad grouping of products (product lines) with separate consideration of major and new product and services. Long-term management strategies would affect such areas as long term pricing policy, development of new product and innovation of present products, new directions in marketing efforts, expansion or changes in distribution channels and cost patterns. The influence of managerial strategy decision is explicitly brought to bear on the long term sales plan primarily on a judgmental basis.

Short-Range Sales Plan or Tactical

Short range sales plan is functional or tactical plan which is prepared for one year. In planning short range or tactical sales plan, one should consider its long-range sales plan. A common approach used for short time horizons in a company is to plan sales for twelve months into the future, detailing the plan initially by quarter and months for the first quarter. At the end of each month or quarter throughout the year, the sales plan is restudied and revised by adding a period in the future and by dropping the period just ended. Thus tactical sales plan are usually subject to review and revision on a quarterly basis. The short-term sales plan includes a detailed plan for each major products and or grouping of minor products. Short-term sales plans are usually developed in terms of physical units (or jobs) and in sales and or service dollars.

A short-range sales plan should include considerable detail, whereas a long-range plan should be in board terms.

Developing Comprehensive Sales Plan

A comprehensive sales plan should satisfy the requirements of, and be consistent with, the overall comprehensive PPC program. A comprehensive sales plan should be based on foundation established by management. The foundation components of comprehensive sales plan are:

- External variables identified and evaluated.
- Broad enterprise objectives and goals formulation.
- Strategic for the company development.
- Planning premises specified.

General steps in developing of comprehensive sales plan:

1. Develop management guidelines specific to sales

2. Prepare one (or more) sales (market) forecast consistent with specified forecasting guidelines including assumptions.
3. Assemble all the other data that will be relevant in developing a comprehensive sales plan.
4. Based on steps above apply management evaluation and judgment to develop a comprehensive sales plan.
5. Secure managerial commitment to attain the goals specified in the comprehensive sales plan.

These steps must be revised and implemented in various ways depending upon the characteristics of the organization and the expertise of the management planning including the sales planning process and planning responsibility.

2.1.5 Methods of Projecting Sales

Methods of projecting sales may vary with nature of organization, organizational structure of the business etc. In general, these methods can be used for forecasting of sales in an organization:

1. Judgment Method

Judgment method is the personal observation without using mathematical formulas. It is also known as personal judgment method or rule of thumb method or non-mathematical method or directorship method. Under this method, these techniques are used:

a. Sales Force Composite

In this method, sales forecast is made by personal judgment of sales person involved in the field of marketing. Steps are as follows:

1. Receive historical sales data of the area through sales department
2. Collect socio-economic data of the area through inspection or informal talk or interview.
3. After receiving the sales projection, sales department makes necessary adjustment and prepare sales projection for the company. Then the projection is submitted to chief for approval.

4. Based upon the above two, project sales for the area and submit it to the sales department.
5. After receiving the sales projection, sales department makes the necessary adjustment and prepare sales projection for the company. Then the projection is submitted to chief for approval.
6. Chief executive tentatively approves the budget.

b. Sales Composite

Under this method, sales forecast is made by sales department executive based on collecting relevant information regarding product market.

c. Chief Executive Decision

From the available proposed sales forecast by sales person and sales department executive, chief executive decision about the future projected level of sales.

2. Mathematical and Statistical Approaches

Under this approach statistical and mathematical tools for projection of sales, there are some usually followed statistical methods for projection of sales:

A. Economic Rhythm Method

Under this method, future sales projection is made based on rhythmic change in economic i.e. cyclical variance, seasonal variance, price variance etc.

B. Special Historical Analogy

Under this method past history is taken for forecasting future sales based on same future expected phenomena of the economy.

C. Cross Cut Method

Under this method, future sales are projected based on drawing a best-fit line of the past sales and by a diagonal cut between diagrams. Time series can be under this taken as one of the example of cross cut method.

D. Correlation Method

This is the most used statistical tools for forecasting future on the basis of establishment of the interrelationship between dependent variable i.e. sales and independent variable i.e. demand, price change, product life cycle, market share, substitute product in the market etc.

3. Special Purpose Method: Under this method, managerial purpose of sales forecast is taken in high focus for projecting future sales. These three methods are taken under this approach.

A. Industrial Analysis Method

Under this method no single company do as the projection separately for their company. Generally multinational companies use this method of forecasting future sales, which operates in high competition and highly affected by international economy and technology change,

B. Product Line Analysis

Business, which has more then one product and each product, has separate identity in the market usages product line forecasting for forecasting sales of any specific product group.

C. End Use Analysis

Under this method of a projection of own sales is made after analysis or projection of customers consumption. Based on future demand sales is forecasted under end use method.

4. Combined Method As per the need and nature of business and available resource, company may use combination of more than one method mentioned above for projection of its future sales.

Factors Affecting Sales Forecast and Sales Plan or Sales Budget

A sales plan is prepared for the sales forecast. A sales forecast is broader than a sales budget; generally encompassing potential sales for the entire industry, as well as potential sales for the firm is forecast of sales. Forecast that are to be considered in making a sales forecast include:

- Past experience in terms of sales volume.
- Prospective pricing policy
- Unfilled order backing
- Market research studies.
- General economic conditions.
- Industry economic condition.
- Movement of economic indicator such as gross national product, employment, prices, and personal income.
- Advertising and product promotion.
- Industry competition
- Market share.

While preparing sales plan following points are to be considered.

1. Price Cost Volume Consideration

In a competitive market, the price and sales volume are mutually interdependent. Because sales volume and price are so closely tied together, a complicated problem is posed for the management of almost all company. Thus, two basic relationships involving the sales plan must be considered : (I) estimation of the demand curve that is the extent to which sales volume varies at different offering prices and (ii) the unit cost curve, which varies with the level of productive output.

2. Product Line Consideration

Determination of the number and variety of product that a company will plan to sell is crucial in the development of sales plan. Sales plan must include tentative decision about new product lines to be introduced old product lines to be dropped, innovations and product mix.

2.1.6 Production Budget

After completion of sales plan, the next step in the budgeting is preparation of production plan. Production plan is mainly related with manufacturing organization. Production budget shows the number of units of services or goods that are to be produced during a budget period. The nature of product makes it difficult for some companies to synchronize production level with expected sales. When inputs are available only seasonably, production occurs in season

Production Budget = Sales budget + closing stock - opening stock

2.1.7 Components of Budgets or Plan

Production plan is prepared after sales budget. After completion of sales budget and production budget for long range and short-range plan period, the next stage is to prepare material budget. Based on the production budget, quantity of raw material needed for production should be determined. Raw material or component parts budget is composed of four integral sub budgets, they are

- Raw material/parts budget or plan
- Material parts purchase budget
- Material parts elementary budget
- Cost of material and parts used budget

2.1.8 Raw Material and Purchase Budget

Material budget specifies the planned quantities of raw material required for production process. Sufficient raw materials are needed to meet production needs, plus it should provide for the desired ending raw material inventory for the budget period. However, some quantity material requirement will already exist in form of beginning raw materials inventory. The remainder will have be purchased from suppliers. Therefore, the budget should show the planned quantities of each raw material, by time, by product and by using responsibility.

Planned Material consumption = Planned production units × standard raw material usage per unit of output

The material budget specifics the quantities and timing of each raw material needed. Therefore a plan for materials purchase must be developed. The purchased shows the estimated cost for each raw material and the required delivery dates.

Planned materials purchased unit = Planned material consumption + Ending inventory of raw material – Beginning inventory of raw material

The preparation of purchase budget is the responsibilities of the purchase manager. Therefore, it is his/her responsibility to provide budgeted unit and material cost for use in purchase budget.

2.1.9 Direct Labor Budget or Plan

Direct labor budget is based on planned production budget. Direct labor is defined as those labor cost directly identifiable with the production of specific units of finished goods. The production plan provides the underlying data for planning the direct labor requirement. Direct labor is one of the components of manufacturing cost, which can be directly traced out with the cost of production of the product. The labor budget requires two additional decisional inputs:

- The standard direct labor hour per unit pf each unit of finished goods.
- The average hourly wage rate planned. This budget must show the planned direct labor hour and cost by organizational responsibility and by product.

2.1.10 Expenses Budget and Plan

Expenses budget also play important role in the comprehensive profit planning or budgeting,. There are different categories of expenses based on objectives of use. However, there are three main categories of expenses 1.Factory or manufacturing overhead 2.General administrative expenses 3.Selling and distribution expenses.

Nevertheless, for the efficient planning and controlling of expenses it is necessary to further classify expenses on the following basis:

- Based on controllability: Controllable expenses and Uncontrollable expenses.
- Based on behavior: Variable expenses, fixed expenses and Semi variable or mixed expenses.
- Based on traceability: Direct expenses and indirect expenses.

In manicuring organizations there are mainly, two-responsibility center exists. First, one is production department and another is service department.

2.1.11 Manufacturing Expenses Budget

Manufacturing expenses is indirect cost of production, which cannot be directly traced out with the specific product or job. Generally manufacturing expenses budget should be prepared for interim time based on planned production volume for short-term plan period. Manufacturing overhead includes mainly indirect material, indirect labor and other manufacturing overheads. It includes different cost with different in nature and elements, so allocation of these expenses budget for different responsibility centre.

2.1.12 Selling and Distribution Expenses Budget

All the expense incurred in course of delivery of goods to the consumer is selling and distribution expenses. This budget is association with the sales budget. The two primary aspect of planning and distribution expenses budget are as follows:

A. Planning and Co-ordination

In the development of the tactical plan, it is essential that a favorable economic balance be achieved between sales efforts (expense) and sales result (revenue).

B. Control of Distribution Expenses

A side from planning consideration, it is important that serious efforts be given to controlling distribution expenses budget. Control is especially important, since

- Distribution expenses are frequently a significance expenses of total expenses and
- Both sales management and sales personals tend to view such expenses lightly, in some cases extravagant, such as entertainment expenses. Distribution expense control involves the same principle of control as manufacturing overhead. Control must be build around the concept of.
  I. Responsibility centre and
  II. Expense objective.

2.1.13 Administrative Expense Budget or Plan

Administration expenses include those expenses other then manufacturing and distribution expenses. Genera administrative expense is close to top management;

therefore, there is strong tendency to overlook their magnitude and effect on profit. Administrative expenses are incurred in the responsibility centers that provides supervision of and service to all functions of the enterprise rather than in the performance of any one function Administrative expenses budget includes all the expenses other that manufacturing and selling distribution expenses budget. Because a large portion of administrative expenses is fixed rather than variable, the notion persists that they cannot be controlled. Aside from certain top management salaries, most administrative expense is determined by management decision. Each administrative expense should be directly identified with a responsibility centre, and the centre manager should be responsible for planning and controlling expense.

2.1.14 Capital Expenditure Budget

Capital expenditure budget involves planning and control of long term capital investment. In other word the investment in fixed assets is known as capital expenditure decision. A fixed asset means assets that have more than one year service life. Capital budgeting consists in planning the deployment of available capital for the purpose of maximizing the long-term profitability (return on investment) of the firm. The term capital investment refers broadly to large expenditure made to purchase plant assets, develop new product lines, or acquire subsidiary companies. Such decision commits financial resource for large period and is difficult, it is not impossible, to reverse once the funds are invested. Thus, companies stand to benefit from good capital investments (or suffer from poor ones) from many years.

The process of evaluating and prioritizing capital investment opportunities is called capital expenditure. Capital budgeting relies heavily on estimates of future operating results. These estimates often involve a considerable degree of uncertainty and should be evaluated accordingly. The capital expenditure budget (or plan) is an important part of a comprehensive profit plan. It is directly related to a company’s operating assets, especially land, equipment and other operating assets and cash. The capital expenditure budget is an important budget providing for the acquisition of assets necessitated by the following factors:

- Replacement of existing assets.

- Purchase of additional machines to meet purpose increased in production due to increase in demand.
- Purchase of new assets because of starting up of new lines of production.
- Installation of an improved type of machinery so as to reduce the cost of production.

2.1.15 Cash Budget

Cash is the most liquid asset, without cash the company cannot survive. It is one major responsibility of management to plan, to control and safeguard the cash of enterprises. It is also considered as lifeblood of any enterprise. Therefore, cash management is very important for any management. Cash budget is the one of the important way for effective cash management. Cash budget helps for effecting plan of cash i.e. maximum utilization of cash and arrangement of needed cash efficiently. The cash budget is based on other functional budget where cash involved is essential. Cash budget has three main parts consisting of (i) cash receipts (ii) cash disbursement and (iii) cash balance. There are two different approach of cash management. First, one is cash budget approach and another one is financial accounting approach.

The primary purposes of cash budget are:

- Give the probable cash position at end of each period as a result of planned operations.
- Identify the cash excess or shortage by time period.
- Indicate the availability of cash discounts.
- Coordinate the cash with total working capital, sales revenue, expenses investment and liabilities.
- Establish the needs for financing and availability of idle cash for investment.
- Establish the sound basis for continuous monitoring of cash position.

2.1.16 Credit Policy

Credit policy can have a significant influence on sales. In theory, the firm should lower its quality standard for account accepts as long as the profitability of sales generated exceeds the added costs of the receivable. What are the costs of refluxing credit standard? Some arise from an enlarged credit department, the clerical work of checking additional accounts and serving the added volume receivable. The volume of credit sales and the average period between sales and collections determine the level of accounts receivable. The average collection period is dependent partly on economic condition and partly on a set of controllable factors credit policy variables. The major policy variables includes

1. Credit period :The length of time for which credit is general ;
2. Credit standard :The maximum risk of acceptable credit amount ;
3. Discount given for the early payment and
4. The firm's collection policy

There is opportunity cost of the additional receivable, resulting from increases sales and a slower average collection period. If new customers are attracted by the re-flexed credit standards, collecting from these customers is likely to be slower than collecting from exciting customers to be less conscientious in paying their bills in tie. To assess the profitability of a more liberal extension of credit; it should be known that the profitability of additional sales, the added demand for products arising from relaxed credit standards, the increased slowness of average collection period and the required return on investment.

2.1.17 Collection policy

Collection policy refers to the procedures, A firm follows to obtain payment of past due accounts. For example it may send a letter of such accounts when they are ten days past due date; it may use a more threatening letter, followed by a telephone call and it may be the amount over the collection agency. The collection process can be expensive in term of both out of pocket expenditure and lost goodwill, but at least some firm is needed to prevent an undue lengthening in the collection period and to minimize outright loses. Again a balance must be struck between the cost and benefit of different collection policy.

2.1.18 Profit Planning as a Concept

Profit planning involves selection of defined periods for the strategic and tactical profit plans (often five years and one year, respectively) in other words profit planning is a comprehensive statement of intentions expressed in financial terms for the operation of both short and long period. It is a plan of the firm's expectation and is used as a basis for measuring the actual performance of managers and their units. A profit plan has an immense value in management; it helps in planning and co-coordinating if used appropriate, but not a replacement for management. Profit planning is a comprehensive and co-coordinated plan expressed in financial terms, for the operations and resource of an enterprise for some specific period in the future. "A profit plan or budget is the formal expression of the enterprises plans and objectives stated in financial terms for a specified future period of time" (Fremgen, 1973; P144).

"Profit planning is a predetermined detailed plan of action developed and distributed as a guide to current operations and as a partial basis for the subsequent is a tool which may be used by the management in planning the future course of actions and controlling the actual performance" (Gupta, 1992:P521).

Profit plan is estimation, predetermination of revenues and expenses that estimates how much income will be generated, and how it should be spent in order to meet investment and profit requirements. In the case of institutional operations, it presents a plan for spending income in a manner that does not result in a loss.

The term comprehensive profit planning and control it defined as a systematic and formalized approach for performing significant phase of the management planning and control functions specially it involves:

- The development and application of broad and long-range objectives of the enterprise.
- The development of strategic long rang profit plan in broad terms.
- The specification of enterprises goals.
- The specification of tactical short-range profit plan detailed by assigned responsibility (Division, Products, projects).
- The establishment of a system of periodic performance reports detailed by assigned responsibility and follow up procedures.

In many of the better-managed companies, comprehensive PPC has been identified as a way of managing it focuses directly up on a rational and systematic approach to management by objectives and realistic flexibility in performing the management process.

A profit planning and control program can be one of the more effective communications network is in an enterprise. Communication for effective planning and control requires that both the executive and the subordinate have the same under standing of responsibilities, ensures a degree of understanding not otherwise understanding of responsibilities; ensure a degree of understanding not otherwise possible. Full and open reporting in performance reports that, fouls on assigned responsibilities likewise enhance the degree of communication essential to sound management.

Profit planning is an example of short range planning. This planning focuses on improving the profit especially from especially from a particular product over a relatively short period. Therefore as used here, it is not the same as corporate planning of a cost rendition program.

Profit planning involves streamlining activities in order to get employees profit minded and to secure maximum benefit from minimum effort and expenditure. Best results seem to be obtained by assigning a profit planner to investigate all the footers affecting the profit obtained from a single production the planner is given the right to prove the economics, the organization. The mode of operations, the pricing, the marketing or any fact of making and selling the product that in his judgment affects profit accruing from that product. The concentration of profit efforts upon one product and the fight of the planner to cross-traditional functional boundaries of the enterprise of translate needs from one group of another and to obtain concurred profit building efforts among those who can affect profits are the fundamental factors that contribute to the success of profit planning.

A profit plan is an advance decision of expected achievement based on the most efficient operating standards in effect or and prospect of time it is established against which actual accomplishment is regularly compared.

Profit Planning through volume of cost analysis, however, is a modern concept of management planning tools designated primarily for industrial enterprises. It involves a study of what a business cost and expenses should be and will be at different level of operations and it include a study of the resultant effect up to due to this hanging relationships between volume and cost.

2.1.19 Profit

Meaning and Concept of Profit

Profit is as important to a firm as water to the fish. Profits are the excess of income over cost of production and services. Profit is the amount available for ownership or equity after payments are made to all other factors used by the firm. "Profit is the basic elements of profit plan so that the concept of profit planning may not be complete idea of profit. According to oxford dictionary, profit means a) financial gain b) amount of money gained in business especially spent. Advantage or benefits gained from something" (Hornby, 1992:P5.67).

According to F.B Hawley, profit is the reward for risk taking in business. If the entrepreneur dies not receive the reward, he will not be prepared to undertake the risks involved in the business. This profit of the entrepreneur exceeds the ordinary return on capital. Entrepreneur would not be ready to undertake the risks.

According to Schumpeter, profit is the reward for innovations. The objective of innovation is to reduce cost of production and cause gap between existing price of the commodity and its new cost. The innovation may come in many forms, such as introduction of new production technique, or a new machine, or plan, a change in internal organizational structure of the firm.

Profits around which all enterprises activities directly or indirectly revolve play the significant role for judging the managerial efficiency. In absence of profit, nobody can think about the long-term survivability of the enterprises.

2.1.20 Planning

Planning is the first phase of five function of management and followed by Organizing directing coordinating and controlling. Planning is the choosing the alternative among the alternatives. Planning is the foundation of PPC. Planning is the process of developing enterprises objectives and selecting a future course of action to accomplishment them. It includes developing premises about the environment in which they are to be accomplished. It should be clear in the concept of planning. "According to oxford Dictionary", Planning means:

- (To do something) arrangement for doing or using something, considered or workout in advanced.

- Why of arrangement something especially when shown on a drawing scheme.
- Go according to plan” (Hornby, 1992:P5.45).

To plan is to look ahead and chalks out future course of operation. It is the determination of course of action to achieve desired result. Planning is deciding in advance what is to be done in future.

A planning process includes setting goals, evaluating resources forecasting by different methods and formulating a master plan. Planning depend upon the organized objectives. For the planning purpose a firm’s objectives can distinguish mainly three, the first is prime, the second is instrumental objectives are aims for accomplishment of more basis aim. For this purpose, the company has established divisional departmental and individual job objectives. Specific objectives are those objectives that have been specified as to tome and magnitude, which is known as goals. Because of specifying a period and a target amount, this goal is capable of giving specific guidance to various senses of management planning. Objective setting of a firm of very difficult. Unfortunately, most top management fails to develop a clear and operational statement of company objectives. More carefulness is necessary for this tedious job. Carefully stated firm’s objectives would yield at least the following benefits.

- Company objectives provide the ultimate criteria for resolving difficult company decisions and
- Company objectives are the basis for long-range profit planning.
- Planning is the process of developing enterprises objectives and selecting future course of action to accomplish them. It includes.
- Establishing enterprises objectives.
- Developing premises about the environment in which they are to be accomplished.
- Decision-making.
- Identifying activities necessary to translate plans in to action, and
- Current re-planning to current deficiencies.

The planning processes both short and long term is the most crucial component of the whole system. It is both foundation and the bond for the other elements because it is

through the planning process that determines what we are going to do. How we are going to do it and who is going to do it and who is going to do it. It operates as the brain centre of an organization and like the brain it both reason and communicate.
“Planning is the conscious recognition of the futurity of present decision. Planning is the feed forward process to reduce uncertainty about the future. The planning process is based on the conviction that management can plan its activities and condition that state of the enterprise that determines its density” (Pandey, 1991:P554).

Planning could be taken as the tools of achieving organizational goals efficiently and effectively from the selection of various alternatives with in an acceptable period. Planning consists in setting goal for the firm both immediate and long- range considering the various means by which such goals may be achieved and deciding which of any variables alternatives means would be best suited to the condition express prevail.

The essence of planning is

- To accomplish goals.
- To reduce uncertainty.
- To provide direction by determining the course of action in advance.

Planning is determined course of action for achieving organizational goals or objectives effectively and efficiently at a fluid environment with a certain period through the selection of various alternatives. On the other hand, it holds accountability and responsibility about result to individual. A full appreciation of the firm task requires distinguishing among three types of company’s activities, which is called strategic planning, management control and operational control. The strategic planning is an important function of top management. Planning requires the management to setting a future state toward which effort will be directed i.e. objective, assessing the organization’s resources, i.e. what the organization is going to work with, assessing the current and lately’ determine how and when to allocate resource accomplish the objective. Planning on the other hand is selecting objective and determining a course of action including allocation resources in order to achieve those objectives in a specific time. Planning states what, when, and how things will be accomplished. An adequate planning is necessary for control of operations.

2.1.21 Types of Planning

2.1.21.1 Corporate planning

Corporate planning reasoning out how a business will get, where it wants to go. It is largely mental process of thinking before doing. The essence of corporate planning is to see opportunities and threats or risk in the future, and exploit the opportunities, combat threats or face the risk as the case may be. Corporate planning means the systematic process of setting corporate objectives and making strategic decisions and developing the plans necessary to achieve these objectives. Corporate planning is one part of profit plan. It was first started in the USA in 1950, and it is however being used in one form or another in many companies there.

"Corporate planning is to determine the long-term goals of a company as a whole and then to generate plan designated to achieve these goals bearing in mind probable change in its environment. He pointed out the premises of the corporate planning are:

- Before drawing up a plan, which is designed to do something, decide what you want it to do.
- In these days of rapid change, it is necessary to look ahead as far a possible to anticipate these changes.
- Instead of treating a company as a collection of department, treat it as a corporate whole.
- Take full account of the company's environment before doing up any up any plan."(Robertson, 1968: P535).
- Long term planning is included in corporate planning. Corporate planning often is considered synonymous with long-tern planning. The main objectives of corporate planning are as follows.
- Achieving objectives.
- Embodiment of goals and objectives in the Enterprises.
- Formulating realistic and attainable objectives.
- Clarity and adequacy of goals and objectives.
- Communication of goals and objectives.
- Involvement of personnel in developing the goals of the enterprises.

2.1.21.2 Strategic Long Range Planning

Strategic plan is a road map for the future of the organization. It is a long range plan for five years and more. Top management prepares it. It is the means for implementing corporate strategy. It provides broad direction to take the organization where it wants to be in the long run. Its thrust is to search sustainable competitive advantage for the organization.

Strategic plan establishes overall mission, objectives and strategic for an organization. It makes strategic choice about future courses of action from among the relevant strategies. Policies for acquisition and deployment of resources are also specified.

- Mission is the reason for the existence of an organization. It identifies product, customer and competitive advantage.
- Objectives are desired out comes in terms of results to be achieved strategies are broad plans to achieved objectives.

Strategic planning is the careful, deliberate, systematic taking of decisions which affect or are intended to affect the organization as a whole over long period of time. Strategic planning is the formalized long range planning process used to define and achieve organizational goals. Basically, the long range planning is more important for broad and long living enterprises. A long-rang planning is closely concerned with the concept of the corporation as a long living institution the planner must include the following factors in his plan from the analysis of available information.

- Probable future opportunity.
- Uncertainty and
- Challengers.

Strategic planning is a decision making process such decision should be related about

- Determination of goals, objectives and strategies.
- The level and direction of capital expenditure.
- The accession of new sources of funds
- Organization design and structure etc.

2.1.21.3 Tactical/ Short Term Planning

Tactical plan is a short-range plan. It is developed for a short period of time usually a year, initially by quarters and by months for the first quarter. A tactical planning is done at all level and involves directing the organizations activities to achieve overall it strategic objectives consistent with the organization's mission and policies. Standing plans provides consistency by and efficiency for non-going operations, and single use plans are developed for unique situation. Projects are short-term plans designed to achieve objective within large-scale programs. Short-term plans cover about a year, and are less formal and detailed than long-range plans, which usually cover more than three months. The short range planning is selected to conform to fiscal quarter for years. Because of the practical needed for conforming plans to accounting periods and the some. What arbitrary limitation of the long range to three to five years is usually based as has been indicated on the prevailing belief that the degree of uncertainty over along period makes planning of questionable value.

2.1.22 Role of Forecasting in Planning

An organization established goals and objectives seeks to predict the environmental factors that selects action all that is hopes will result in attainment of goals and objectives. The forecasting is to take future decision at present from the analysis of relevant factors of past and present situation. It is an integral part of decision-making activities of management.

The need for forecasting is increasing as management attempts to decrease its dependence on change and become more scientific in dealing with its environment. Since each area of organization is related to all others. A good or bad forecast can effect the entire organization.

"It should be realized that building is not merely forecasting although forecasting is form of he basis of budgeting. Forecasting is estimate of the future environment with in which the company will operate. Budgeting or planning on the other hand involves the determination of what should be done, how the goals may be reached and what individual units are to be assumed responsible and be held accountable. Budget provides orderly way to attain goals and provides a time schedule for future action to produce. Measure Result" (Pandey, 1991:P576).

Forecasting is indispensable in planning. Forecasts are statement of expected future conditions definite statements of what will actually happen are partially impossible. Expectations depend upon the assumptions made. If the assumptions are possible, the forecast has a better chance of being useful forecasting assumptions and techniques vary with the kind of planning needed.

The short-term forecasting is needed in budget making. A budget set for the following year will be much useful. It is regarded to sales levels, which will eventuate rather than near to current sales level. As budget distributed according to current sales may establish policy as to lines of emphasis, but will obviously, required successive adjustment if sales levels changes.

2.1.23 Forecasting Vs Planning

Planning and forecasting often are confusing of being the same. Nevertheless, forecast is not a plan, rather is it a statement and for a quantified assessment of future conditions about a particular subject based on one or more explicit assumptions, planning on the other hand, involves the use of forecast to help to make good decisions about most attractive alternatives for the organization. Thus, a forecast seeks to describe what will happen, where as a plan is based on the notion that by taking certain action how the decision maker can affect subsequent events in a given situation and thus influence the final results, in the direction desired. Generally speaking, forecasting and forecasts are inputs to the planning purpose.

2.1.24 Purpose of Profit Planning

A comprehensive profit planning is a systematic and formularized approach for stating and communicating the firm's expectation and accomplishing management in such a way to maximize the use of a profit plan and to achieve the maximum benefit from the resources available to an organization over a particular span of time. The maximum objective of profit planning is to assist in systematic planning and controlling the operations of the enterprise. The purposes for the application of profit planning are:

- To state the firm’s expectation (goal) in formal terms clearly to avoid confusion and facilities their attainment.
- To communicate expectation to all concerned with the management to the firm so that they understood, supported and implemented.
- To provide a detailed plan of action for reducing uncertainty and for its proper direction of individual and group efforts to achieve goals.
- To coordinated the activities and efforts in such a way that the use of resources in maximized.
- To provide a means of measuring and controlling the performance of individuals and units and to supply information based on which the corrective action can be taken.

2.1.24.1 Long Range and Short Range Profit Plan

Two types of plans are developed; one strategic (long-range) and another tactical short range. The former profit plan takes a time horizon of 5to 15 years and the later for short period. The long range planning is a picture of more summary data. A part of this plan is more or less informal as presented by tentative commitments made by the executive committee in the organizational planning season. The formal portion of long-rang profit plan includes the following component detailed by each year.

- Income statement.
- Balance sheet.
- Capital Expenditure plan.
- Personal Requirements.
- Research plan and
- Long Rang Market Penetration plan.

Thus, the long rang profit plan covers all the area of anticipated activity; sales expenses, research and development, capital expenditure, cash, profit and return on investment.

The short-range tactical profit plan shows the primarily annual results, the detail by months, responsibility and products; in an organization, these annual summaries should be prepared.

To provide a general understanding of the profit plan and to provide an overall view of the comprehensive short-range profit plan.

According to Galenn and other, it is possible for the firms to develop these two profit plans for all aspects of the operations. Assuming participatory planning and receipt of the executive instruments, the manager of each responsibility center will immediately initiate activities within his or her responsibility center to develop strategic profit plan and tactical profit plan. Certain format and normally the financial function should establish the, general format, amount of detail, and other relevant procedural and format requirements essentially for aggregation of the plan. All these activities must be coordinating among the centers in conformity with the organization structure.

The preparation of long-rang profit planning in addition to short range profit planning is also viewed as a total planning concept of business. Long range planning is essential to maintain the annual profit at improving level. The ultimate measure of the success of a business in generally based on growth in the volume of sales, increasing return on capital investment, efficient organization and these are all long-term consideration.

2.1.25 Budgetary Control

2.1.25.1 Meaning of Budgeting and Budget

A budget is a detailed plan outlining the acquisition and use of financial and other resources over a given period. It represents the plan for the future expressed informal quantities terms. The act of preparing a budget is called budgeting. The uses of a budget to control a firm’s activities are known as budgetary control.

A budget is a detailed plan expressed in quantitative terms that specifies how resources will be acquired and used during a specified period of time. The procedures used to develop a budget constitute a budgeting system.According to fremgen, a budget is the quantitative expression of a proposed plan of action by management for a future time and is an aid to the coordination and implementation of the plan. Budget is defined as a comprehensive and coordinated plan, expressed in financial terms for the operations and resources of enterprises for some specified period in the future.

According to his definition the essential elements of a budget are:

- Plan
- Operation and resources
- Financial terms
- Specified future period
- Cooperation

Therefore, it can be say that budget is a quantitative expression of a plan of action and an aid coordination and control. Basically, budgets are forecasted financial statement formal expressions of managerial plans.

Budgeting: As a Device of Profit Plan

Budgeting, as a tool of planning, is closely related to the broader system of planning in an organization. It serves basically as a device for management, control; it is rather pivot of any effective scheme of control. “Budgeting is the principle tool of planning and control offered to management by accounting function.”(Welsch; 2004; P632) The prime objective of budgeting is to assist in systematic planning and in controlling the operations of the enterprises. In fact budgeting is best sources of communication and an important tool in the hands of management. Since, budgeting deals with fundamental polices and objectives, it is prepared by top management. A formal budget by itself will not ensure that a firm’s operations will be automatically geared to the achievement of the goals set in the budget. For this to happen, the top-level managers and lower level employees have to understand the goals and support them and coordinate their efforts to attain them.

A budget is comprehensive in that all the activities and operations of an organization are included in it. It covers the organization as a whole and not only some segments. The budgets are prepared for each segment of an organization. These are integrated into an overall budget for the entire organization. The overall budget is referred to as the master budget. Budgeting is a device of a planning and control that serves as a guide to conduct operation and a basis for evaluating actual results.

The main and objectives of budgeting are:

Explicit statement of expectations

- Communication
- Coordination

- Expectations as a framework for judging performance

2.1.25.2 Essentials of an Effective Budgeting

An effective budgeting system should have some essential to ensure best results. The following are the chief characteristics of an effective budgeting.

a. Sound forecasting
b. An Adequate and planed Accounting System
c. Efficient Organization with Definite lines of Responsibility
d. Formation of budget committee
e. Clearly defined business policies
f. Availability of statistical information
g. Support of top management
h. Good reporting systems
i. Motivational approach

a) Sound forecasting

Forecasts are the foundation of budgets, these forecasts are discussed by the executives and when most profitable combinations of forecasts are selected the become budgets. The sounder are the forecasts better result would out of the budgeting system.

b) An Adequate and Planned Accounting System

There should be proper flow of accurate and timely information in the enterprise, which is, must for the preparation of budgets. Only having an adequate and planed accounting system in the firm can ensure this.

c) Efficient Organization with Definite Lines of Responsibility

An efficient adequate and best organization is imperative for budget preparation and its operation. Thus a budgeting system should always be supported by a sound organization structure demarcating clearly the lines of Authority and responsibility Not only this, there should be a true delegation of authority from top to low levels of management. This will provide adequate opportunity to all executives to make decisions and to participate in the function of budget preparation. Thus, an efficient organization helps not only in budget co-ordination but also plays important role in budget co-ordination and operation.

d) Formation of Budget Committee

As mentioned earlier, Budget committee receives the forecasts and targets of each department as well as periodic reports and finalizes. In addition, approves the departmental budget. Thus in order to make a budgeting system more and more effective, a budget committee should always be set up.

e) Clearly Defined Business Policies

Every budget reflects the business policies formulated by the top management. In other words, budgets should always prepare taking in to account the policies set for particular department or functions. Nevertheless, for this purpose, policies should be precise and clearly defined as well s free from any ambiguity.

f) Availability of Statistical Information

Since budgets are always prepared and expressed in quantitative terms. It is necessary that sufficient and accurate relevant that should be made available to each department. Such date may not be available from accounting system alone and therefore they may be processed through statistical techniques. These data should be as far as possible, reliable accurate and adequate.

g) Support of Top Management

If a budget program is to be made successful, the sympathy of each member of the management team towards it should starts preferably from top i.e. chairperson. The enthusiasm for budget operation as well as direction for it should initiate and come from top.

h) Good Reporting Systems

An effective budgeting system also requires the presence of a proper feedback system. As work proceeds in the budget period, actual performance should not only be recorded but it should also be compared with budgeted performance. The variations should be reported promptly and clearly to the appropriate levels of management.

I) Motivational Approach

All the employees or staff other than executives should be strongly a properly motivated towards budgeting system. In an organization, it is needed to make each staff member feel too much involved in the budgeting system. To meet this end, motivational approach towards budgeting should be followed.

2.1.26 Fundamental Concepts of Profit Planning and Control

The fundamental concepts of PPC include the underlying activities or tasks must generally be carried out to attain maximum usefulness from PPC. These fundamentals have never been fully codified. An outline of the fundamental concepts of profit planning and control are (Goet, et al., 2062:P1-3).

- Managerial involvement and commitment
- Organizational adaptation
- Responsibility accounting
- Full communication
- Realistic expectation
- Flexible application
- Timeless
- Individual and group recognition
- Zero base budgeting
- Activity costing
- Behavioral view point
- Management control using PPC
- Follow up

Each of these fundamentals is discussed briefly in the following paragraphs. Moreover, it has tried to proof to what extent they are playing the role to make PPC a meaning full and a comprehensive approach.

Managerial Involvement and Commitment

Managerial involvement entails managerial support, confidence, and participation and performance orientation. All levels of management especially top-level management should consider following points in order to make PPC program successful. Managerial support, confidence, participations and performance orientations include managerial involvement. All level of management especially top-level management should consider following points in order to make PPC program successful.

- Understand the nature and characteristics of profit planning and control.
- Be convinced that this particular approach to manage is preferable for their situation.
- Be willing to devote the effort required to make it operative.
- Support the program in all its ramifications.
- View the results of the planning process as performance commitments.

"For the comprehensive profit planning and control (PPC) program to be successful it must have the full support of each a members of management, starting with the president the impetus and direction most come from the very top (Goet, et al., 2062: P1-4).

Organizational Adaptation

A profit planning and control programmed depend upon sound organizational structure for the enterprise 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 with in which enterprise objectives may be attained in a co-ordinate and effective way on a continuing basis. The responsibility for the obligation of each departmental manager should be well clarified. Whatever may be the nature and sense of organizational structure, one should always bear in mind the fact that no organizational structure can be taken as ends itself but it should always be treated as means or tools to attain the goal. "In conclusion the organizational involvement includes.

- Delegation of authority and responsibility to each functional sub. Units.
- Sub-divide the whole organization into different functional subunits.

- Each sub-unit should prepare its own annual or periodic plan.
- Based upon plan prepared by sub-units a master plan is to be prepared by higher management” (Goet, et al., 2062:P1-4).

Responsibility Accounting

In order to set up profit planning and control on a sound basis, there must be a responsibility accounting system that is one tailored primarily to the organizational responsibilities. A responsibility accounting system can be designed and implemented on a relevant basis regardless of the accounting system standard cost system, direct costing systems, and so on. Therefore, PPC requires responsibility accounting system.

Full Communication

Communication can be defined as an interchange of thought or information to bring about a mutual understanding between two or more parries.

Communication can be either dialogue messages or understanding from working together. Although most of the management gives least importance on communication but it is the most important thing for any organization observation and control. Most of the organization faces lot of problem due to bad communication system.

For profit planning and control; effective communication means development of well-defined objectives specification of goals, development of profit plans and reporting and follow up activities related to performance evaluation for each responsibility center. Communication for effective planning and control requires same understanding of responsibilities and goals in both the executives and subordinates.

Realistic Expectation

Perfection on setting goal or objectives of the future sales, production levels, costs, capital expenditures, cash flow and so on determines the success of profit planning and control programmed. So, for profit planning and control purpose, a realistic approach with time dimension and external and internal environment that will prevail during the time span should be considered. This is called realistic expectation.

Timeliness

'Time and Tide wait for none'. Whether an individual or an entity remains idle or busy, time passes at the same rate. The problem of the manager in one hand is to accomplish the planned activities in a given time and on the other hand is to prepare the plan itself phasing of the planning is of two types:

- Timing of planning horizons and
- Timing of planning activities.

"Planning horizons refers to the period of time into the future for which management should plan. Decision made to the organizations obviously can affect only the future. No present decisions can effects or change the past, since all managerial decisions are futuristic, each management is faced with the basic question of time dimension. The effective implementation of PPC concepts requires that the management of ES establish a definite time dimension for certain types of decision. And timing of planning activities suggests that there should be a definite management time schedule established for initiating and completing certain phases if the planning process" (Goet, et al., 2062:P1-5).

Flexible Application

The stress that a PPC programmed must not dominate the business and that flexibility in applying the plan must be forthright management policy. Therefore, those strait jackets are not imposed and all favorable opportunities are seized even through "They are not covered by the budget. Rigidity in practicability will be the harmful boundary in an association in an occasion for the enterprises. So, such boundary should be avoided which mean there should be flexibility in PPC so that the unseen golden opportunity should be grasped in future for the betterment of that organization" (Goet, et al., 2062:1-5).

Zero Base Budgeting

Under zero-base budgeting, every budget is constructed on the premise that every activity in the budget must be justified. Zero Base Budgeting is a method of budgeting in which managers are required to start from zero level every year and to justify all costs as if the programs involved were being initiated for the first time. It starts with the basic premise that the budget for next year is zero and that every expenditure, old and new, must be justified based on its cost and benefit.

Activity Costing

"Responsibility accounting system generally accumulates costs by department and product costing systems associate costs with units of product or service organization also frequently finds it useful to associate costs with activities. By decomposing an organizations production process into discrete set of activities, and then associating costs with each of those activities. Moreover, by systematically identifying the activities through out the organizations managers can identify redundant activities" (Welsch, 2004: P42).

Individual and Group Recognition

Behavioral aspects of human being are of the field of study of the psychologist, educators and businessperson, and finding was that there could be so many unknown misconception and speculations, which has to be considered for an efficient management. A good and dynamic leadership can resolve this problem by integrating all the group efforts for betterment of the organization.

Management Control Using PPC

The primary purpose of control is to ensure attainment of the objective, goals and standards of the enterprises. Control has many facets such as direct observation, oral express, policies and procedures, reports of actual results and performance reports. "PPC focuses on performance reporting and evaluation of performance to determine the causes of both high and low performance. The essential characteristics of a PPC performance repots are as follows" (Welsch, 1999:P40).

- Performance is classified by assigned responsibilities
- Controllable and non controllable items are designated
- Timely reports are issued.

Emphasis is given to a comparison of actual results and planned results should be designated the responsible manager and show actual results.

Behavioral Viewpoint

An ounce of behavior is better than a quintal of the theorem so ever is the theory and theorem, the organization only when it improves its behavior, is best or in another way Welsch has suggested that the motivation of human resources through dynamic leadership central to effective management. “It is found by many psychologist and educators and businessmen that, there are many known and unknown, misconception and speculations concerning the responses of the individual and the group in the varying situation so the PPC programs bring many of these behavior problems in the sharp and focus and trying to resolve” (Welsch, 1999:P53).

Management by Exception

A comprehensive profit planning and control program facilities in many ways, underlying these is the measurement of actual performance against planned objectives goals, and standards and the reporting if that measurement in performance reports. This measurement and reporting extends to all areas of operations and to all responsibility centers in the enterprises. It involves reporting.

- Actual result
- Budgeted or planned results and
- The differences between the two

This type of reporting represents an effective application of the well- recognized management exception principle. “The exception principle holds that the manager should concentrate primarily on the exceptional or unusual items that appear in daily, weekly and monthly reports, thereby living sufficient managerial time for overall policy and planning considerations. It is the ‘out of line ‘that need immediate managerial attention to determine causes and to take corrective action. The items that are not out of line need not utilize extensive management time, how ever; they should trigger “rewards” in appropriate ways. To implement the exception principle, techniques, Procedures must be adopted to call the manager attention to the ‘out of control’ items. Performance reports because they include a comparison of actual results with plans by areas of responsibility, emphasize in a relevant ways performance variation. The out of line items stand out. It is with respect to these items that the busy executive should investigate, determine the causes and take corrective action” (Welsch, 1999:P45).

Follow Up

This fundamentals holds that both good and substandard performance should be carefully investigated the purpose being three fold.

- In the case of substandard performance, to lead in a constructive manner to immediate corrective action.
- In the case of outstanding performance, to recognize it and perhaps provide for a transfer of knowledge to similar operation and
- To provide a basis for better planning and control in the future.

2.1.27 Profit Planning and Control Process

Profit planning and control process is necessarily integrates the planning, leading and control function of management. A PPC program includes more than the traditional idea of a periodic or master budget. Rather, it encompasses the application of a number of related management concepts through a variety of approaches, techniques and sequential steps. These steps are out lined in this study in the following manner.

a. Identification and Evaluation of External Variables

It is discussed the distinction between external and internal variables for an enterprises. These variables exert major influences on an enterprise. The variable identification phase of the PPC process focuses on a) identifying and b) evaluating the effects of the external variables. Management planning must focus on how to manipulate the controllable variables. Variables, which have a direct and significant impact on the enterprises, are called relevant variables. Variables may have their different relevancy according to the market nature. “For the enterprises purpose the external relevant variables are population, G.N.P. competitive activities product line, and industry sales. And so far internal variables are concerned employees, capital, research productivity, pricing operating costs, advertisements etc. a particularly significant phase of this analysis includes an evaluation of the present strength and weakness of the enterprises the comprehensive PPC approach is based on the expectation that these significant aspects of operations will be critically analyzed and evaluated periodically and in an orderly manner” (Welsch, 1999:P74).

b. Development of the Broad Objectives of the Enterprises

Development of the broad objectives of the enterprises is a responsibility of executive management. Based on a realistic evaluation of the relevant variables and an assessment of the strength and weakness of the organization, executive management, can specify or restate this phase of the PPC process.

“The statement of broad objectives should express the mission, vision and ethical character of the enterprise. Its purpose is to provide enterprise identify continuity of purpose is to provide and definition." One research study listed the purpose of the statement essentially as follows.

- To define of the purpose of the co.
- To clarify the philosophy character of the Co.
- To create particular climate with in the business.
- To set down a guide for managers so that the decisions they make will reflect the best interest of the business with fairness and justice to those concerned” (Welsch, 1999:P75).

c. Development of Specific Goals for the Enterprises

This component of a comprehensive PPC process is to bring the statement of broad objectives into sharper focus and to move from the ream of general information to more specific planning information. It provides both narrative and quantitative goals that are definite and measurable. These specific goals relate to the enterprises as a whole and to the major responsibility centers.

“Executive management as the second component of the substantive plan for the upcoming budget year should develop these goals. Executive management should exercise leadership in this planning phase so that there will be a realistic and clearly articulated framework with in which operations will be conducted toward common goals” (Welsch, 1999: P77).

d. Development and Evaluation of Company Strategy

Company strategies are the basic thrusts ways and tactics that will be used to attain planned objectives and goals. A particular strategy may be short-term or long-term. Here are some actual examples of basic strategies:

- Increase long-term market penetration by using technology to develop new products and innovation the product.
- Emphasize product quality and price for the top market.
- Expand market the company will mot enter foreign markets in the near future.
- Market with low price to expand value.
- Use both institutional and local advertisement program to build market share.
- Improve employee morale and productivity by initiating behavior management program.

Among probable alternatives, the best should be chosen which would tackle to the objectives and goals of the organization. Strategies focus and 'how' so that they outline a plan of action for the enterprises" (Welsch, 1999:P78).

e. Executive Management Planning Instruction

This phase involves communication of the substantive, plan to middle and lower management levels. It explains the broad objective, enterprise goals enterprise strategies, and any other executive management instruction, needed to develop the strategic and tactical profit plans. It also is called the statement of planning premises or the statement planning guidelines. Executive management explicitly establishes a planning foundation that is a condition precedent to the movement in the planning process. "On the basis of this planning foundation the statement of planning guidelines is set as executive management instructions and is disseminated in order to initiate a sophisticated and potent move from broad corporate planning to the development of profit plans by each major responsibility center in the enterprises. It is simply a communication steps from executive management to the lower levels of management and it should adopt the fundamentals of full communication" (Welsch, 1999:P79).

f. Preparation and Evaluation of Project Plans

Project plans encompass variable time horizons because each project has a unique tie dimension. Project plan encompass such items as plans for improvement of present products, new and expanded physical facilities, entrance into new industries, exit from products and industries, new technology, and other major activities that can be separately identified for planning purpose. The nature of projects is such that they must be planned as separate units.

"Consistent with this approach during the formal planning cycle, Management must evaluated decide up on the plan status of each project in process and select any new projects to be initiated during time dimension covered by the up coming strategies and tactical profit plans" (Welsch, 1999:P79).

g. Development of Strategies and Tactical Profit Plan

When the managers of the various responsibility centers in the enterprises receive the executive management planning instruction and the projects plans, they can begin intensive activities to develop their respective strategic or tactical profit plans. The strategic and tactical profit plans are usually developed concurrently. Certain format and procedural instructions should be provided by a centralized source, normally the financial functions, to establish the general format, amount of detail and other relevant procedural and format requirement essential for aggregation of the plans of the responsibility centers, into the overall profit plans. All of this activity must be coordinated among the centers in conformity wit the organization structure.

"When the two plans for the overall enterprises are completed, executive management should subject the entire planning package to a careful analysis and evaluation to determine whether overall plans are the most realistic set that can be developed under the circumstances. When this point reaches the two profit plans should be formally approved by the top executive and distributed to the appropriate managers" (Welsch; 1999:P80).

h. Implementation of profit plan

Implementation of management plans that have been developed and approved in the planning process involves the management function of leading subordinates in attaining enterprises objectives and goals. Thus effective management at all levels requires that enterprises objectives, goals, strategies, and policy to be communicated and understood by subordinates. “There are many facets involved in management leadership. However, the comprehensive PPC program may aid substantially in performing this function, plan, strategies and policies foundation for effective communication. The plan should have been developed with the managerial conviction that they are going to be met or exceeded in all major respects. If these principles are effective in the development process, the various effectives and supervisor will have a velar understanding of their responsibilities and the expected level of performance” (Welsch, 1999:P80).

i. Use of Periodical Performance Reports

“The accounting department on a monthly basis prepares performance reports. In addition, some special performance reports are prepared more often on an “as needed” basis. The performance reports: a). compare actual performance with planned performance and b). Show each difference as a favorable or unfavorable performance variation” (Welsch, 1999:P85).

j. Follow Up

Follow up is an important part of effective control because performance reports are based on assigned responsibilities; they are the basis for effective follow up actions. “It is important to distinguish between cause and effect. The performance variations are effects, the management must determine the under lying causes. The identification of causes is primarily as responsibility of line management” (Welsch, 1999: 88).Finally, there should be a special follow up of the prior follow up actions. This step should be designed to:

- Determine the effectiveness of prior corrective actions and
- Provide a basis for improving future planning and control procedures.

2.1.28 Advantages and Disadvantages of PPC

Advantages: The usefulness of comprehensive PPC may offer more benefits, which may be summarized as below.

- It forces early consideration of basic policies.
- It requires adequate and sound organization structure; that is there must be a definite assignment of responsibility for each function of the enterprise.
- It compels all members of management, from the top down, to participate in the establishment of goals and plans.
- It compels departmental managers to make plans in harmony with the plan of other departments and of the entire enterprise.
- It requires that management put down in figures what is necessary for satisfactory performance.
- It requires adequate and appropriate historical accounting data.
- It compels management to plan for the most economical use of labor material and capital.
- It instills at all levels of management the habit of timely, careful and adequate consideration of the relevant factors before reaching important decision.
- It reduces cost by increasing the span of control because fewer supervisors are needed.
- It frees executives from many day-to-day internal problems through predetermined polices and clear- cut authority relationships. It thereby provides more executive time for planning and creative thinking.
- It tends to remove the cloud of uncertainty that exists in many organizations, especially among, lower levels of management, relative to basic policies and enterprise objectives.
- It pinpoints efficiency and in efficiency.
- It promotes understanding among members of management of theirs co-workers problems.
- It forces management to give adequate attention to the effect of general business condition.
- It forces a periodic self-analysis of a company.
- It checks progress or lack of progress towards the objectives of enterprises.

- It forces reorganization and corrective action. (including rewards)

Disadvantages: PPC model should not be assumed that the concept is full proof or that it is free of problem. The following main arguments are usually given against PPC

- It is difficult, if not impossible, to estimate revenues and expenses on our company realistically.
- Our management has no interest in all the estimate and schedules. Our strictly informal system is better and works well.
- It is not realistic to out and distribute our goals policies and guidelines to all the supervisors.
- Budgeting places to great a demand.
- It takes away management flexibility.
- It creates all kinds of behavioral problems.
- It places the management in a straitjacket.
- It adds a level of complexity that is not needed.
- It is too costly asides from management time.
- The managers, supervisors and other employees hate budgets.

What ever exists in the world has both advantages and disadvantages; and it is clear that used or apply it only in that case if it has many advantages. A PPC model also has more advantages than disadvantages. Thus, now a days PPC system (model) is especially familiar to organizations and widely used in this world of management.

2.1.29 Basic Assumption and Limitations Profit Plan

Profit planning system is more common in large companies, to serve the management. Still, the usefulness of budgeting to very small business could have been circumvented by an early attempt to qualify the dreams of headstrong. However, there are so many assumptions of using profit-planning program.

The basic assumptions prior to the start of the profit planning system are:

- Profit plans are based on estimates and reality hardly coincides to the estimate. Therefore, a profit planning and control program must be continually adapted to fit changing circumstances.

- Profit plans are just plans and the execution of a profit plan will not occur automatically. It requires smart and sincere human effort.
- Profit planning should not limit the manager's thinking.
- However, each tool suffers some limitation and its use is fruitful within these limits. Profit planning and control is also not a limitless tool; so it is essential that the user of profit planning and control must be having a full knowledge of its limitations. The limitations of profit planning are as under:
- Based on estimates: profit planning is not an exact science. Its sources depend upon precision of estimates.
- Danger of Rigidity: profit planning is not an estimation and quantitative expression of all relevant data. So, there can be the tendency to attach some sort of rigidity or finality to them:
- Application for long period.
- Execution is not automatic.
- Not a substitute for management.
- Costly affairs.
- Proper evaluation.
- Lower morale and productivity.

"The profit plan should be regarded not as a master but as a servant. It is one of the best tools yet devised for advancing the affairs of a company and the individuals in their various spheres of managerial activity. It is not assumed that any profit plan is perfect. The most important consideration is to make sure, by intelligent use of profit plans that all possible attainable benefits are derived fro the plans as rendered and to re-plan when there are compelling business reasons" (Goet, 2062 :P 1-6).

2.1.30 Implementation of the Profit Plan

a. Completion of the Annual Profit Plan

The development of an annual profit plan ends with the planned income statement, the planned balance sheet, and the planned statement of cash flows. These three statements summarize and integrate the detailed plans developed by management for the planning period. They also report the primary impact of detailed plans on the financial characteristics of the firm. In profit planning, the budget director has an important responsibility for designing and improving the overall system. “Other essential sub budgets are the following.

- Planned statement of cost of goods manufactured.
- Planned statement of cost of goods sold.
- Planned income statement.
- Planned statement of cash flows.
- Planned balance sheet.

The profit plan completion date is important. Issuances of a profit plan after the beginning of the budget period are one sure way of destroying much of the budget potential” (Welsch, 1999:P466).

b. Implementing the Profit Plan

Profit plan should represent potentially attainable goals, yet the goods should present a challenge to the enterprise. The plan should be developed with the conviction that the enterprise is going to meet or exceed all major objectives. Participation enhances communication (both down ward and upward). If this principle is to be effective, the various executives should have a clear understanding of their implementation responsibilities.

The final test of whether the efforts and cost in developing a profit plan are worthwhile is its usefulness to management. The plan should be developed with the conviction that the enterprises are going to meet or exceed al major objectives; participation enhances communication. If this principle is to be effective, the various executives and supervisors should have a clear understanding of their responsibilities. The copies of the complete profit plan be prepared and distributed to the member of executive management. The guiding principle in establishing the distributed policy might be to provide one copy to each member of the management team according to his/her overall responsibilities, while taking in to account the problem of security. After distribution of the profit plan, a series of profit plan conferences should be held. The top executives discuss comprehensively the plans expectations and steps in implementation. At this top level, meeting the importance of action, flexibility and continuous control may well be emphasized. In essence, each manager has to realize that the budget is a tool for his or her use. Conferences should be held to convey the profit plan to each level of management.

The manager of each responsibility center obtains an approved profit plan for his center and it becomes the basis for current operations and excerpts considerable coordinating and controlling effects.

Performance must be measured and reported to management. Execution of the plan is assured through control procedure must be established so that accomplishment, or failure is immediately known. On this basis action can be taken to correct or minimize and undesirable effects. Short term performance reporting is essential.

“A budget programs viewed and administrated in a sophisticated way does hamper or restrict management, instead, it provide definite goals around which day today and mouth to mouth decisions are made. Flexibility in the use and application of both the profit plan and variable budgets also should be considered in detail. Flexibility in budget application is essential and it increases the probabilities of achieving or bettering the objectives” (Welsch, 1999:P472).

2.1.31 Performance Reports

Performance reports deal with control aspect of PPC. The control function of management defined as the action necessary to assure the objectives, plans, policies and standards are being attended. Performance reporting is an important part of a comprehensive PPC system. Its phase of a comprehensive PPC program significantly influences the extent to which the organization has planned goals and objectives are attained. Performance reports are one of the vital tools of management to exercise its controls function effectively.

Special external reports, reports to owner & internal reports are specially presented in the organization. Performance reports include in internal reports groups. It is usually prepared on a monthly basis and follows a standardized format. Such reports are designed to facilitate internal control by management. Fundamentally, actual result of reports is compared with goals & budget plans. Frequently they identify problems that require special attention since these reports are prepared to pinpoint both efficient & inefficient performance.

a. Features of Performance Reports

Performance report is very important. Performance reports offer management essential insights in to all the facts of operational. The main objective of performance reports is the communication of performance measurement, actual results and the related variances. Efficiencies Performance reports should be:

- Tailored to the organizational structure and focus of controllability (that is by responsibility centers).
- Designed to implement the management by exception principle.
- Repetitive to implement the management by exception principle.
- Adapted to the requirement of the primary users.
- Simple understandable & reports only essential information.
- Accurate and designed to pinpoint significant distinctions.
- Prepared and presently promptly.
- Constructive in tone.

b. Aspects of Performance Reports

Performance reports should be available on a timely basis. To attain a realistic balance between immediate reporting & the costs of detailed reporting, monthly performance reports are widely used in the organization. To extent to which the various managers use their performance reports depends on many factors, some behavioral and some technical. One important factor is the extent to which the performance reports serves the management and decisions making needs of the users. Top management needs reports that give a complete and readily comprehensive summary of the overall aspects of operations and identification of major events. Middle management needs summary data as well as detailed data on day-to-day operation. Similarly lower level management needs reports that must be detailed, simple understandable & limited to items having a direct bearing on the supervisor's operational responsibilities.

In the design and preparation of performance reports careful attention must be given that titles and headings should be descriptive; column heading & side caption should clearly identify the data, & the technical jargon should be avoided. Reports should not be too long & complex; tabulations should be avoided. Performance reports should be standardized to a reasonable degree and if should be relevant.

2.2 Review of Previous Research Work

The previous research studies helps to provide the foundation to present of study. The purpose of literature review is thus to find out what research studies have been conducted in one's chosen field of study and what remains to be done. In this study has been included those study which is related Revenue planning from various research but it is the first study of Constant business Group Pvt. Ltd. Review of literature is essential to explore what other research in the area have uncovered. A literature review is the process of reading, locating and obtaining the relevant subject matters in the area of students' interest. The purpose is to develop some expertise in the area, to see what new contribution new contributions can be made, and to review some idea for developing a research design.

“A critical review of the literature helps the researcher to develop a through understanding and insight into previous research work that relates to the present study. It is also a way to avoid investigating problems that have already been definitely answered” (Woolf and Pant, 2004:P39).

There are research works conducted by the students of T.U, Shankar Dev Campus and other campus in the field of profit planning practices as well as revenue planning in the private sector organization and public Enterprises. Most of dissertations are focuses on the public enterprises revenue planning and budgeting. The dissertation which is related to private enterprises is very few. Budgeting is only one aspect of comprehensive profit planning; therefore, some research work could not incorporate overall aspects of Revenue Planning.

Acharaya (2004) made research on "Revenue planning and management of manufacturing companies in Nepal: A case study of Nepal Biscuits and confectionary Pvt. Ltd (NEBICO)" had the Following major finding and recommendations:

The main objectives of this study are:

1. To evaluate the deviation between budgeted and actual sales.
2. To Analysis the pricing policy of NEBICO.
3. To analysis the demand of product.

The major findings of this study are:

1. NEBICO has different between actual sales and budgeted sales. The achievement of NEBICO is more than 80% in all fiscal year.
2. NEBICO has not considered major demand of rural areas people, it is shown from the investigation that its major market is in urban areas.
3. Major contribution was made by Biscuits sales profit on total profit of NEBICI. 98 % contribution made by Biscuits sales and remaining was made by confectionary to profit of NEBICO.
4. NEBICO has not been practiced of preparing monthly budget.
5. The pricing policy needs revision and pricing adjustment policy of the company also not fare.

Major recommendations of Mr. Acharaya's research are:

1. NEBICO planners should be properly trained for budgeting and revenue planning.
2. NEBICO should considered demand determinations, at the time of planning budget it should survey markets all over the country.
3. To achieve targeted sales revenue, NEBICO should make realistic forecasts.
4. NEBICO should start the practice of preparing monthly budget for sales revenue.
5. While setting the target for next year, NEBICO should consider other factors such as increasing or decreasing of consumer of every product.
6. Company should try to achieve its targeted sales in those products while cover large percentage on the whole, such as Glucose 75 gms, Thin Arrowroot 75 gms, coconut crutches 100 gram ,malt Glucose 65gms etc.

Shrestha: (2006) has made "A *Study on Role of Sales Plan in Profit Planning in Nepalese Public Enterprises"*, (A case study of NEA)

The general objectives of this study is to examine and evaluate the practice of profit planning and control with special reference of sales planning and its impact on profit of Nepal Electricity Authority.

The objectives of this study are as follows.

1. To analyze the variance of annual budget sales and actual sales.
2. To analyze the relationship between sales and profit

3. To analyze the interrelationship between sales and profit.
4. To study the trend of sales and problems of NEA.
5. To interpreter the sales related ratio.

Major Finding

1. With special reference to sales planning, it can be said that NEA has practice of preparing various functional budgets in the process of preparing comprehensive profit plan.
2. The budgeted and actual sale has CV 94.5% and 116.1% respectively. Therefore, actual sales are more variable than budgeted sales.
3. The trend value of sales is in increasing trend. The time series analysis indicates that it will go on increasing in the following years too.
4. There is positive and a perfect correlation between budgeted sales & actual achievement of sales. The value of correlation between budgeted and actual sales is 0.9915.
5. An actual sale is less than actual production. It indicates remarkable loss of power in NEA.

Karki (2007); has made a study entitled, "*Revenue Planning in Service oriented Company*" A case study of Nepal Nepal Telecom limited. The main objectives of the study are to search and highlight the role of revenue planning in the performance of N.T.C. Therefore, the major objectives of the study are as follows.

1. To sketch out the use of revenue planning tools and techniques.
2. To examine the use of planning in managerial short run and long run decision making.
3. To point out short Cumming in sales budgeting and planning.

Major Finding

1. No plans and programmed has been made about possible consumption of telephone industries.
2. NTC has not adopted of practice of preparing monthly revenue earning reports
3. The revenue plan prepared by the branches and sub branches were not taken as reference for preparing of central revenue plan.

4. There are consistency between planned sales and actual sales, their correlation was high.
5. Planned sales revenue was highly and positively correlated. The correlation of actual sales revenue is also positive and high.
6. The analysis of category wise revenue plan shows that achievement in domestic, noncommercial and industrial categories are highly consistent. But the achievements in remaining categories are fluctuating.
7. NTC has been making efforts to bring operating loss down to 10% since 1990/00 but actual loss crossed about 2% in the analysis period.

Shrestha (2008) has made a study entitled "A Sales Planning In Kathmandu Milk Supply Scheme" The following major objectives, findings and recommendations are: The major objective of this research is to study of the practice the sales planning system and its effectiveness, in KMMS unit of the DDC. Other objectives of the study are as follows.

1. To identify the sales planning process of KMMS.
2. To examine the formulation and implementing procedures of sales plan of KMMS.
3. To evaluate the variation of Actual and Budgeted sales of KMMS.
4. To examine the effectiveness of sales plan in KMMS.
5. To suggest and recommend for improvement of the planning system in KMMS.

Major findings

1. KMMS has short term planning rather then long term planning.
2. KMMS is not preparing its periodic performance report for the evaluation of performance to find the causes of poor achievement.
3. KMMS has not collected all milk, which is offered by farmer.
4. The collection of milk and sales of milk are increasing but milk products are fluctuation.
5. There is no coordination between purchasing department to sales and production department.
6. KMMS has over utilized plant capacity.
7. Only the top level executives are involved in planning and decision making but lower level participation are not encouraged.

8. Sales forecasting is not based on the realistic ground.

Sharma (2010) made research on "Study on Revenue Planning and Management practices of Dabar Nepal Pvt. Ltd" had the following major objectives, findings and Recommendations.

The main objectives of this study are:

1. To analyses of sales revenue of Dabur Nepal Pvt. Ltd.
2. To examine revenue generated by Dabur Nepal Pvt. Ltd.
3. To evaluate the deviation between actual and budgeted sales.
4. To explore the relationship of sales with profit of Dabur Nepal Pvt. Ltd.

The findings of this study are:

1. DNPL used to prepare short term budget only.
2. DNPL sales forecast depends on export demand and sales trend.
3. The revenue trend showed that the actual sales were in fluctuation but the budgeted sales were increased in each fiscal year.
4. DNPL has target sales achievement range 74.73% to 89.15% during the study year.
5. The correlation analysis shows there is highly negative correlation between sales and net profit that mean the profit is not highly caused from sales.
6. The main source of cash generation was from operating activities. Company invested to purchase new automatic machine.

The Major Recommendations of Sharma's Research is:

1. DNPL sales forecast should be made on realistic ground. Forecast should include strategic and actual forecast that are consistent with the time clemencies. The process of developing realistic sales should unique according to requirement of the company.
2. DNPL should develop specific goals for the coming budget. Such goals may be return on capital employed, net profit on sales increase in cost effectiveness etc. with out such goal DNPL not be effective.
3. DNPL should develop effective pricing policies according to the competitive market situation and profit volume relationship.
4. DNPL should focus the promotional tools.

5. The budgeted should prepare by analyzing the past achievement and considering demand determinants.
6. The company should prepare separate production budget.

2.3 Research Gap

There are some research of private enterprise which is related to other sector of profit planning and control. So it is new research work and major finding of research is applied for private enterprises. The previous researches have also not applied the full concept of Budgeting and Revenue also but the previous studies can't be ignored because they provide the foundation to present study. In other words, there has to be continuity in research. This continuity in research is ensured by linking the present study with the past research studies. Here, it is clear that the new research cannot be found on the exact topic, i.e. Revenue planning and its impact on profitability. The purpose of this research is to develop some expertise in one's area, to see what new contribution can be made and to receive some ideas, knowledge and suggestions in relation to “Revenue planning and its impact on Profitability of Constant Business Group Pvt.Ltd.". Therefore, to fulfill this gap, this research is selected. To complete this research work: many books, journals, articles and various published and unpublished dissertations are followed as guideline to make the research easier and smooth. Previous researchers could not cover all the aspects of Revenue planning in Nepalese private enterprises. Therefore, this study is useful to the private enterprises as well as different persons: such as shareholders, investors, policy makers, and other researchers etc. Thus, present study may be valuable piece of research work.

CHAPTER-III

RESEARCH METHODOLOGY

Research methodology is a systematic way to solve the research problem. It gives a systematic way and a framework to solve a phenomenon. “Research methodology refers to the various sequential steps to adopt by a researcher in studying a problem with certain objectives in view” (Kothari, 1989).

This study covers quantitative methodology in a greater extent and cases the descriptive part based on both technical aspect and logical aspect. The major objective of this research are to analyze the revenue planning practice in CBG, its effectiveness, use of short term and long term revenue planning tools, to evaluate the variance in budgeted and actual result and find out financial strength and weakness. The research methodology includes research design, data collection procedures and research variable and tools used.

3.1 Research Design

Research design is the plan, structure and strategy of investigation conceived so as to obtain answer to research question and to control variance. Research design means a definite procedure and technique which guides the study and propounds ways for doing research. This study is an examination and evaluation of process in Revenue planning and its impact on profitability of CBG. Various functional budgets and other related accounting information’s and statement of the enterprises are the materials to analyze and evaluate the revenue planning system of the Enterprises. Descriptive as well as analytical research designs have been adopted in this research.

3.2 Sources of Data

This study is mostly based on secondary data. However, primary data and information have been obtained through informal discussions with the executives and other staff of the company. Secondary data have been collected from the annual accounting and financial statement of CBG. The Six year data is taken for the study from the year 2006/07 to 2011/12 As per effective Research work, data play very important role to the last extent all the research data for this research work as taken from its origin.

3.3 Data Collection Techniques

For this study some techniques and procedure are adopted to collect necessary and authentic data and information. Since this study is related with revenue budgeting practice so, the relevant data are collected from secondary source. For this research work all, the quantitative data are collected directly from CBG. For the data regarding functional budget, data are collected from secondary source only. Some qualitative data are collected from the persons directly or indirectly related with CBG. Some descriptive data are collected from office staff of the CBG and some data are collected from previous researcher.

3.4 Population and Sample

As this research aims at studying the revenue planning aspect of the CBG, taking the reference of CBG and data have been analyze for several years of its operation. Here, all the private enterprises are population of the study and CBG has been selected as sample for the present study.

3.5 Tools and Techniques

This study is confined to examine the Revenue planning of CBG. Therefore, the data have been collected accordingly and managed, analyzed and presented in suitable tables, formats, diagrams, graphs and charts. Such presentation have been interpreted and explained wherever necessary. Financial, Accounting, Mathematical and statistical tools are used to analyze. The presented data, which includes Ratio analysis, Percentage, Regression analysis Correlation coefficient, Mean, Standard deviation, Coefficient of Variance, and time series etc.

3.5.1 Financial and Accounting Tools

Following financial tools have been used to analyze the data in this study.

1. Ratio analysis: By ratio analysis, arithmetical relationship of two data and Account Receivable analysis.

a. Analysis of Account Receivable

Account receivable management is very importance for timely revenue collection. It is important to analyze past year's data to evaluate CBG efficiency to manage account receivable property. Account receivable analysis is most important part of constant Business Group Pvt. Ltd.

Collection Period = $\frac{Receivable \,|\, 365\ days}{Sales}$

Debtors Turnover = $\frac{365\ days}{Collection\ period}$

2. CVP analysis: Cost volume profit analysis is a popular and very reliable management accounting tool to measure and analysis the financial performance to the organization. It is a part of profit planning and control. CVP analysis can be extended to over the effects on profit of changes in selling price or service fee cost. Income tax rate and production mixed. CVP analysis provides the management with a comprehensive overview of the effects on revenue and cost of all land of short run financial change. CVP analysis helps to determine the minimum sales volume to avoid losses and sales volume to avoid losses and sales volume at which the profit of the company will increase. The different tools of CVP analysis are:

a. Contribution Margin Ratio,

Contribution margin is the differences between sales revenue and variable cost.

Contribution Margin (CM) = Sales-Variable Cost.

CM is known as profit volume ratio (P/V ratio) or CM ratio. This can compute by dividing the sales to contribution margin.

b. Break Even point (BEP)

Break even point is "no profit no loss" point. Where cost and sales revenue become equals. It is very necessary to know the BEP for every organization. BEP can compute in Rs. or units.

BEP in units = $\frac{\text{Fixed Cost}}{\text{CMPU}}$

$$\text{BEP in Rs.} = \frac{\text{Fixed Cost}}{\text{P/V ratio}}$$

c. Margin of Safety (MOS)

Margin of safety is the Excess of budgeted or actual sales over the break even sales volume.

MOS =Sales –Break even point.

3.5.2 Statistical and Mathematical Tools

Data presented have been analyzed in this study by applying following statistical and mathematical tools.

I. **Arithmetic Mean:** Arithmetic mean simply is the sum of the observations divided by the number observation. It is also known as the arithmetic average.

II. **Standard Deviation**: The standard deviation is the absolute measure of disperser in which draw back present in other measures of disperses are removed. It is said to be best measure of disperses as it satieties most of the requisites of a good measure of disperses. Sd is defined as the positive require root of the mean of the square of the deviation taken from the arithmetic mean.

III. **Variance:** The square root of the standard deviation is known as the variance.

IV. **Coefficient of variation:** Standard deviation is the absolute measures of disperses the relevant measures of dispersion based on the standard deviation is known as the coefficient of standard deviation.

V. **Correlation:** Two variables are said to have "correlation" when they are so related that the change in the value of one variable is accompanied by the change in value of other. The measure of correlation called correlation coefficient summarizes in one figure the degree and direction of movement. But the important thing that is to be noted here is that correlation analysis only helps in determines the extent to which the two variables are correlated but it does not tell about cause and effect relationship. Thus the degree of correlation between two variables can not say which one is the cause and which one the effect.

VI. **Probable Error:** probable error of the correlation by P.E. is the measures of testing the reliable of the calculate value of r. If r be the calculated value of r from a sample of n pair of observation, then P.E. is denoted by

Probable error of r PE(r) = 0.6745 × $\frac{1 Z r^2}{\sqrt{N}} X A$

It is used in interpretation whether calculated value of r significant or not significant

a. If r < P.E, it is insignificant so perhaps there is no evidence of correlation.

b. If r > P.E., it is significant in other cases nothing can be concluded.

VII. Time series: Time element is also an important factor for the study of trend of actual sales. Least square method and time series study can also be used to analyze the trend of actual sales and to estimate possible future sales for the given period of time. A straight in trend shows the relationship between actual sales years. Shows the relationship between actual sales years. To fit the straight trends the time factor as are consider as independent variable and actual sales is considered as dependent variable.

Here,

y = a+bx

Where,

y = Actual Sales

x = Time year

CHAPTER-IV

DATA PRESENTATION AND ANALYSIS

In the Nepalese context, private enterprise is playing important role in economic development and social development because its main objective is profit as well as social service from operations. Nepal is developing country. The all private enterprises is concerted in urban area. In rural area there are no infrastructure which very necessary for enterprises. Private enterprises have sufficient resources and fund for utilization of all the national resource at maximum. But at present context the country is facing a big problem of political instability and the performance of private enterprises. They are suffering from heavy and continuous losses due to poor managerial efficiency, competitiveness and trade union.

4.1 Sales Revenue Budget

The sales plan is the foundation for periodic planning in the firms because practically all other enterprises planning are built on it. All the other plans and budget are depending upon the sales budget. The budget is usually presented in both unit and dollar of the sales revenue or sales volume. The preparation of sales plan is based upon the sales forecast. It is also known as corner stone for all the other budgets. That is because the production level and the inventory level and beech remanufacturing costs as well non-manufacturing costs generally depends on the forecasted level of unit's sales or revenue.

The sales planning process is a necessary part of PPC because it provides further management decision about marketing. Based on that decision. It is an organized approach for developing a comprehensive sales plan. If the plan is not realistic most if not all the other's part of the overall profit plan are also are not realistic. Therefore, if management believes that, a realistic sales plan can not be developed; there is little justification of PPC.

Primary Objective Sales Budget is as follows:

- To reduce uncertainty on future revenue.
- In incorporate management Judgment and decision in to the planning process.

- To provide necessary information for developing other elements of a comprehensive profit plan.
- To facilitate management in controlling sales activities.

4.2 Sales Budget of CBG

Sales budget is prepared by CBG according to the nature of consumers. Consumers are categorized in to Chinese Brand customers, Korea Brand customers and Malaysian Brand customers like Zotye and UFO, Renton and kyron and proton user.

The previous sales performance and their respective budget are presented to known about sales trend of past and to forecast the future sales trend of CBG the table 4.1 present the sales budget and actual sales achievement in unit on is from the fiscal year 2006/07 to 2011/12.

Table 4.1

Budgeted and Actual Sales of CBG for the Period of FY 2006/07 to 2011/12

(Rs. in Million, The Amount is Round Figure)

FY	Budget	Actual	Achievement
2006/07	560	563	100.54%
2007/08	631	629	99.68%
2008/09	685	689	100.58%
2009/10	734	718	97.82%
2010/11	826	836	101.21%
2011/12	925	933	100.86%
Total	4,361.00	4,368.00	100.16%

Source: Annual Report of CBG FY 2006/07 to 2011/12

From the above table 4.1 of budgeted sales and achievement of CBG, it is clear that budget achievement rate is satisfactory where it achieved more than 100% and there is a minimum achievement of 97.82% in FY 2009/10.

2011/12 the latest year of research data it seems that CBG achieving 110.81% of It's budged sales. In financial year 2006/07 actual sales figure of CBG was Rs. 563 million and in fiscal year 2011/12 actual sales figure of CBG was Rs. 933 Million which is increased by Rs. 370 million. The fiscal year 2007/08 and 2009/10 were achieved less than 100% but other year achieves more than 100%.

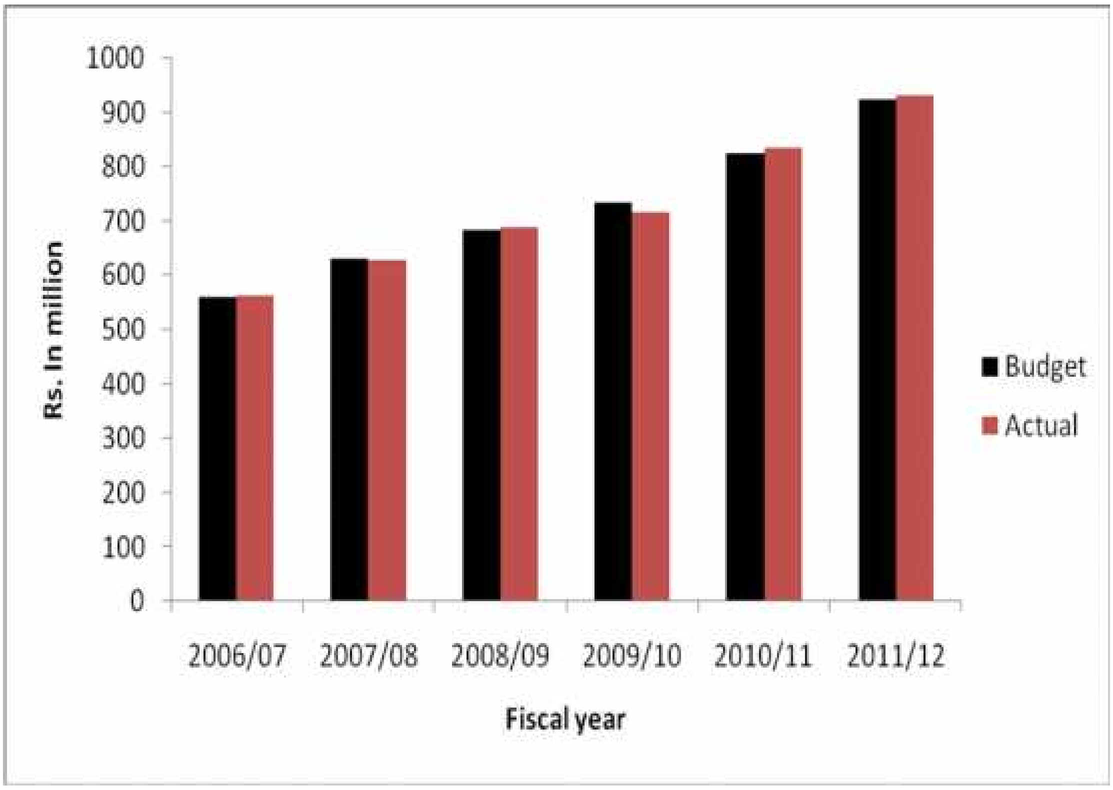
4.3 Sales Trends of CBG

The graphical trend line shares the movement of value of a variable from one period to another for clear pasteurization. Sales budget and gross achievement from FY 2006/07 to 2011/12 has been presented below in a graphical trend line.

Figure 4.1

Budgeted & Actual Sales Revenue of CBG from FY 2006/07 to 2011/12

(Rs. in Million)



Source: Table 4.1

The Graphical presentation shows the flouters trend between the budged & Actual sales during the study period. The gap is remarkable in 2009/2010

Table 4.2

Calculation of Mean, Standard Deviation and C.V. and Probable Error of Budgeted Sales & Actual sales

FY	Budgeted Sales X	Actual Sales Y	x=x- $\bar{X}$	y=y- $\bar{y}$	(xy)	x^2	y^2
2006/07	560	563	-166.83	-165	27526.95	27832.25	27225
2007/08	631	629	-95.83	-99	9487.17	9183.389	9801
2008/09	685	689	-41.83	-39	1631.37	1749.749	1521
2009/10	734	718	7.17	-10	-71.7	51.4089	100
2010/11	826	836	99.17	108	10710.36	9834.689	11664
2011/12	925.00	933	198.17	205	40624.85	39271.35	42025
	$\vert$ x= 4361	$\vert$ y= 4368	$\vert$ x=0	$\vert$ y=0	$\vert$ xy= 9909	$\vert$ x^2= 7922.83	$\vert$ y^2= 2336

Source: Annual Report of CBG FY 2006/07 to 2011/12: Appendix 1

Now, can use correlation coefficient as a statistical tool to analyze the relationship between budgeted & actual sales. It should be positive correlation coefficient between the budgeted & actual sales i.e. actual sales should Increase at target sales increase and vice versa, for this it can be taken help of Karl Pearson's coefficient of correlation and is denoted by r_{xy}. By calculation r_{xy} can examine whether there is positive correlation between budgeted and actual sales or not. In other word, where or not actual sales will be changed in same direction of change in budgeted sales.

For purpose of calculation r_{xy} budgeted figure denoted by 'x' are assumed to be independent variable and actual figures denoted by 'y' are assumed to be dependent variable. The actual sales or achievement will be large. If target sales are large and vice versa, after this significant of r_{xy} is tested with probable error 'r' the detailed calculation of r_{xy} and probable error 'r' is presented below.

Hence, there is fairly high degree correlation between budgeted and actual sales units. So in general actual sales have increased with in increases in budgeted sales. Since r_{xy} is greater than (i.e. 0.9978 > 0.00121). So, it can also be said that actual sales will go on same direction that of budgeted sales.

A regression line can also be fitted to show the degree of relationship between budgeted. Figures fulfill this purpose by assuming sales achievement.

$$y \, Z \bar{y} \, X dxy \frac{6x}{6y} (\sim \, Z \bar{\sim}) \text{ .... (i)}$$

rxy = 0.9978

r = 0.00121

Table 4.3

Presentation of Mean & S.D.

Description	Budget 'x' in '000'	Actual 'Y' in '000'
Mean (X)	726.83	728
S.D.	121.05	124.05

Source: Table 4.2 & Appendix 1

rxy = 0.9978

Then,

Substituting the value in us (I), we, get an

$$y- 728 = 0.9978 \times \frac{121.05}{124.05} \times (x-726.83)$$

or, y = 0..9734 (x-726.83) + 728

or, y = 0..9734x - 0.9734×726.83 + 728

or, y = 0.9734 x +20.50

|… y = 0.9734 x + 20.50 ………… (ii)

The regression shows positive relationship between target and actual sales achievement. It is clear that actual sales are in increasing trend and actual sales will be increased 0.9734 units per unit increase in budgeted sales.

With the help of this regression equation (ii) the researcher can ascertain expected sales achievement will be increased given value of target sales 'x' if this equation is used.

4.4 Times Series

Time element is also an important factor for the study of trend of actual sales least square method and time series study can also be used to analyze the trend of actual sales and to estimate possible future sales for the given period of time. A straight in trend shows the relationship between actual sales years. Shows the relationship between actual sales years. To fit the straight trends the time factor as are consider as independent variable and actual sales is considered as dependent variable.

Here,

$y = a+bx$

Where,

y = Actual Sales

x = Time year

Calculation of straight the trend by least square

Table 4.4

Fitting Straight Line by Least Square

FY	Actual Sales (y)	Year (x)	x^2	xy
2006/07	563	-2	4	-1126
2007/08	629	-1	1	-629
2008/09	689	0	0	0
2009/10	718	1	1	718
2010/11	836	2	4	1672
2011/12	933	3	9	2799
Total	4368	3	19	3434

Source: Annual Report of CBG FY 2006/07 to 2011/12 & oral Communication

FY 2008/09 is assumed as base years therefore the value of X or mid time is zero negative before the base year and positive after the base year.

Substituting the value of in straight line equation y = a + bx

Where, $a = \frac{Y}{n}$

$= \frac{4368}{6} X728$

$b = \frac{XY}{n}$

$$= \frac{3434}{6} X572.33$$

$$Y = 728+572.33X$$

The Trend of line indicators the positive sales figure for future. If the sales trend of previous year continue in the future. The sales will be increased by 572.33 million in every year.

4.4.1 Sales Budget and Profitability

From the above different analysis it is clear that there is consistency in sales achievement of CBG. There is comparative enterprises has carried corrective action like modification in sales budget or revision in sales budget based on past year actual result. So it seems that CBG able to plan its sales in realistic basic.

Since, sales budget and realistic it creates positive impact on whole operation of the business as well as profitability. Based on sales the other entire functional budget is prepared because it is foundation of other budget. If sales budget was prepared accurate then other functional budget is also accurate budget and it tends to increase the organization profit which makes high morale of the employee because that is able to meet the target.

Table 4.5

Calculation of Mean, Standard Deviation, C.V, Probable Error of Actual Sales and Profit

(Rs. in Million)

FY	Actual Sales X	Profit 'Y'	$x = X \; Z \overline{X}$	$y = Y \; Z \overline{Y}$	xy	x^2	y^2
2006/07	563	22.52	-165	-13.03	2149.95	27225	169.781
2007/08	629	26.36	-99	-9.19	909.81	9801	84.4561
2008/09	689	37.22	-39	1.67	-65.13	1521	2.7889
2009/10	718	28.72	-10	-6.83	68.3	100	46.6489
2010/11	836	47.23	108	11.68	1261.44	11664	136.422
2011/12	933	51.25	205	15.7	3218.5	42025	246.49
	X X4,368.00	ϕy=213.3	ϕx =00	ϕy =00	ϕxy =7542.87	$ϕx^2$ =92336	$ϕy^2$= 686.587

Source: Annual Report of CBG FY 2006/07 to 2011/12 & oral Communication

Solution: Appendix 2

Table 4.6

Comparison of Mean and Standard Deviation of Actual Sale and Profit

Description	Actual Sales	Profit
Mean (X)	728	35.55
S.D	124.05	10.69

Source: Table 4.5 & Appendix 2

From the above statistical analysis it is clear that actual sales has high degree of deviation compared to profit. There is mean actual sales of Rs. 728 million and profit has a mean of 35.55 million.

Actual sales have a standard deviation of 124.05 million where as a profit has a deviation 10.69 million. Correlation of coefficient can be used as a statistical tool to analyze the relationship between actual sales and profit it should.

It should be positive coefficient of correlation between actual sales and profit i.e. actual sales should be increase as profit also increase and vice-versa for this Karl Pearson's coefficient can be taken and is denoted by r_{xy}. By calculating r_{xy} it can be examined whether there is positive correlation between sales and profit or no.

For purpose of calculation r_{xy} actual sales figure denoted by 'x' are assumed independent variable and profit figure denoted by 'y' are assured to be dependent variable. The profit will be large if actual sales are large and vice-versa. After this significant of r_{xy} is tested with probable error of 'y'. The detail calculation of r_{xy} and probable error or 'r' is presented here.

$r_{xy} = 0.947$

$PE\ (r) = 0.0284$

Hence, there is fairly high degree of positive correlation between sales and profit.

4.5 Profit /Loss of CBG

Profit and less account of any organization shows the operating result for any specific time period. This the "scoreboard" of the organization perform the main objectives of preparing profit & loss account are to see the operating position of an organization generally, in profit, making organization profit & loss account is prepared which shows profit or loss during any period. In non-profit making organization Income? Expenditure a/c is prepaid which shows net surplus or deficit for any specific time period.

4.5.1 Profit & Loss of CBG for the FY 2006/07 to 2011/12

Constant Business Group Pvt.Ltd. is obtaining profit every year. Below is the table which shows the historical P/L situation of CBG.Pvt.ltd.

Table 4.7

CBG P/L a/c for the FY 2006/07 to 2011/12

(Rs. in Million)

Year	P/L a/c	% change
2006/07	22.52	-
2007/08	26.36	17.05%
2008/09	37.22	41.20%
2009/10	28.72	-22.84%
2010/11	47.23	141.20%
2011/12	51.25	8.51%

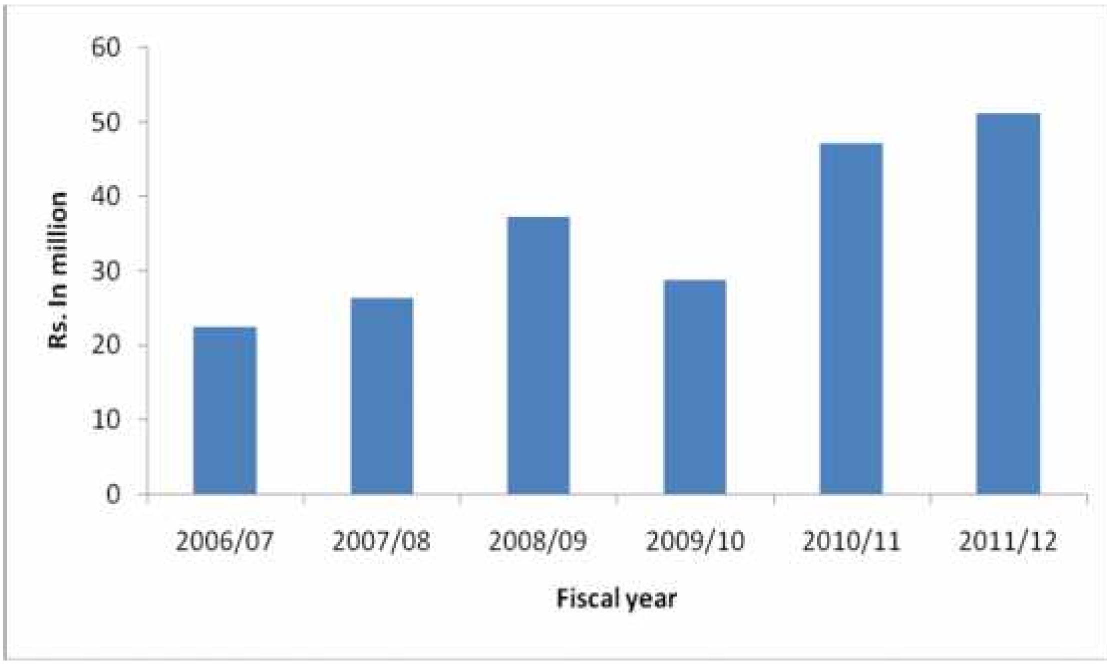
Source: Annual Report of CBG FY 2006/07 to 2011/12

Above profit & loss trend can be presented as below in diagrammatic form for better picture of the change.

Figure 4.2

Constant Business Group. Pvt. Ltd. P/L from FY 2006/07 to 2011/12

(Rs. in Million)



Source: Table 4.7

4.6 Overhead Budget

After analyzing the sales budget and production budget private organization prepare the overhead budget, CBG also prepared the overhead budget which is named operating budget. This budget includes a) Employment Cost b) depreciation e) administrative expenses.

CBG does not prepared the separate budget like manufacturing O/H, Administrative O/H, selling and distribution O/H budget. It revels that CBG does not have practice of preparing O/H budget in systematic way CBG aggregates all the expenditure and prepare the "Operation budget" that is why there is difficulty to analyze it's O/H budget separately.

The Past trend of CBG in operation expenditure is presented in the following table

Table 4.8

Actual Overhead budget of CBG from FY 2006/07 to 2011/12

(Rs. in Million)

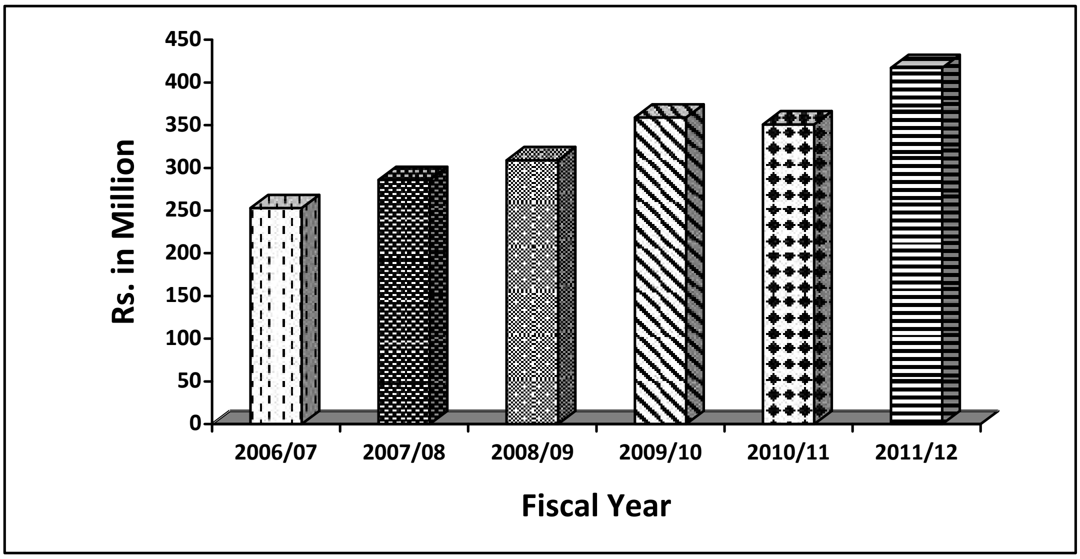
Year	Operating Exp^{n}	Change %
2006/07	253	-
2007/08	286	13.04%
2008/09	309	8.04%
2009/10	359	16.18%
2010/11	351	-2.23%
2011/12	417	18.80%

Source: Annual Report of CBG FY 2006/07 to 20079/10

Figure 4.3

Actual Over Head Budget of CBG from FY 2006/07 to 2011/12

(Rs. in Million)



Source: Table 4.8

Figure 4.3 reveals on expenditure trend from 2006/07 to 2011/12. As per figure the aggregate overhead expenditure is increasing each and ever year. Beside 2010/11/ . The above table shows the actual overhead budget of CBG Pvt.ltd. In FY 2006/07, the actual overhead was as 253 million and it is increase by 13.04% and reached to 286 million in 2007/08. In fiscal year 2010/11, it is decrease by 2.23% as compare to fiscal year 2009/10.At last overhead reached 417 million in fiscal year 2011/12.

4.6.1 Relationship between Sales & Overhead

Overhead budget is the second step in process of revenue planning for the formatting of revenue plan. The sales requirement is to be translated into O/H budget plan. The sales plan is to be compulsorily translated in to overhead plan.

It is prepared the value generate for increase sales revenue but similarly o/h is also fluctuated like revenue earned from sales of cars and spare parts. Inter administration is accounted for as per statement invoice to from inter admin. These types of revenue are accounted for accrual basis.

Table 4.9

Relationship between Actual Sales & Overhead for the FY 2006/07 to 2011/12

(Rs. in Million)

Year	Actual Sales	Actual O/H	% of O/H in sales
2006/07	563	253	44.94%
2007/08	629	286	45.47%
2008/09	689	309	44.85%
2009/10	718	359	50.00%
2010/11	836	351	41.99%
2011/12	933	417	44.69%

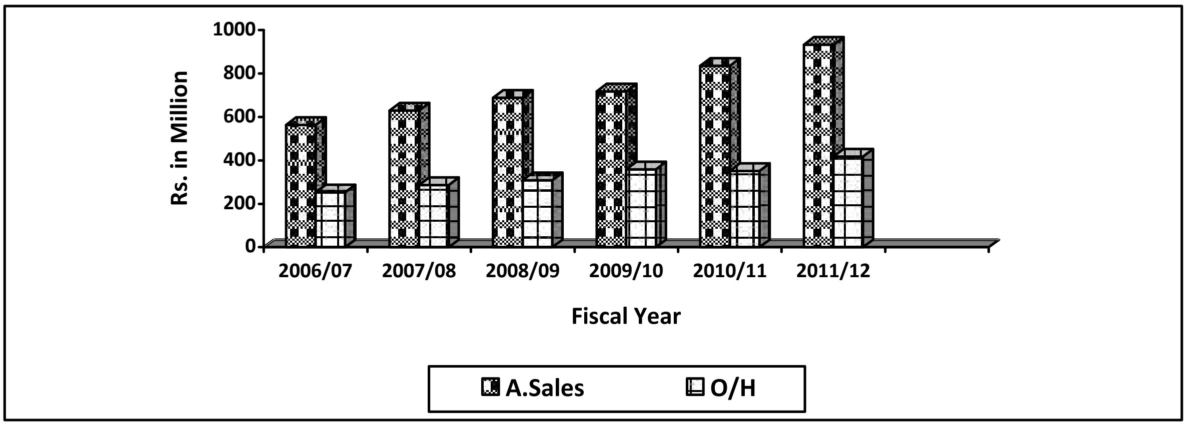
Source: Annual Report of CBG FY 2006/07 to 2011/12

Table 4.9 shows % of overhead in sales revenue. According to above figure is period 2009/10 the overhead % in sales is very high in order to compare other year and period 2010/11 the overhead % in sales is lower as compare to other year. It is clear that from above figure the % of overhead in sales is near about 41 to 50 percent only.

Figure 4.4

Relationship between Actual Sales & Overhead for the FY 2006/07 to 2011/12

(Rs. in Million)



Source: Table 4.10

The above figure 4.4 shows us relationship between actual sales and overhead expenditure, where the overhead expenditure is half and slightly less then half.

4.7 CBG Cost Plan

Different types of cost under different headlines are shown below:

1. Operating & Maintenance cost

- Maintenance office equipment
- Maintenance building.
- Power heating & lighting
- fuel for vehicles
- Freight & carriages
- Clearing and forwarding

2. Employee cost:

- Salaries and wages
- Earned leave salary
- Clothing and other allowance
- Overtime allowance
- Medical expenses

3. Administrative Expenses

- Traveling Expenses
- Rent rates
- Bank charge
- Office furnishing
- Insurance and Commission
- Statutory & Fax Audit fee
- Provision for doubtful debt
- Printing & Stationary & Advertisement
- Training Expenses
- Income tax exp & Registration fee
- Dealer promotion exp.

4.8 Variable Cost of CBG

Variable cost varies in production to change in out put or activity level but per unit variable cost is constant with in a certain period. Variable costs are controllable cost so management has to give priority to control variable cost. CVP analysis is not practicing in the CBG. So, costs are not segregate in the variable and fixed. Based on the nature of the cost and assumption various types of cost are segregate to fixed and variable cost. Variable costs of CBG are.

Table 4.10

Variable Cost of CBG

(Rs. in 0,000)

Particularly	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12
Operating	93	104	127	138	147	188
Commission Expenditure	77	98	123	121	133	146
Total Variable Cost	170	202	250	259	280	334
Change %		18.88%	23.76%	3.60%	8.10%	19.29%

Source: Annual Report of CBG FY 2006/07 to 2011/12

Operating & commission are taken as variable cost in CBG. From above table 4.10 shows the variable cost of CBG. Total variable cost in the year 2006/07 is Rs. 1.70 million and slightly increases by 18.88% in FY 2007/08 .Every year increase variable cost range between 3.60 to 23.76%. Variable cost is controllable cost so; management should try to reduce this cost.

4.9 Fixed Cost of CBG

Fixed cost remains constants in total despite the changes in the level of activities with in every year. When production cost or service cost are changed but fixed cost remains same. Per unit fixed cost may decrease while the no of production unit are increased. Through fixed cost in total may vary in different fiscal year. The fixed cost of CBG is presented have are based on the assumption and nature of cost. Because of cost segregation tools are not applied in these enterprises. Fixed cost of CBG is presented is table below.

Table 4.11

Fixed Cost Analysis CBG

(Rs. in Million)

Particular	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12
Employee Cost	71.83	68.97	75.23	87.34	129.26	142.16
Admin. Expenditure	236.23	248.23	261.68	274.12	297.42	314.23
Interest on Obsolete deposit	11.23	13.23	12.36	11.23	11.46	13.56
Interest on loan	2.3	3.8	4.79	4.67	6.89	6.84
Depreciation	37.23	35.29	34.89	38.79	46.98	49.51
Bonus	10.2	11.23	10.29	10.67	12.87	12.69
Incentive Package	1.46	1.89	2.54	3.46	3.89	8.76
Total Fixed Cost of	370.48	382.64	401.78	430.28	508.77	547.75
% Change	_	3.28%	5.00%	7.09%	18.24%	7.66%

Source: Annual Report of CBG FY 2006/07 to 2011/12

From the above table 4.11 there is increases trend in the fixed cost of CBG. In the year, 2007/08 the total fixed cost is 382.64 million which is increased by 3.28% as compared to fiscal year 2006/07. The fixed cost is increased by 5%, 7.09%, 18.24% and 7.66% in the year 2008/09, 2009/10, 2010/11 and 2011/12 respectively. Fixed costs are those cost which is uncontrollable. So, management could not reduce it but manage properly.

4.10 Cost Volume Profit Analysis of CBG

Cost volume profit analysis is a popular and very reliable management accounting tool to measure and analysis the financial performance to the organization. It is a part of profit planning and control. CVP analysis can be extended to over the effects on profit of changes in selling price or service fee cost. Income tax rate and production mixed. CVP analysis provides the management with a comprehensive overview of the effects on revenue and cost of all land of short run financial change. CVP analysis helps to determine the minimum sales volume to avoid losses and sales volume to avoid losses and sales volume at which the profit of the company will increase. When the management has detail information about variable and fixed cost, selling price and sales volume of the product. Then the company can determine the breakeven level of its product, income statement shows the picture of company, how it is earning profit. Here, the income statement of CBG is shown below based on its revenue, variable cost & fixed cost.

Table 4.12

Income Statement of CBG for the year

(Rs. in Million)

Particular	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12
Income	563	629	689	718	836	933
Total Variables cost	170	220	250	259	280	334
Contribution Margin (CM)	393	409	439	459	556	599
Total Fixed Cost	370.48	382.64	401.78	430.28	508.77	547.75
Profit	22.52	26.36	37.22	28.72	47.23	51.25
Profit % on Revenue	4.00%	4.19%	5.40%	4.00%	5.65%	5.49%

Source: Annual Report of CBG FY 2006/07 to 2011/12

From above table 4.12, shows the income statement of CBG. CBG earning profit is increasing. Profit on sales is 4.0% and 4.19% in year 2006/07 and 2007/08 respectively. In fiscal year 2009/10 profit was 4.0%.The highest percentage of profit on sales is 5.69% in year 2010/11 and lowest percentage of profit on Revenue is 4.00% in year 2006/07 and 2009/10.From the above figure , the percentage of profit on revenue is constant about 4% to 6% only.

4.11 Contribution Margin Ratio, BEP, MOS

In cost volume profit analysis, various ratios can be computed, which are important in revenue planning CVP analysis aim will fulfill when the researcher able to analyze all these part of CVP's tools. Contribution margin is the differences between sales revenue and variable cost.

Contribution Margin (CM) = Sales-Variable Cost. CM is known as profit volume ratio (P/V ratio) or CM ratio. This can compute by dividing the sales to contribution margin. Break even point is "no profit no loss" point. Where cost and sales revenue become equals. It is very necessary to know the BEP for every organization. BEP can compute in Rs. or units.

$$\text{BEP in units} = \frac{\text{Fixed Cost}}{\text{CMPU}}$$

$$\text{BEP in Rs.} = \frac{\text{Fixed Cost}}{\text{P/V ratio}}$$

Margin of safety is the Excess of budgeted or actual sales over the break even sales volume. MOS =Sales –Break even point.

Table 4.13

Computation of Various Ratios of CBG Analysis

(Rs. in Million)

Particular	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12
Sales	563	629	689	718	836	933
Contribution Margin (CM)	393	409	439	459	556	599
P/V ratio (CM/Sales)	0.69	0.65	0.63	0.63	0.66	0.64
Fixed cost	370.48	382.64	401.78	430.28	508.77	547.75
BEP (Fixed Cost/P/V Ratio)	536.93	588.68	637.75	682.98	770.86	855.86
BEP on % sales	95.37%	93.59%	92.56%	95.12%	92.21%	91.73%
Margin of Safety (MOS)	26.07	40.32	51.25	35.02	65.14	77.14
MOS as % of Sales	4.63%	6.41%	7.44%	4.88%	7.79%	8.27%

Source: Annual Report of CBG FY 2006/07 to 2011/12

From the above table no.4.13 shows contribution margin ratio, Bep and Mos of CBG .The p/v ratio of CBG are range Between 63% to 69 % . The highest p/v ratio is 69 % in year 2006/07 and lowest p/v ratio is 63% in year 2008/09.Brak Even Point is Rs.536.93,588.68, 637.75, 682.98,770.86 and 855.86 in year 2006/07 to 2011/12 .Margin of safety is 4.63% in year 2006/07 , 6.41 in year 2007/08 ,7.445 in year 2008/09, 4088% in year 2009/10, 7.79% in year 2010/11 and 8.27% in year 2011/12 which is highest as compared then others year. Lower the break even point/volume is better for the company to earn profit and higher margin of safety is better for organization.

4.12 Analysis of Account Receivable

Account receivable management is very importance for timely revenue collection. It is important to analyze past year's data to evaluate CBG efficiency to manage account receivable property. Account receivable analysis is most important part of constant Business Group Pvt.Ltd.

Collection Period = $\frac{\text{Receivale} \mid 365\text{days}}{\text{sales}}$

Debtors Turnover = $\frac{365 \quad \text{days}}{\text{Collection} \quad \text{period}}$

Table 4.14

Account Receivable, Sales Revenue, Collection Period and Debtors Turnover

(Rs. in Million)

Year	A/c Receivable	Sales Revenue	Collection Period	Debtor Turn Ratio (Time)
2006/07	201	563	130.31	2.80
2007/08	213	629	123.60	2.95
2008/09	193	689	102.24	3.57
2009/10	189	718	96.08	3.80
2010/11	197	836	86.01	4.24
2011/12	219	933	85.68	4.26

Source: Annual Report of CBG FY 2006/07 to 2011/12

Table 4.14 shows the relationship between receivable and sales revenue from which the receivable turnover and average collection period can be analyzed respectively, the average collection period is decreasing from 130.31 in year 2006/07 and 85.68 in year 2011/12. So there is effective receivable management. The debtor's turnover ratio is increasing from 2.80 Times in year 2006/07 and 4.26 times in year 2011/12.There is opposite relationship between average collection period and debtors turnover ratio. More average collection period less debtor's turnover ratio and vise versa.

4.13 Major Findings of the Study

Every research work is done to find something new, based on the objective of the study. Major finding are those finding which is very important result of data analysis and presentation of research. From analysis of various data collected by primary and secondary source. The major finding of the study

- Actual sales of the CBG are increasing trend. Sales plan of CBG is systematic. Normaly the budgeted sales and Actual sales was match and average achievement is quite satisfactory. So, it has achieved its targeted increase Revenue.
- CBG has not adopted of practice of preparing less one year revenue earning report.
- The Average achievement of CBG is 100.16% in 2006/07 to 2011/12 which represent management effective.
- The revenue plan prepared by only the central with the reference of Brach office planning.
- Segregation of fixed cost, variable cost is ignored by these enterprises CVP analysis is not practicing by CBG. No any method as been adopted to segregate cost in to fixed and variable.
- There was consistency between planned sales and actual sales, their correlation was positively high.
- Variable cost of CBG is very less compared to its fixed cost. Contribution margin ratio of CBG is very high.
- Fixed cost of CBG is high in the comparison to variable cost. Employee cost and administration expenses are clearly high.

- Collection period and showed decreasing trend from 2006/07 to 2010/11 but debtor turnover was increasing from 2006/07 to 2011/12.
- CBG is maintaining it's periodic performance report systematically.
- Average PV ratio is near about 65 which increase break even level of the company and decrease the margin of safety is near about in 7.5%.
- CBG has launched various model vehicles from three country China ,Korea and Malaysia to it's customers to increase revenue.
- Profit position of CBG is not good. The organization need to increase profit because the profit is near about 5% which is quite low.
- CBG has a practice of preparing both strategic long term and tactical short run revenue plan. But the study is mainly focused on tactical short-run revenue plan of CBG PVt.Ltd.

CHAPTER-V

SUMMARY, CONCLUSION AND RECOMMENDATIONS

This chapter is the important chapter for the research because this chapter is the extracts of all the previously discussed chapters. This chapter consists of mainly three parts: Summary, conclusion and Recommendation. In summary part, revision or summary of all four chapters is made. In conclusion part, the result from the research is summed up and in recommendation part, suggestion and recommendation is made based on the result and experience of thesis. Recommendation is made for improving the present situation to the concerned parties as well as for further researcher.

5.1 Summary

The history of incorporated private firms in Nepal is short .The Nepal companies Act of 1936 AD provided for the incorporation of industrial enterprises on joint stock principle with limited liability. The first such firm, Biratnagar jute mills, was a collaborative venture of Indian and Nepalese entrepreneur. After the Second World War many countries got political independence. At that time, there was scarcity of product Their desire of rapid growth to reach at the level of developed countries gave way to planned economy & establishment of Private Enterprises in Nepal, being an under developed country, adopted this principle an several Private Enterprises were established. Realizing that the rapid development of agriculture and proper utilization of abundantly found water resource. Nepal Government established CBG for development communication between public to government, a major infrastructure requirement for development.

In these days there are many competitive of CBG. CBG's business is increasing continuously in recent year due to management efficiency. CBG has so many strong point in the market ,it has so many brand bring from three country .CBG provide cars for different customers level high purchasing power to low purchasing power .CBG also focus the after sales service to the customers which is best police to increase revenue. CBG provides jejune spare parts from different places.

Planning is the essence of management, planning can be achieve with the help of efficient management Planning is the job of making things happens that would not theory wise occur management. Planning provides the base of performance of the four other managerial functions of organizing staffing, leading and controlling. It is said that planning is the primary managerial function, which logically precedes all other functions.

Business or corporate planning is reasoning out how a business will get where it wants to go. The essence of corporate planning is to see opportunities and threats in the future, and exploit the opportunities and commit the threats.

Business budgeting or profit planning and control are a systematically devised tool to help management for corporate planning. It is a process of established goals, planning for attainment and subsequently comparing actual performance with performance goal.

In CBG, revenue result from the sales of cars and it's measured by change made to customers; revenue is influenced by both external and planning with coordinates the efforts of revenue department production department and all other department.

Many factors should be considered for revenue planning including revenue trends, limitation supply potential competitors and general level of economy CBG must consider revenue planning as the starting point it's overall planning.

CBG has good practice of revenue planning which is much closed to actual revenue .It is the result of best management system. There is highly positive relationship between Actual sales and Budged sales .CBG's profit is not so high but trend is increasing. The variable cost is relatively lower as compare to fixed cost.CBG has high PV ratio and low margin of safety .The account receivable was satisfactory, account collection period is decreasing and debtor’s turnover ratio is increasing in research period.

CBG has been adopting planning to fulfill its mission and objectives, Revenue planning is the most essential aspects as revenue is the base on which future of the authority depends.

The starting points are the revenue planning i.e. demand forests lacks consideration of some major demand determinants. Though has achieve the target of planned revenue in overall basis, category wise planned figure have not been achieve and CBG has not adopted the practice of preparing monthly budget.

The communication required for planning is not proper. The trend of revenue is CBG increasing and management has to manage hugger amount of revenue in future. Thus CBG should apply correctives measures to eradicate the flows revenue planning.

5.2 Conclusion

As per the objectives and analysis of the study following conclusion have been drawn: From the analysis of revenue planning it can be concluded that average achievement is very high as compared between actual and budgeted sales. CBG has considered demand determinants such as family income, price of Car and jeep, cost of alternative available, customers satisfactions and dissatisfactions availability of spare parts and reliability of CBG service which forecasting demand. CBG has prepared planned and program for distribution spare parts to their consumer. While setting the target sales for next year CBG has considered other factor such as growth of consumer and other relevant factors. Target growth sales revenue is achieved with proper planned and effective management team. CBG has consistency between planned sales and actual sales as whole. The correlation between actual sales and budgeted sale is highly positive which is the result of management efficiency. There is direct relationship between sales and profit, if there increase sales profit also increase and vice versa. CBG has better profit comparatively other private’s enterprises. The profit is increasing trend and which is very necessary for organization sustain. Profit position of CBG is not good. The organization need to increase profit because of the profit is near about 5%, which is quite low. CBG has high fixed cost and low variable cost which is not good for organization. The organization has high PV ratio, high break even point and low margin of safety. CBG sales some Chinese cars which have problem of defect but other’s country cars did not have such problem. Account Receivable of CBG is deceasing year by year. It denotes efficiency of CBG to collect its revenue in time. CBG has clear cut boundaries to separate cost in to fixed and variable, the classification of cost is scientific and systematic. Therefore, CBG has been able to make realistic budget. CBG has not adequately considered controllable and non-controllable variable attesting the organization. CBG focuses the customer complaints and dissatisfaction and immediately solve this problem.

5.3 Recommendations

After analyzing the present practices of revenue planning in CBG, the following recommendations are made.

- CBG planners should be properly trained about budgeting revenue planning.
- CBG should considered others demand determinants such as economic condition, political condition, international business environment
- CBG should prepare most efficient plans and program for consumer satisfaction and post sales service.
- To achieve target growth rate in sales revenue CBG should make realistic forecast.
- CBG should start to practice of preparing monthly budget for sales revenue.
- While preparing control budget of CBG It's should not take suggestions made by dealers and customers.
- CBG should introduce programmed and actions plan to solve customer and dealers problem
- CBG should increase the percentage of profit on sales.
- CBG should put more efforts to manage the supply all place of country.
- There should be providing more facility to their customers than other automobiles company.
- CBG should clear boundaries about fixed and variable cost and balance them..
- Cost volume relationship should be considered while formulating the revenue plan.
- It is clear that an effective cost control programmed is necessary in CBG.
- Cost plan of CBG is not systematically maintained so, cost of every sector should plan properly.
- In Nepal most of private enterprises have not practice CVP analysis in systematic manner. So it is suggested that every private enterprises should apply or practice CVP analysis.
- CVP analysis shows the relationship among the variable related to cost, revenue, profit, so this tool is very useful to every organization.

- In CBG there are many expert and skilled manpower but CVP analysis is ignored in practice, various types of cost are not segregated systematically in to fixed cost variable cost. It is essential to classify the cost.
- Most of the Nepalese enterprises are facing the problems of political instability and their programs are not implemented properly CBG is facing these kinds of problem. So, it should create good business environment
- There is much new and popular management theory like management by objectives, participative management quality circle etc. This principle can be more effective to every organization. CBG should apply this theory for better performance of the enterprises.
- Regular inspection, evaluation, monitoring activities should under take by the central level to different department.
- CBG is also facing the problem of poor communication among various departments. So the strong co-ordination and communication is needed.
- To satisfy the needs of customers and facilitating quality services in reasonable price. CBG should control the costs and improve the quality of service.
- The costs are main factors to increase price of the product. So, controllable cost should minimize if possible.

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Annex-I

Calculation of Mean, Standard Deviation and C.V. and Probable Error of Budgeted Sales & Actual sales

FY	Budgeted Sales X	Actual Sales Y	$x=x-\overline{X}$	$y=y-\overline{y}$	(xy)	x^2	y^2
2006/07	560	563	-166.83	-165	27526.95	27832.25	27225
2007/08	631	629	-95.83	-99	9487.17	9183.389	9801
2008/09	685	689	-41.83	-39	1631.37	1749.749	1521
2009/10	734	718	7.17	-10	-71.7	51.4089	100
2010/11	826	836	99.17	108	10710.36	9834.689	11664
2011/12	925.00	933	198.17	205	40624.85	39271.35	42025
	∣ x= 4361	∣ y= 4368	∣ x=0	∣ y=0	∣ xy=89909	∣ x^2= 87922.83	∣ y^2 =92336

Source: Annual Report of CBG FY 2006/07 to 2011/12

Arithmetic Mean of Budget Sales Mean ($\overline{X}$) = $\frac{X}{N} X \frac{4361}{6\text{ year}} X726.83$

Arithmetic Mean of Actual Sales ($\overline{X}$) = $\frac{y}{N} X \frac{4368}{6\text{ year}} X728$

Standard Deviation of Budgeted Sales S.D. (6x) = $\sqrt{\frac{x^2}{N}}$

$= \sqrt{\frac{87922.83}{6}}$

= 121.05

Standard Deviation of Actual Sales S.D (6y).= $\sqrt{\frac{y^2}{N}}$

$= \sqrt{\frac{92336}{6}}$

= 124.05

Coefficient of Variation for budgeted sales C.V. of x = $\frac{\pm x}{\overline{X}} X \frac{121.05}{726.83}$ ∣100

= 16.65%

$$\text{C.V. of y} = \frac{\pm y}{\bar{Y}} X \frac{124.05}{728} | 100$$

$$= 17.04\%$$

Coefficient of correlation using Karl parsons correlation between x and Y

$$rxy = \frac{xy}{\sqrt{x^2} | \sqrt{y^2}}$$

$$X \frac{89909}{\sqrt{87922.33}\sqrt{92336}}$$

$$= 0.9978$$

$$= 99.78\%$$

Probable Error of Y

$$PE\ (rs) = 0.6745\ x\ \ X \frac{1 - r^2}{\sqrt{N}}$$

$$= 0.674 \times \frac{1 - (0.9978)^2}{\sqrt{6}}$$

$$= 0.674 \times 0.001794$$

$$= 0.00121$$

Appendix-2

Calculation of Mean, Standard Deviation, C.V, Probable Error of Actual Sales and Profit

(Rs. in Million)

FY	Actual Sales X	Profit 'Y'	$x = X\ Z\overline{X}$	$y = Y\ Z\overline{Y}$	xy	x^2	y^2
2006/07	563	22.52	-165	-13.03	2149.95	27225	169.781
2007/08	629	26.36	-99	-9.19	909.81	9801	84.4561
2008/09	689	37.22	-39	1.67	-65.13	1521	2.7889
2009/10	718	28.72	-10	-6.83	68.3	100	46.6489
2010/11	836	47.23	108	11.68	1261.44	11664	136.422
2011/12	933	51.25	205	15.7	3218.5	42025	246.49
	X X4,3 68.00	ϕy=213.3	ϕx =00	ϕy =00	ϕxy =7542.87	ϕx^2 =92336	ϕy^2= 686.587

Source: Annual Report of CBG FY 2006/07 to 2011/12

Where, $\overline{X}$ = 728

$\overline{y}$ = 35.55

Calculation of mean, standard deviation coefficient of radiation and probable error of actual revenue and profit of CBG.

Arithmetic Mean of actual sales

$$\text{Men } (\overline{X}) = \frac{X}{N} \text{ X} \frac{4368}{6} \text{ X728}$$

Arithmetic Mean of Profit

$$\text{Mean } (\overline{y}) = \frac{Y}{N} \text{ X} \frac{213.13}{6} \text{ X35.55}$$

Standard deviation of actual sales

$$\text{S.D. (6x)} = \sqrt{\frac{x^2}{N}} = \sqrt{\frac{92336}{6}} \text{ X124.05}$$

Standard Deviation of Profit

$$\text{S.D. (6y)} = \sqrt{\frac{y^2}{N}} = \sqrt{\frac{686.587}{6}} \text{ X}10.69$$

Coefficient of variation (C.V) for actual sales

$$\text{C.V. of X} = \frac{6x}{\overline{\overline{X}}} \text{ X} \frac{124.05}{728} \text{ X}0.1704$$

For Profit

$$\text{C.V. of y} = \frac{6y}{\overline{\overline{y}}} \text{ X} \frac{10.69}{35.55} \text{ X}0.3007$$

Coefficient of correlation using Karl person's correlation coefficient between actual sales & profit

$$r = \frac{xy}{\sqrt{x^2}\sqrt{y^2}}$$

$$= \frac{7542.87}{\sqrt{92336}\sqrt{686.587}} \text{ X} \frac{7542.87}{7962.20} \text{ X}0.947$$

Probable error of r

$$\text{PE(r)} = 0.6745 \times \frac{1 \text{ Z} r^2}{\sqrt{N}} \text{ X} A$$

$$= 0.6745 \times \frac{1 \text{ Z} (0.947)^2}{\sqrt{6}}$$

$$= 0.6745 \times 0.04213 \quad = 0.0284$$