CHAPETR ONE

INTRODUCTION

1.1 General Background

Situated in the lap of Himalaya, Nepal is located in between the latitude 26^0 $22^'$ and to 30^0 $27^'$ North and longitude 80^0 $4^'$ E to 88^0 $12^'$ East and evaluation ranges form 90 to 8848 meters. The average length is 885 km east to west and average breadth is about 193 km north to south. The country is bordered with the two most popular countries of the world, India in the east, south, west and china in the north. Nepal is a land locked country and home place of natural beauty. It is one of the developing countries of the world. Most of the areas are cover by hills and mountains. The Nepalese economic is based on agriculture.90% of total population are depended on agriculture. It contributes about 40% of the real GDP. Agricultural development and industrialization are the major instruments of progress for the modernization and social change in Nepal. Although agriculture is central to National Development Strategy, the agricultural productivity has failed to rise. Thus, it shows slowing down overall economic growth. Low rates of investment and low levels of output income have resulted from low productivity in this sector.

About 4 percent of the total population of this country live under the poverty line. Nepal has been trying to develop economy and poverty elimination as well as general uplifiment of the living standards of masses of people since the great revolution of 2007 B.S.

Agriculture is not only one way for the economic development of developing countries like Nepal. For the economic development of the country, industrial sector must be developed. Rapid and sound economic development is not possible only from the side of private sector due to the lack of adequate infrastructure as well as appropriate technology required to set up the large industries. So, the establishment of Public Enterprises was felt necessary to create the infrastructure, for the balance regional development, public welfare, to generate employment opportunities import substitutions and to export promotion, for dissemination of the development activities according to the national priorities.

Industry, business, trade and commerce will not be successful and also cannot run smoothly without effective utilization of natural resources and development of agriculture farm system. Agriculture creates employment opportunities and maximum utilization of human capital. Nepalese economic condition cannot be developed and improved without the development and improvement in its agricultural sector.

The industrialization process was started very late in our country. The history of development of industry began only after the democracy of 1951 (2007 B.S). Nepal has a very few numbers of industrial sector and manufacturing enterprises. The manufacturing sector has to face various economical or financial problems, which have acted as constrains in the growth of manufacturing industries. Mainly, such problems arise due to land locked and underdeveloped economy of the country, lack of entrepreneurs, lack of management skills, limited profession knowledge, lack of resources like physical infrastructure, human, financial resources, administrative infrastructure, inconvenience in transpiration and communication networks, non availability of trained and skilled hands, shortage of capital, limited market, high cost of production, low productivity etc. As long as the private sectors investors do not take a leading role in the rapid development of the country and do not come forward in meeting increasing demand for consumer goods for increasing population, in supply of development of construction materials, in developing minimum facilities to the people, the role of government corporation becomes very important especially in terms of developing the infrastructure, extending social services and increasing industrial production.

It was believed that the government should play a predominant role in national economic development specially in these developed and developing countries cast in the socialistic patterns. With this view, public enterprise were established in production, distribution and even in business sectors. In Nepal too, the same ideas were behind the emergence of such enterprises.

1.2 Evolution of Public Enterprises In Nepal

The growth and development of the industries can be traced to some thirteen or fourteen hundred years ago, when Nepal was ruled by Lichchavi kings. During the period especially cottage and small industries were established and operated. Nepal is rich in the skill of making handicraft goods, wooden goods, statue and art from the very beginning. During Lichchavi period industries like weaving, mining, handicrafts, metal idols, food products were encouraged. Prithvi Narayan Shah had made policies to protect cottage industries by discouraging import and encouraging indigenous products. As a result, Nepal became self- dependent in textiles and other products in those days.

After the fall of Rana Rules in 1951 AD (2007 B.S.), economic plan period system has been introduced in the year 1956 A.D (2012 B.S).

1.2.1 The First Five Year Plan (1956- 1961) and Interim period (1961-62)

Some PES were established in the gap period between first and second five year plan which is called Interim period. Enterprises established under this periods are as follows:

1. National Trading Ltd. 2. Balaju Industrial Estate, 3. Nepal Construction Company of Nepal, 4. Asahaya Kalyan Kendra, 5. Royal Nepal Airlines

Corporation (RNAC), 6. Nepal Industrial Development Corporation (NIDC), 7. Balaju Yantrashala Limited, 8, Raghupati Jute Mills Ltd, 9. Timber Corporation of Nepal, and 10. Ratna Recording Corporation.

1.2.2 The second Three Year Plan (1962-65)

The plan was stated that the Government has brought into force an industrial policy in order to encourage domestic/pvt. capital and foreign capital towards industrial development During the plan period, it seems that the Government of Nepal had a policy of establishing undertakings in the areas of public utilities budgeting infrastructure and financial sector. Enterprise established under this plan: 1. Nepal Electrical Corporation, 2. Gorkhapatra Sansthan, 3. Employee Provident Fund, 4. Hetauda Industrial Estate, 5. Nepalese Carpet (p) Ltd, 6. Patan Industrial Estate, 7. Rastriya Baninjya Bank, 8. Birgunj Sugar Factory, 9. Janakpur Cigarette Factory, 10. Nepal Transportation Corporation 11. Salt Trading Corporation and 12. Fuel Corporation.

Form this plan Government realized that PES play a greater role in economic growth.

1.2.3 The Third Five Year Plan (1965-70)

In this plan period, the government perceived the need for the establishment of some industries of manufacturing products such as cement, lime and fertilizer in public sectors in order to meet the growing demand and control natural monopoly inherent in them. During this plan period following PES were established :1. Dairy Development Corporation (DDC), 2. Himal Cement Company Ltd, 3. Nepal Telecommunication Board, 4. Chandeswori Textile Industry 5. Bansbari Leather and Shoe Factory, 6. Agriculture Input Corporation, 7. Cottage Industry and Handicraft Emporium, 8. Nepal Tea Development Corporation, 9. Agriculture Development Bank, 10. Agriculture Tools Factory, 11, National insurance co-operation and 12. Brick and Tile Factory.

1.2.4 The Fourth Five Year Plan (1970-75)

In this plan period, the Government has twin objectives, such as to supply essential commodities at fair price and to raise revenue for development need of the country. Enterprises established under this plan: 1. Royal Drugs Ltd., 2. Royal Nepal Film Corporation, 3. Cultural Corporation, 4. Nepal Oil Corporation, 5. Balaju Textile Industry, 6. Rastriya Chamal Krkhana, 7. Tobacco Development Corporation, 8. Jute Development Corporation, 9. Trading Corporation, 10. Nepal Transit and Warehousing (p) Ltd., 11. Nepal Livestock Company, 12. Drinking water and Sewerage Board, 13. Agro Lime Industry Ltd, 14. Vegetable Ghee Industry (P) Ltd., 15. Nepal Food Corporation 16. Hetauda Textile Industry Ltd, 17. Nepal Chauhry Ghee Industry, 18. Electric Data Processing Center, and 19. Eastern Electrical Corporation.

1.2.5 The Fifth Five Year Plan (1975-80)

Fulfilling the basic needs of people and the labour intensive approach for the maximum utilization of manpower with a view to increasing the purchasing power of people were the main twin objectives of the fifth plan. Some PES come into existence in the plan like:

1. Hetauda Leather Co., 2. Brick and Tile factory Bhaktapur, 3. Hetauda Cement Industry, 4. Security Marketing Center, 5. Janak Educational Material Center, 6. Agriculture Project Service Center Ltd, and 7. Nepal Metal company.

1.2.6 The Sixth Five Year Plan (1980-85)

The plan acknowledged the need to grant adequate autonomy to PES in order to operate efficiently as well as effectively in a business like manner. This plan also emphasized on increasing industrial and agricultural output, employment opportunities and fulfilling the minimum basic needs. During this plan period some PES were established, such as:

1. Lumbini Sugar Factory. 2. Butwal spinning Factory, 3. Nepalgunj Paper Factory, 4. Bhrikuti Paper Factory, 5. Herb Production and Processing Company, 6. Rosin and Turpentine Company, and 7. Nepal R e-settlement Company Ltd.

1.2.7 The Seventh Five Year Plan (1985-90) and Interim Period (1990-91)

During this plan period some PES were established, such as:

1.Udayapur Cement , 2. Nepal Coal Ltd. and 3. Nepal Television

Nepal Timber Corporation and Fuel Corporation were amalgamated, Jute Trading and Development Company was converted to a Board and Later liquidated and provident fund was excluded from the list of public enterprises.

The one year interim period (1990-91 A.D.) is the gap period (no plan period) between seventh plan and eighth plan. In this interim period, Ratna Recording was assimilated in Nepal Television.

1.2.8 The Eighth Five Year Plan (1992-97)

Nagarik Lagani Kosh (Citizen Investment Fund) was established and APROSC was enlisted as public enterprise. Tobacco Dev Company and Nepal Coal Company went on liquidation.

1.2.9 The Ninth Five Year Plan (1997-2002)

There has not been establishment of any public enterprises till ninth plan. Most of the public enterprises so far established are running in losses and are in the privatization. Following this policy, Himal Cement Company Limited and Nepal Tea Development Corporations are leased for privatization (statistical Pocket Book 2001/2002 P. 266).

1.2.10 The Tenth Five Year Plan (2002-2007)

In the process of planned development; the Tenth plan is in implementation since the fiscal year 2002/3. As the tenth plan constitutes the first plan of the 21stcentury, and the third millennium, it was necessary to clearly define the concept of well-cultured, competitive, prosperous and equitable Nepal while reflecting the aspirations of Nepalese people in the plan. The main objective of the Tenth plan is to alleviate poverty by optimum mobilization of the means and resources by the mutual participation of government local bodies, nongovernmental sectors, private sector and civil society to extend economic opportunities and open new ones areas of employment opportunities and increase the access to means and economic achievements for Women, Dalits, people of remote areas and poor and backward groups through programmes like empowerment, human development, security and targeted projects thereby improve the status of overall economic, human and social indicator.

1.2.11 The Interim Plan (2007-2010)

This plan is being implemented since the fiscal year 2007/8. The vision of this plan is to build a prosperous, modern and just Nepal. With the realization of this envisaged vision, Nepal will be self sustaining and free from the absolute poverty level. The main objective of this plan is to generate an experience of a direct feeling of change in the lives of the general public by supporting in the establishment of peace and reducing the existing unemployment, poverty and inequality in the country.

1.3 A Brief Profile of DDC

Nepal is a mountainous and least developed country. Her economic is mainly based upon the agriculture. In an agricultural country like Nepal, effective mobilization of the agricultural resources is very necessary for the economic development of the country. In order to mobilize the resources from traditional livestock industry of the country, the establishment of dairy industrial is essential. The first five year plan stressed upon the need of developing a modern dairy industry in public sector. As a result during third year plan the Dairy Development corporation (DDC) had been established in 1st shrawan 2026 B.S. Under the Corporation Act 2021 B.S.

" DDC supplies processed milk and products at a reasonable price on a regular basis on the one hand and on the other hand, it provides the suppliers of whole-milk with safe market for their milk. In other words, DDC was established with the objectives of providing incentives to the farmers by collecting and preserving milk providing hygienic milk to the customers. Milk is that type of food which contains protein, carbohydrate, minerals and vitamins. For this reason, milk and milk products are realised very important forever".

The DDC is totally owned by the government. It is financially supported also by the foreign grants and loans at a subsidized rate of interest. DDC products different kinds of milk products such as Butter, Dairy Ghee/ Yak Ghee, Yoghurt, Cheese, Ice ream, Paneer, Skimmed milk Powder and Rasbary. DDC has been collecting Cow , buffalo and Yak/ Chauri milk from 39 districts. Milk is collected through the farmers owned organization :Milk Producers' Association (MPA) and Milk producers' Cooperative Societies (MPCS). Its present milk collection network has spread from Panchthar in the East to Surkhet in the West. DDC has been playing a special role in contributing to uplift the economic status of rural farmers.

1.4 Statement of the Problem

The government and private enterprises in developing countries like Nepal have been seriously suffering due to inadequate or insufficient planning. Revenue planning is one of the most important functions in any enterprises for their viabilities. The basic issue to revenue planning and management have been sought to be answered by this study. What are the revenue raising efforts of the company on its way of increasing the sales in Rs. or volume ? The study has analyzed various problems like sales pattern, i.e cash or credit sales, average credit amount, collection pattern, credit period, collection policy, discount policy and other related problems.

Beside these problems, the present study is intended to explore the following basic questions to bridge the present gap in DDC.

a. What are the fundamental principles adopted in short term and long term planning ?
b. What types of contemporary steps are needed to be taken immediately?
c. Whether the reason of poor performance is because of not using planning system?
d. Is revenue increasing annually?

1.5 Objectives of the Study

The main objective of this study is to evaluate the current practice of revenue planning and management of Dairy Development Corporation (DDC) and its effectiveness in order to identify problems and recommend possible remedial measures. The specific objectives of this study are as follows:

a. To make a comparative study of revenue generation of DDC.
b. To examine revenue planning policies and practices of DDC.
c. To review price fixing practices of the company.
d. To examine credit policy of DDC.
e. To make suggestions and recommendations for revenue management of DDC.

1.6 Need of the Study

Public enterprises are established to accelerate socio economic development of the country. This purpose can be obtained good performance and profitability of the enterprises. Analysis of revenue planning and management is crucial for the overall profit planning of a business enterprise. Profit realization is the result of the effective implementation of series of plan including planning and management. Poor system of planning adversely affects profit planning. Thus periodical analysis and review of revenue planning are necessary in order to ensure smooth functioning of an enterprise for realizing profit.

In many public enterprises in Nepal, budgets are prepared randomly and profit planning and control is not applied in real sense. Because of this reason, most of the public enterprises of Nepal suffer form poor performance. Profit planning is the essence of management and revenue planning is the starting point of overall planning process. This study is aimed to analyse and evaluate the revenue planning system and its application in DDC.

Very little research has been made in the area. Therefore, it plays a vital role in revenue planning and management of the enterprises. This study would be useful to provide information and to draw attention of DDC management regarding planning of revenue for future.

The need of the study is focused to examine whether DDC is managing its revenue planning properly or not.

1.7 Limitations of the Study

The scope of the study is limited to the randomly selected manufacturing public enterprises mainly DDC. This study is only concentrated on revenue planning and management of DDC. Difficulty to get some data was the main problem on account of confidentiality and competitor sensitivity.

a. This study has covered the time span of 5 years only.
b. Only 6 major milk products have been taken into consideration.
c. This study has suffered from lack of relevant data.
d. This study is based on the secondary data made available by DDC.
e. The degree of truth is fully dependent upon the information provided by the concerned authorities of sales department.

1.8 Plan of the Study

This study has been organized into five chapters. They are:

I. Introduction

Under this chapter, introduction deals with the background, evolution of the public enterprises in Nepal, historical background of DDC, objectives of the study, statement of the problem, need of the study and limitation of the study.

II. Review of Literature

The second chapter review of literature mainly includes concepts of planning and matters related to planning and review of relevant research studies and related dissertations.

III Research methodology

The third chapter deals with the **research** methods of the study. It includes the introduction, research design, nature and sources of data, tools of analysis and definition of key terms.

IV Presentation and Analysis of Data

The fourth chapter covers presentation and analysis of data. Data are collected from the annual report (Sinhawalokan) published by DDC.

V Summary, Conclusions and Recommendations

This is the fifth and last chapter which contains summary, conclusions and recommendations of the study.

CHAPTER TWO

REVIEW OF LITERATURE

In this chapter, review of various books, journals, statements, reports, thesis etc. have been made. The main purpose of the study is to fine out what work have been done in the area of the research problem and what have to be done in the field of the research study being undertaken . In this section, it includes concepts of planning and matters related to planning and review of relevant research studies.

Review of literature is supposed to revise the eminent literatures relating to the study. Various books journals, statements, reports and thesis etc are the basis for preparing it some intuitions in Nepal have attempted to analyze about the performance of Nepalese corporation. Similarly, some witness or researchers have also given the contribution on it.

2.1 Planning

Planning is the very first function of management. Plan is a course of action to be taken in future. It specifies the objectives to be achieved in future and the steps necessary to achieve them. Planning is a deliberate process of determining objectives and deciding the course of action for achieving them. It is a mental activity requiring use of intellectual faculties like imagination, foresight and sound judgment. Planning means looking ahead and chalking out the future course of action. It is a preparatory step for the action that is to follow. It is basically a problem of choosing from the alternative course of action. Planning involves both decision making and problem solving. Planning is thinking before doing.

Planning is deciding in advance what to do, how to do it, when to do it and who is to do it. Planning bridges the gap from where we are to where we want to go. It makes it possible for things to occur which would not otherwise happen.

Planning will become a useless exercise if it does not contribute in some positive way to the accomplishment to desired objectives. Planning identifies the actions that would lead to the desired results quickly and economically. Planning is done for the future. It is based on the proverb, 'Look before you leap'. In order to anticipate the future accurately, scientific technique of forecasting is used. Thus , planning is based on forecasting and a plan is a synthesis of forecasts. Forecasting is a systematic attempt to probe the future by inference form known facts and estimates. Planning is mental exercise involving creative thinking and imagination. A manager can prepare sound plans only when he has sound judgement, foresight and vision. Planning is not mere guesswork, but involves rational thinking. It requires a mental predisposition to think before acing. It requires a conscious determining of course of action on the basis of goals, facts and considered estimates. (CB Gupta, p.24)

In industry and commerce the differences between success or failure, and profit or loss depend upon the good plan. Planning is an integral part of our every day life. Without it, action becomes purposeless and effort will get wasted. Planning involves the determination of what should be done, how the goals may be reached and what individuals or units are to assure responsibility and be held accountable. Planning should start by deciding and defining the objectives of the company, making sure in the process that these are compatible with the skills and resources of the undertaking. The planning processes both short and long term are most crucial component of whole system.

It is both the foundation and the bond for other elements because it is through the planning process that an enterprise determines what is going to do, it. It operates as the brain center of an organization and like the brain. It both reasons and communicates. (Lekhe, 1988, p.32)

According to Niswonger and Fess, "Planning is directed toward the establishment of desirable future objectives and the formation of an organizational structure to be followed in achieving them. Control results from the evaluation of individual and group efforts in terms of the predetermined goals." It is said that planning is the managerial function which logically precedes all other functions, since without planning, a manager would not have activities to organize, would have no need to control. However, the managerial job is actually one, which takes places simultaneously rather then serially. Planning is one of the functions of the manager and, as such involves the selection, from among alternatives, of enterprise objectives, policies, procedures, and programs. It is thus decision-making affecting the future course of enterprises. (Knootz and Donnel, 1990, p. 21)

Planning brings a higher degree of rationality and order into the organization than would be present without planning. Without planning a manager is forced to react to situations or problems. Planning permits manger to act with initiative, and to create situations to the organization's advantage. Planning helps a manger shape the future of the organization rather than being caught in an endless trap of reacting only to current crises or problem. (Herbert G. Hicks, C. Ray Gullett, p.248)

2.2 Types of Planning

Plans derive from organizational goals and can be classified as standing plans and single use plans, depending upon the frequency with which they are used.

2.2.1 Standing Plans

Standing plans are those which are used again and again; include policies, procedures and rules (Herbert G. Hicks, C. Ray, Gullett, pp. 258-260).

Policies : General statements that guide decision-making are called policies. Policies define the boundaries within which decisions can be made, and they direct decisions towards the accomplishment of objectives. Once goals have been established, a top-level manager can consider the numerous ways in which these goals could be accomplished.

Procedures: The need for procedures arises when the organization wishes to achieve a high degree of regularity in a frequently recurring event. A procedure provides a narrower, more specific guide to action than a policy. A procedure for carrying out preventive maintenance is required. Such a procedure spells out the series of steps that should be taken when conducting preventive maintenance.

Rules : Rules are specific statements of what may or may not be done. The only discretion left to the manager is whether or not to apply the rule. The development and communication of rules provide ways for informing the organizational member exactly what the boundaries of acceptable behavior are :

2.2.2 Single-use Plans

Single-use or single-purpose, plans are designed to accomplish specific, objectives - usually within a relatively short period of time. Budgets, programs and projects are examples of single-use plans.

On the basis of goal realization, plans also can be classified as follows (Charles J. Woelfel, pp.245-246) :

2.2.3 Strategic Planning (a Business Plan) :

Strategic planning involves establishing the basic philosophy and direction of the organization as well as the strategic decisions necessary for achieving the goals of the organization. It requires making decisions and setting policies such as a) Are you in the right business? b) In addition to maximizing profit, what other objectives do you have for the organization? c) What manufacturing and marketing methods should be used ? d) What financing sources should be relied on ?

2.2.4 Short-run Planning (Forecasting and Budgeting)

Short-run planning involves deciding how the organization will utilize the available resources during a period of time (usually one year or less). Short run planning identifies the results the organization expects to achieve during this time frame. Short- run planning is often reflected in forecasts and budgets.

2.2.5 Project and Situation Planning

Project and situation planning involve decision-making that relates to specific projects or situations. For example, the acquisition of equipment to replace an existing one, the discontinuance of a particular department or division of the company. Project and situation decisions involve specific actions that usually have long-run implications for the company.

2.3 Components of Planning

Planning programme encompasses much more than the traditional idea of a periodic budget. Rather, it encompasses the application of a number of management concepts through a variety of approaches techniques and sequential steps. The planning model consist following components:

a. Basic research and analysis of internal and external environments and identification of macro and micro level trends.
b. Development and approval of strategic and tactical profit plan.
c. Establish specific goals for the enterprise.
d. Development of policy alternatives and resource utilization.

e. Preparation and evaluation of project plans.
f. Identification and analysis of alternative goals and objectives.
g. Development, dissemination and utilization of performance reports.
h. Development of supplementary analysis.

2.4 Corporate Planning

Corporate planning is a management technique for effectiveness in the organized form is still poor condition. It is done for the company as a whole on a continuous basis for making present entrepreneurial risk taking decisions systematically and with the best possible knowledge for their probable outcome and effects. A systematic organism of the efforts and resources needed to carry out these decisions and measuring the result of these decisions against the expectation through organized systematic feedback.

In the opinion of S.A. Sherleakar, corporate planning is a process of thinking before doing. "Business or corporate planning is reasoning out how a business will get it wants to go. It is already a mental process of thinking before doing." According to J.C Higgine, corporate planning as "the systematic process of seating corporate objectives and making the strategic decision and developing the plans necessary to achieve these objectives."

The premises of the corporate planning are defined by Andrew Robertson. These are :

1. Before drawing up a plan, which is designed to decide something what the corporation wants to do.
2. It is necessary to look ahead as for as possible to anticipate the changes.
3. Instead of treating a company as a collection of departments treat it as a corporative whole and

4. Take full accounts of the company's environment before drawing ups any plan.

He also defined corporate planning as, it is to determine the long term goals of a company as a whole goals bring in mind probable change in its environment.
(Andrew Robertson, 1968)

2.5 Role of Forecasting in Planning:

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

The principle objective of every business is to earn profit. Thus, specific efforts in this regard may be related to profit planning. Profit planning is generally based on forecast and therefore to get profit certain steps must be taken, duties must be assigned and the future forecasted in such that way as to get the objective fulfilled. Profit Planning helps the management in attaining higher level of profit. Therefore, forecasting is an attempt to find the most probable course of action event or at best a range of probabilities.

The major aim of forecasting is to reduce the area of uncertainty that surround management decision making with respect to cost, capital investment and so, forth. It is a future decision at present with the help of analysis of relevant factors of past and presents.

There is slightly a difference between planning and forecasting. Forecasting is an attempt to find the most probable course of actions. It plays vital rule in planning.

It is concerned with the forecast of planning process, purpose and scope It helps for the policy formulation about future guideline of an organization. Forecasting is the estimate of the future environment within which the company will operate budgeting and planning. On the other hand, it involves the determinations of what should be done, how the goal may be reached and what individual units are to be assumed responsibility and be held accountable.

All of these aspects suggest that forecasting is an initial stage of planning that encompasses the following :

1. Forecasting is concerned with probable events likely to happen under anticipated conditions during a specific period of time.
2. It may cover a long period of time
3. It may cover a limited functions or activity of planning
4. The function of forecast ends with the forecast of likely events.

In sum, there can be no intelligent or effectives planning for a business enterprise without the primary steps of forecasting. A good planning depends on good forecasting.

(Saksena, 1975) (Kuchhal, 1976)

2.6 Sales Planning

The sales planning process is a necessary part of profit planning and control because a) it provides for the basic management decisions about marketing and b) based on those decisions, it is an organized approach for developing a comprehensive sales plan. If the sales plan is not realistic, other parts of the overall profit plan also are not realistic. Therefore, if the management believes that a realistic sales plan cannot be developed; there is little justification for profit planning and control.

A comprehensive sale plan includes two separated but related plans the strategic plan and the tactical plan.

A strategic sale generally covers five or ten years time period. These plans usually involve in depth analysis of future market potentials, which may be built up from a basic foundation such as population changes, state of the economy, projections and finally company.

Tactical sales plan covers only 12 months of time period. At the end of the each month or quarters 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 usually subject to review and revision on a quarterly basis.
(Glenn A. Welsch, Ronald W. Hiltoon, Paul N. Gordon, 2000, pp. 171-172)

2.7 Forecasting vs Planning

Forecasting are predications of what will happen under a chosen alternative set of assumption, or, occasionally, of what would happen under alternative assumptions. Forecasting is a future decision at present from the analysis of relevant factors of past and present. Its main aim is to reduce uncertainty and risk in future and conformity to achieve desired objectives as possible. According to Webster, "To plan ahead" is the leading definition for forecast. Forecasting is our best thinking about what will happen to us in the future.

Forecasting predicts the future events in such a way that planning process can be performed more accurately. Sales planning and forecasting often are confused. Although related, they have distinctly different purposes. A forecast is not plan, rather it is a statement or a quantified assessment of future condition about a particular subject such as sales revenue, based on one or more explicit. A forecast should always state the assumption upon which it is based. A forecast should be viewed as only the input into development of sales plan. The management of a company may accept, modify or reject the forecast. In contrast, a sales plan incorporates management decisions that are based on the forecast, other inputs and management judgments about such related items as sales volume, prices, sales, efforts, production and financing. A sales forecasting is converted to a sales plan when management has brought to bear management judgment planned strategies commitments of resources and the managerial commitment to aggressive actions to attain the sales goals.

Another reason for identifying sales forecasting as only one step in sales planning is that sales forecasting are conditional. They normally must be prepared prior to management decision or plans in such areas are plant expansion, price changes, promotional program and other resources commitment.

(Glenn A. Welsch, Ronald W. Hilton, Paul N. Gordon, 2000, pp.172)

2.8 Profit Planning and Control

Profit Planning and Control is a new term in the literature of business. Though it is new but it is not a new concept in management. It can be defined as a management planning covering all phases of profit operation for a definite future period. A planning is a formal expression of policy; plan, objectives and goals established by management for the concern as a whole and for each sub-division.

(Ratan Man Dangol, unpublished work note)

The profit planning and control model involves :

a. Development and application of broad and long-range objectives of the enterprises.

b. Specification of enterprise goals.

c. Development of a strategic long-range profit plan in broad terms.

d. Specification of a tactical short range profit plan detailed by assigned responsibilities.

e. Establishment of a system of periodic performance reports detailed by assigned reponsibilities.

f. Development of follow-up procedures.

PPC is one of the more important approaches that have been developed to facilitate effective performance of the management process. The concept and techniques of PPC have wide application in individual business enterprises, governmental units, charitable organization and virtually all group endeavors.

The fundamental concepts of PPC include the underlying activities of tasks that must generally be carried out to attain maximum usefulness from PPC. These fundamentals have never been fully codified. As a basis for discussion, an outline of the fundamental concepts usually identified with PPC is given below :

(Welsch, Hilton and Gordon, 2000, pp. 31-32)

a. Top management support or managerial involvement and commitment

b. Clear and realistic goals.

c. Assignment of authority

d. Creation of responsibility centers

e. Adaptation of accounting system (responsibility accounting)

f. Full participation

g. Effective communication

h. Budget Education

i. Flexible application

j. Realistic expectation

k. Timelines

l. Individual and group re-organization

m. Follow up

n. A strategic (long range) profit plan

o. A tactical (short range) profit plan

p. A behavioral management program.

The basic objective of profit planning and control are : (Vinayakan and Sinha,1992, p. 17)

a. It is a plan action and serves on a declaration of policies.

b. To coordinate the various division of a business, namely production, marketing, financial and administrative divisions, by consultation among the divisional heads and mutual agreement on company policies.

c. To decentralize responsibility on to each manager involved.

d. To plan and control income and expenditure so that maximum profitability is achieved.

e. To operate most efficiently the divisions, departments and cost centers of a plant.

f. To smooth out seasonal variations in production by developing new 'fill-in' products and thereby accomplishing one phase of economic planning..

g. To aid in controlling cash.

h. To obtain a more economic use of capital.

i. Only the exceptions are reported to the management so that corrective action can be taken in order to achieve the objectives laid down by the management.

2.9 Budget

A budget is a quantitative expression of a plan of action relating to the forthcoming budget period. It represents a written operational plan of management for the budget period. It is always expressed in terms of money and quantity.

The essential features of a budget are :

a. Financial and quantitative statement of the action plan.
b. Lay down prior to the budget period during which it is followed.
c. Based on management policy and
d. Prepared for specified objectives.

A budget is defined as : 'A budget is compressive and coordinated plan expressed in financial terms for the operation and sources of an enterprise for some specific period in future'. 'Budgeting is a primary attention directly because it helps management to focus on operating or financial problems early enough for effective planning or action.(Panday ,1987)

2.10 Budgeting, Planning and Control

Budgeting is any formalized system of forecasting, planning, monitoring and controlling the use of resources. Budgets can be prepared in physical units of inputs, outputs or sales, but normally this is followed by 'pricing' each unit in order to express the final budgets and budget reports in financial terms.

Planning is the process of establishing future objectives means of meeting those objectives. Control, on the other hand, is the means by which management ascertains that the various parts of the business perform efficiently and progress toward the predetermined plans. Budgetary control is the process by which management keeps efficiencies of each part of the company's operation. Determining in advance the expected sales volume, the expected cost of merchandise to be purchased or produced, the number of employees needed, and the expenses to be incurred effects planning. Control, on the other hand, is exercised through budget performance reports prepared for each subdivision of the company reflecting the budget, the actual results of operation and any differences. (Seller, 1964, p.655)

2.11 Types of Budget

Commonly used budgets are sales, expenses, cash, cash, capital, expenditure and budgets that measure physical quantities. (Herbert G. Hicks, C. Ray, Gullett, pp. 563-566)

2.11.1 Sales budget

Sales budget is based on forecasted sales for a coming period, it is the cornerstone for much of the organization's future planning including the preparation of other budgets. The preparation of the sale budget is based on the sales-forecasting activity done by the firm. Sales forecasting can be accomplished by a number of methods. However, the forecasting should consider external trends in the industry, the economy, and the society. Also, internal factors such as plant production capacity, qualifications of the sales force, the introduction of new products or services and plans for expansion into new locations should be included.

2.11.2 Expense budget

A number of subsidiary budgets including material budgets, direct labor cost budgets, maintenance budgets, and manufacturing overhead budgets fall into the expenses budgets.

Selling-expense budgets, research and development budgets and administrative overhead budgets are further examples. Essentially, expenses budgets state the cost of operations necessary to supply the sales budget to accomplish sales goals. Each department manager usually prepares an operating expense budget that details the expenditures necessary to operate the department at the desired level for a coming period.

2.11.3 Cash budget

Cash budgets measure and forecast the inflows and outflows of cash in an organization. It is a statement of expected cash receipts and disbursements in a coming budgetary period. Cash budget allow management to anticipate shortages or excesses of cash in future months so that proper actions can be planned before such situations present themselves as accomplished facts.

2.11.4 Capital expenditure budget

Capital expenditures budget provide future purchases of land, building, furniture and fixtures, and production equipments. A decision to purchase a computer or to build a new building would likely to be included in this budget. Such expenditures typically involve large amounts of money and an investment that is recovered over a lengthy period of time. Because of this long-term commitment of large amount of fund, firms typically centralize the decision making for such expenditures in a top management committee.

2.11.5 Physical quantity budget

Physical quantity budget only measure physical units rather than amount. These include the number of items expected to be manufactured, the number of labour hours necessary for completion of the work, needed amounts of raw materials, volume of finished-goods inventories, and machine-time utilization. These physical quantity measurements can be significant aids in the planning of operation and later in their control.

2.12 Essentials of profit Planning or Budgeting

A successful and sound planning and budgeting system is based upon certain prerequisites. These prerequisites represent management attitude, organization structure and managerial approaches necessary for the effective and efficient application of the budgeting system.

The following are some of the important essentials or fundamental of a successful profit planning or budgeting (Pandey, 1996, pp. 239-240)

a. Top management support
b. Clear and realistic goal.
c. Assignment of authority and responsibility
d. Creation of responsibility centers
e. Adaptation of the accounting system (responsibility accounting)
f. Full participation
g. Effective communication
h. Budget education

2.13 Revenue Planning

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

"The logical starting point in developing the revenue planning is the estimates of 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 elements of revenue and expenses will fall into place. There is circular relationship between sales and some expenses. Infact the level or amount of certain expenses may have a considerable influence on the revenue. For example: the relationship may not be drawn there from."

"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 conclusion may not be drawn there from." (Manmohan, and Goyal, 1992, p.40)

"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 products, the expected amount of advertising products and general level of the economy. Since most of these unknown companies frequently maintain a specially trained staff to increase them. (Seiler Robert E., 1964, p.79)

The factors influencing the level of revenues may be classified as internal and external.

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 price 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 change 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 changes.

(WWW. procession. com) (" Revenue planning and cost classification 2001/002")

The revenue planning process is a necessary part of PPC. If the revenue plan is not realistic, all of the other parts of the overall profit plan also are not realistic. Therefore, if the management believes that a realistic revenue plan cannot 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 expect for purely speculation ventures that most managers and investors prefer to avoid. (Welch, Hilton and Gordon, 1998, p.171) reasonable degree of accuracy is hard to achieve in sales budget but it is imperative outing to the dependency of other budgets on sales budget. No method will ensure absolute accuracy but reasonably correct forecasts are much more likely to result from through market research and application of this knowledge to the individual circumstances of particular business. (Dr.Varma and Agrawal, 1996,p.3.33)

The company earns 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.

2.14 Steps for Revenue Planning

A planner should complete the following steps for planning the revenue. They are as follows:-

(Welsh, Galenn, A. Hilton, Ronald W., and Gonden Poul, 1999,pp.179-182)

Step – 1 Develop management Guidelines for Revenue Planning

All management participants in the sales planning process should be provided with specific management guidelines to be followed in revenue planing. Fundamentally, these guidelines should specify revenue planning responsibility. The purpose of these guidelines is to attain coordination and uniformity in the revenues planning process. The guidelines should emphasize enterprise objectives, goals and sales strategies. The guidelines also should direct attention to such areas as product emphasis, general pricing policies, major market thrusts , marketing strategies, and competitive position.

Step - 2 Prepare Sales Forecast

One or more sales forecasts should be prepared. Each 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 time-series smoothing, decomposition for time-series advanced time series, simple and multiple regression, and modeling. The forecasts should include strategic and tactical forecasts that are consistent with the time dimensions.

Step – 3 Assemble Other Relevant Data :

In additional to step-I and step-II broadcast, all other information relevant to developing realistic revenue plan should be collected and evaluated. This information should relate to both constraints that should be evaluated are a) manufacturing capacity, b) sources of raw materials and supplies or goods for resale c) availability of key people and a labour force, d) capial availability, and e) availability of alternative distribution channels. These five factors require evaluation and coordination among the heads of the various functional are as in developing a realistic revenue plan.

Step – 4 Develop the Strategic and Tactical Sales Plans :

Using the information provided in step 1,2 and 3 the management develops a comprehensive revenue plan to do this , the planing must be structured to maximize a) motivation of the sale force, and b) realism in the revenue plan. This process 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 distribution channels, and the competence of its marketing group. Four different participative approaches widely used are characterized as follows: 1) sales force composite, 2) sales division manager's composite, 3) executive decision and 4) statistical approaches.

Step -5 Securing Managerial Commitment to Attain

The Goals in the comprehensive Revenue plan top management must be fully committed to attain the sales goals that are specified in the approved revenue plan. This commitment required full communication to the sales manager of the goals, approved marketing plan and strategic. by sales responsibilities. The commitment must be strong and ever present in day-to-day operations.

2.15 Credit Policy

Trade credit arises when a firm sales its product or services on credit and does not receive cash immediately. A firm grants trade credit to protect its sales from the competitors and to attract the potential customers to buy its products at favorable terms. Trade credit creates receivable or bad debts, which the firm expected to collect in the near future.

Credit sales and credit collection policies are interrelated with the pricing of a product or service and must be viewed as part of the overall competitive process. Economic condition and the firm's credit policies are the chief influences on the level of a firm's account receivables: Economics condition, of course are largely beyond the control of the financial manager. As with other current assets, however, the manager can vary the level of receivables in keeping with the trade off between profitability and risk.(Van Horne,1996, p.402)

The total amount of account receivable of a firm depends on the level of sales and collection period . Both sales and collection period of a firm are influence by the credit policy of the firm. Whether or not to extent credit to customers can be determined from the help of credit policies of a firm. How much credit to extend also can determine from credit policy.

The term credit policy is used to refer to the combination of three decisions variables.

a. Credit standard: are criteria to decide the type of customers to whom goods could sale on credit.

b. Credit terms: specify duration of credit and terms of payment by customers. Investment in account receivable will be high, if customers are allowed extended time period for making payments.

c. Collection efforts: determines the actual collection period. The lower the collection period the lower the investment in account receivable and vice versa.

Credit policy relating to sales and purchases also affects the working capital. The credit policy influences the requirement of working capital in two ways-a) through credit terms granted by the firm to its customers/ buyers of goods, b) credit terms available to the firm from its creditors.(Khan and Jain, 3rd edition)

2.16 Collection Policy

Collection policy refers to the procedure the firm follows to collect its credit account. The firm determines its overall collection policy by the combination of collection procedures it undertakes. Changing in collection period influences sales, the collection period and the bad debt loss percentage.

The credit and collection of a firm involves several decision-

a. The credit period

b. The cash discount

c. Special terms such as seasonal dating.

d. The level of collection expenditure.

To maximize the profit arising from credit and collection policy, the firm should vary these policies jointly until it achieve an optimal solution. That solution will determine the best combination of credit standards, credit period, cash discount policy, special terms, and level of collection expenditures.(James C. Van Horne, 1996, p.442,450).

2.17 Review of Previous Research Studies

Mr. Shiva Prasad Nepal's research work" Profit Planning In Nepalese Manufacturing Enterprises, A case study of Lumbini Sugar Mills Ltd. " finds that the Nepalese public enterprises are very poor in return on sales, return on capital investment .

The major findings of this study based on the analysis of available data are as follows:

a. In Nepalese manufacturing PEs its seems that the government directly or indirectly interferes in setting objectives and strategies.

b. There is effective planning and communication system in Nepalese manufacturing PEs .

c. There is no autonomy to board of directors, which is the government body.

d. The chairman of the board and general manager are appointed from the government employees.

e. In Nepal, the national demand is not fulfilled by internal production.

f. In Nepal manufacturing PEs, the infrastructure of the profit plan is production plan.
g. Nepalese manufacturing PEs is facing the problem of raw material, skilled labor and power cut etc.
h. In Nepalese manufacturing PEs there is no detailed tactical profit plan.
i. The pricing method and policy of Nepalese manufacturing PEs is not clear and the government is the main authority in fixing prices.
j. In Nepalese manufacturing PEs the implementation of plan of budget is in very poor condition and there is no system of taking corrective action for re-planning.

On the basis of the study, the following recommendations were made:

a. In setting the strategies to fulfill the objectives, the board of director and general managers should be free and should take the responsibility also.
b. The factory's top management or governing body should follow certain procedure for strategy formulation.
c. To prepare the realistic sales plan the factory should create such situation where the co-ordination among the department is automatic.

Mr. Rawanta Kumar Dahal had found the following major findings in his research "Profit planning and control in public enterprises: A case study of Herbs Production and Processing Company Ltd."

a. The company does not have practice of preparing of sales budget although there is a tentative sales target. There is a high gap between actual and target sales. The correlation between target and actual sales shows a negative correlation. It reveals that the company can not meet it self goals as specified and annual program. The company has no practice of systematic forecasting.

b. The company does not prepare raw material usage budget and raw material purchase budget.
c. Financial position of the company for the budget periods is not foreseen due to lack of formulation of planned financial statement i.e. cash flow, income statement and balance sheet.

Mr. Iswor Raj Chalise's " Profit Planning in manufacturing company : a case study of Nepal Level Ltd." had the following findings and recommendations:

a. The company has no planning division. It has no skilled and expert planners as well.
b. Nepal Liver Ltd. has been suffering form many internal and external factors in formulating and implementing plans. However, it has no proper practice of environment scanning.
c. The company has no practice of sales forecasting. It does not prepare sales and production plans. Sales and production are made on ad-hoc basis. Sales are dependent upon production rather than a sales plan, which is delivered after sales forecasting.
d. The company has adapted going rate pricing. The cost of production is not considered while pricing products.
e. Nepal Lever Limited has no proper practice of planning various expenses.

The recommendations of the study are:

a. There is no profit planning in Nepal Lever Limited, no special plans division. All profits are made without profit planning. If a systematic planning is made the company can earn the more profit. Therefore, for better performance company should prepare strategic long range and tactical short-range profit plans.

b. Nepal Lever Limited should be clear about its objectives and to achieve the basic objectives. It has to define main objectives in annual goals or target.
c. Modern strategic management system should be introduced instantly. The company should prepare strategic long-range plans and tactical short range plans. The short range or annual plans should be in the line with strategic plans.

Mr. Dilli Raj Sharma's research " Revenue Collection in Nepal Electricity Authority" had the following findings and recommendations:

a. The Revenue of NEA is increasing yearly.
b. There has been fluctuating trend of revenue in N EA.
c. The revenue from industrial sector is more fluctuating.
d. There is no improvement in revenue collection of NEA despite the government effect in this field.

The major recommendations of Mr. Dilli Raj Sharma's study are :

a. To improve revenue collection of NEA, the government should issue circular to all offices to pay their outstanding bill in time.
b. Adequate counter facility is necessary for revenue collection.
c. Payment facility is also a factor. To save the customer's time and the transportation cost, NEA should make necessary arrangement for the payment of bill through bank.
d. Leakage should be controlled for the improvement of revenue.
e. Line connection procedures should be made shorter.
f. Assessment of electricity tariffs should be specific.
g. Line disconnection should be properly managed.

Mr. Manoj Kumar Bishwokarma's research " A study on Profit Planning and control Mechanism of Lumbini Sugar Mills Ltd." had following major findings and recommendations:

a. In budgeting period planning process, the sales plan is cornerstone, and the other plans are based on the sales plans, but in Lumbini Sugar Mill the sales plan is based on production capacity.

b. LSM has no long term sales plan(i.e. more than 2 years)

c. LSM has been facing the problem of skilled manpower. Personnel planning of LSM seem not bad but there is political interference in recruitment according to the view of personnel of LSM.

d. The company could not achieve its target because there was no proper cost planning pricing policy. The main authority of fixing pricing policies Nepal Government . There is no proper system of cash planning.

Recommendation are :

a. In setting the strategies to fulfill the objectives of the board of Directors and General managers should be free. The goal and objectives must be outlined in various management levels.

b. The sales plan depends on the production plan and production plan depends on plant capacity. The sales and production plans should be prepared in realistic ground. The sales and production plans should be detailed by time and responsibility.

c. Every organization should get chance in setting goals and should have clear knowledge about the department goals.

d. LSM has not profit planning department . LSM should establish a profit-planning department and should appoint the profit planning Directors and personnel to achieve the company's long and short term goals and objectives.

2.18 Research Gap

Very few studies have been made in respect of revenue planning and management of Nepalese Public Enterprises with special reference to Dairy Development Corporation(DDC). Although some studies have been conducted in this regard, they have hardly made the depth analysis of factors in this field. This study has highlighted about the applications of detailed and systematic budgeting in Nepal, especially in DDC and analysed the problems, practices and prospects of budget applications and implementation. Similarly, the firm can follow the suggestion of this study to male the policy more practical, scientific and effective. This study has focused on budgeted sales, actual sales, actual sales, comparative study of budget and actual sales revenue trend

CHAPTER - THREE

RESEARCH METHODOLOGY

The basic objective of the study is to under take the revenue planning of DDC by following simple research methodology. Research methodology is the research method or technique to be used in the entire study. A suitable research methodology of the study is designed and followed in this study to fulfill the stated objectives.

This chapter, therefore, consists of the research design, nature and source of data, data gathering procedures and tools of analysis.

3.1 Research Design:-

In order to achieve the objectives of the corporation and to obtain answer to research question and to control variances to achieve of the study, descriptive and analytical research designs have been used.

3.2 Sources and collection of Data

Information is the lifeblood of any research work. To gather the information data collection is a major task.

To fulfill the objectives of this study, primary as well as secondary data have been used. Primary data have been collected through interviews with the officials and has well supplementary questionnaires.

Secondary data have been collected from the published documents of Dairy Development Corporation related books, booklets magazines, publications of national planning commission, statistical survey etc. Similarly, previous thesis and the official accounting and planning records of dairy development corporation. Likewise, some other related information has been gathered from Nepal Commerce Campus Library, Central Library etc.

3.3 The **Population and the Sample**

This research work is related with revenue planning and management of public enterprises in Nepal. So, the total present number of public enterprises in Nepal is the population of this study. Due to the various constraints like; time, resources etc. one representative public enterprise "Dairy Development Corporation" is selected as a sample for the purpose of research work.

3.4 Period Covered

The study covers a time period of five years from FY2058/59 to FY 2062/63. Data has been taken from DDC and the analysis is basically made on the basis of these 5 years audited data for the purpose of analysis.

3.5 Tools used

Data collected form various sources are managed, analyzed and presented in proper tables and formats. Such tables and formats are interpreted and explained as required. The analyses of data are done by using financial and statistical tools.

3.5.1 Financial Analysis

Financial analysis refers the indication of proportionate relationship of various components of statements with aggregate figure, proportion within them in the same period and proportional changes from one year to another. The financial tools mainly used are variance analysis, CVP analysis and debtors turnover and collection period.

3.5.2 Statistical Analysis

The statistical tools mainly used are arithmetic mean, standard deviations, coefficient of variations, graphs, diagrams, percentage etc.

3.5.2.1 Standard Deviation:

Standard deviation is defined as the positive square root of the arithmetic mean of the squares of deviations of the given observations from their arithmetic mean. Thus, if X_1, X_2,……….X_n is a set of 'n' observations then its standard deviation is given by:

$$\pm = \sqrt{\frac{\sum (x - \bar{x})^2}{n}}$$

and, $\bar{x} = \frac{\sum x}{n}$, the mean of the values

$\pm =$ Standard deviation

3.5.2.2 Coefficient of Variations

The corresponding relative measure is known as the coefficient of variation. It is used in such problem where we want to compare the variability of two or more than two series. Coefficient of Variations is denoted by C.V. and is obtained as follows:

$$C.V. = \frac{\pm}{\bar{x}} \times 100$$

Where,

$\pm$ = Standard Deviation

$\bar{x}$ = Mean

3.6 Research Variables

The budgeted and actual sales of DDC are the main variables in this research work. Other variables are also used where necessary.

CHAPTER- FOUR

DATA PRESENTATION AND ANALYSIS

4.1 Introduction

The main objective of the study is to present data and analyze them with the help of various statistical tools. This chapter has presented the analysis of components of revenue planning and management of Dairy Development corporation (DDC). Major variables in this study are budgeted sales in quantity, budgeted sales in rupees, actual sales in quantity, actual sales in rupees, total sales revenue and its management.

4.2 Sales Trend of DDC

The following table shows the picture of sales trends and achievement from F.Y. 2058/56 to F.Y. 062/63.

Table No: 4.1

Sales Targets and Achievement

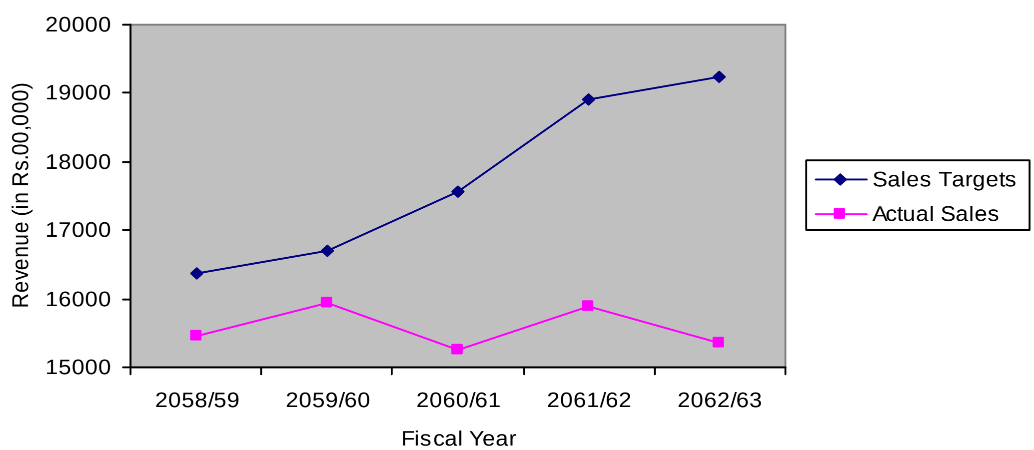
Fiscal years	Sales Targets (in Rs. 00,000) (X)	Actual Sales (in Rs. 00,000)(Y)	Achievements %
2058/59	16381.55	15465.22	94.40
2059/60	16705.11	15931.37	95.36
2060/61	17558.90	15245.28	86.83
2061/62	18919.22	15896.24	84.02
2062/63	19235.09	15363.40	79.88
Average of achievement %			88.09%
Mean (in Rs. 00,000)	17759.98	15580.38	
Standard Deviation (σ) (in Rs.00,000)	1146.56	281.38	
Coefficient Variation (CV)	1.29%	1.80%	

Source: Annual Reports, DDC, 2058/59-2062/63

The table shows that the sales target has adopted an increasing trend whereas, there is a fluctuation in the actual sales.

In all the years, targeted sales could not be achieved. However, there is a wide gap between the targeted sales and actual sales in the last three years of the study. Differences between two figures of sales targets and actual sales were smaller in the first two years. It shows that actual sales were less than target sales in all the years. But the achievement was not less than 80%. In the year 2059/60, actual sales was near to budgeted sales i.e. 95.36%. So, the achievement was highly satisfactory. The average achievement % in the fiscal year was 88.09%. The analysis shows that coefficient of variation of budgeted and actual sales were 1.29% and 1.80% respectively. This shows that the average is more representative.

Figue No :4.1
Sales Targets and Achievements



The Graph 4.1 shows the line chart of budgeted and actual sales revenue. In the year 2060/61, 2061/62 and 2062/63, the gap between the two lines was wide and remarkable. In that year the corporation was able to achieve only 86.83% , 84.02% and 70.88% respectively of its targeted sales. But in the year 2058/59 and 2059/60 it is seen the narrow gaps between the lines. In the year 2059/60, 95.37% revenue was collected.

4.3 Revenue Trend of DDC

Planning of revenue is the key factor in profit planning and control. Accuracy and practicability of profit plan is totally depended in realistic and practical revenue plan. The starting point for the evaluation of existing revenue planning practices is to analyze past trends of planned sales revenue and its achievement. The following table shows the revenue trends of DDC for the period of 2058/59 -2062/53.

Table No.: 4.2

Revenue Trends and Contribution of Each Category In Total Revenue of DDC

Amount in Rs.

Fiscal year	Milk	Index	Milk products	Index	Total Revenue
2058/59	1,250.899,35.27	100%	295,622,963.77	100%	1,546,522,323.04
	80.88%		19.12%		100%
2059/60	1,301,551,686.31	104.05%	291,585,977.64	98.64%	159316,778.70
	81.70%		18.30%		100%
2060/61	1,244,929,547.02	95.65%	279,598,977.64	95.89%	1,524,528,524.66
	81.66%		18.34%		100%
2061/62	130,093,7690.28	104.30%	288,725,785.93	103.66%	1,589,663,476.25
	81.83%		18.17%		100%
2062/63	1,253,313,814.11	96.21%	283,26,750.32	97.99%	1,536,340,564.43
	81.57%		18.43%		100%
Average	81.53%		18.47%		100%

Source: Annual Reports, DDC, 2058/59-2062/63

It is clear from the table that the milk sales showed the fluctuating trend. It is seen that the milk sales has increased by 4.05 % in 2059/60. But in the year 2060/61 , the sales was decreased by 4.35%. The sale was increased by 4.30% in the year 2061/62. Again in the last year the sale was decreased by 3.79%.

The sales of milk products were also fluctuating. The milk product sales decreased by 1.36% and 4.11% in the second and third year respectively. But, the sales increased by 3.66% in the year 2061/62. Again in the fifth year the sales decreased by 2.01%.

The table broadly shows that milk is the major product of DDC. During the past five fiscal years, milk sales contributed more than 80% to the total sales revenue and milk products contributed not more than 20%. The maximum amount of contribution of milk i.e. 81.83% was recorded during the year 2061/62 and the maximum amount of contribution of milk product i.e.19.12% was recorded during the year 2058/59.The average contribution of milk and milk products in total revenue of DDC is 81.53% and 18.47% respectively.

Table No.:4.3

4.4 Contribution of each Product in Milk Products Sales Revenue (in Rs)

S.N	Fiscal year products	2058/59	2059/60	206061	2061/62	2062/63	Averages %
1.	Ghee	56.05	53.26%	50.65%	47.68%	49.35%	51.40%
2.	Butter	17.29%	17.38%	15.82%	1850%	17.48%	17.29%
3.	Curd	11.32%	12.40%	14.19%	12.87%	16.33%	13.42%
4.	Cheese	11.09%	11.79%	12.71%	12.41%	12.51%	12.10%
5.	Paneer	2.98%	3.81%	4.60%	3.58%	3.79%	3.75%
6.	Ice cream	1.27%	1.36%	2.4%	2.22%	2.23%	1.90%
Total		100%	100%	100%	100%	100%	100%

Source: Annual Reports, DDC, 2058/59-2062/63

The table shows that Ghee, Butter, Curd and Cheese are the main products of DDC. Ghee occupied the major share on the sales revenue on Milk Products' sales revenue. Ghee and Butter has contributed more than other products while paneer and Ice cream have very small contribution.

Contribution of Ghee has been decreasing on the years except in the last year. Ghee has contributed more than 47%. The maximum amount of contribution of ghee was 56.05% in F.Y. 2058/59. The average contribution of Ghee is 51.40%.The contribution of Butter has been fluctuating during the years. Butter is the second major product that contributes more than 15%. In the year 2061/62, Butter contributed 18.50% to the total milk products revenue. The average contribution of Butter is 17.29%. Curd has adopted an increasing trend except in the year 2061/62. Curd is the third major product. It has contributed around 16.33% during the year 2062/63. The average contribution of Curd is 13.42%.Cheese has also adopted an increasing trend except in the year 2061/2062. Cheese contributed up to 12.71% during the year 2060/61. So it is the fourth major product. Its average contribution is 12.10%.Both the Paneer and Ice cream has adopted an increasing trend except in the year 2061/62.The maximum contributions of Paneer and Ice cream to the total milk products sales revenue were 4.60% and 2.23% in the year 2060/61 and 2062/63. Its average contribution is 3.75% and 1.90% respectively.

4.5 Product wise Revenue Analysis

Table No.:4.4

Comparative Study of Budgeted Sales and Actual Sales of Milks (in Litre)

Fiscal year Particulars	2058/59	2059/60	2060/61	2061/62	2062/63
Budgeted sales	63554400	64216880	65495000	64855940	64205470
Growth rate	100%	101.04%	103.05%	102.04%	101.01%
Actual sales	57764000	60276000	57492000	5884000	59580000
Growth rate	100%	104.34%	99.52%	101.85%	103.13%
%Difference in sales	90.81%	93.86%	87.78%	90.72%	92.79%
Changes in Actual sales	-	2512000	-2784000	1392000	696000
% Change in Actual sales	-	4.35%	-4.62%	2.42%	1.18%

Source: Annual reports, DDC, 2058/59 -2062/63

Table No:4.5

Comparative Study of Budgeted sales and Actual Sales of Milk (in Rs)

Particulars	2058/59	2059/60	2060/61	2061/62	2062/63
Budgeted sales (00,000)	13780.14	13875.12	14125.90	14915.90	15899.16
Growth rate	100%	100.68%	102.50%	108.23%	115.26%
Actual sales (00,000)	12508.99	13015.52	12449.29	13009.37	12533.13
Growth rate	100%	104.05%	99.52%	103.99%	100.18%
%Difference in sales	90.78%	93.80%	88.13%	87.21%	78.82%
Changes in Actual sales (00,000)	-	506.53	-566.23	560.08	-476.24
% Change in Actual sales	-	4.05%	-4.35%	4.49%	-3.66%

Source: Annual reports, DDC, 2058/59 -2062/63

Table Nos. 4.4 and 4.5 shows the comparative study of budgeted sales and actual sales milk in quantity and in rupees respectively.

It can be seen from the table no.4.6 that the growth rate of budgeted sales increased till the third year. After that, it started decreasing. But the growth rate of actual sales fluctuated till the year 2060/61 and increased thereafter.

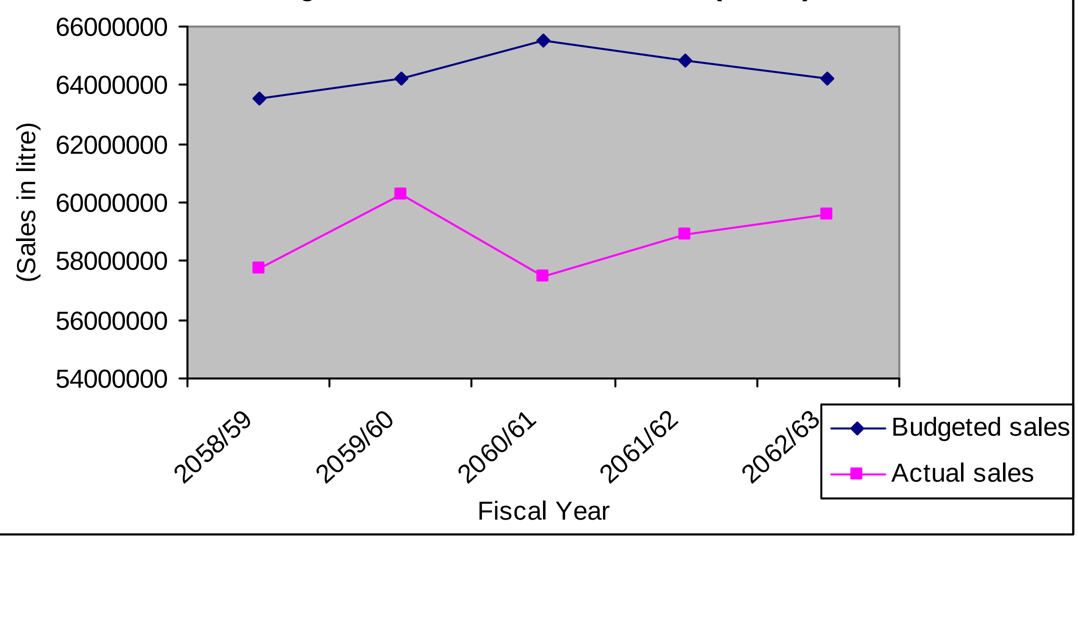
It is clear that the corporation could net achieve its budgeted sales in all the fiscal years. In the year 2058/59, its budgeted sale was 63554400 litre. But the actual sale was only 57764000 litre which showed 9.19% less than the budgeted sales. The same result repeated in the last four fiscal years. The actual sales were 6.14%, 12.22%, 9.28% and 7.21% less than its budgeted sales in 2059/60, 2060/61,2061/62 and 2062/63 respectively.

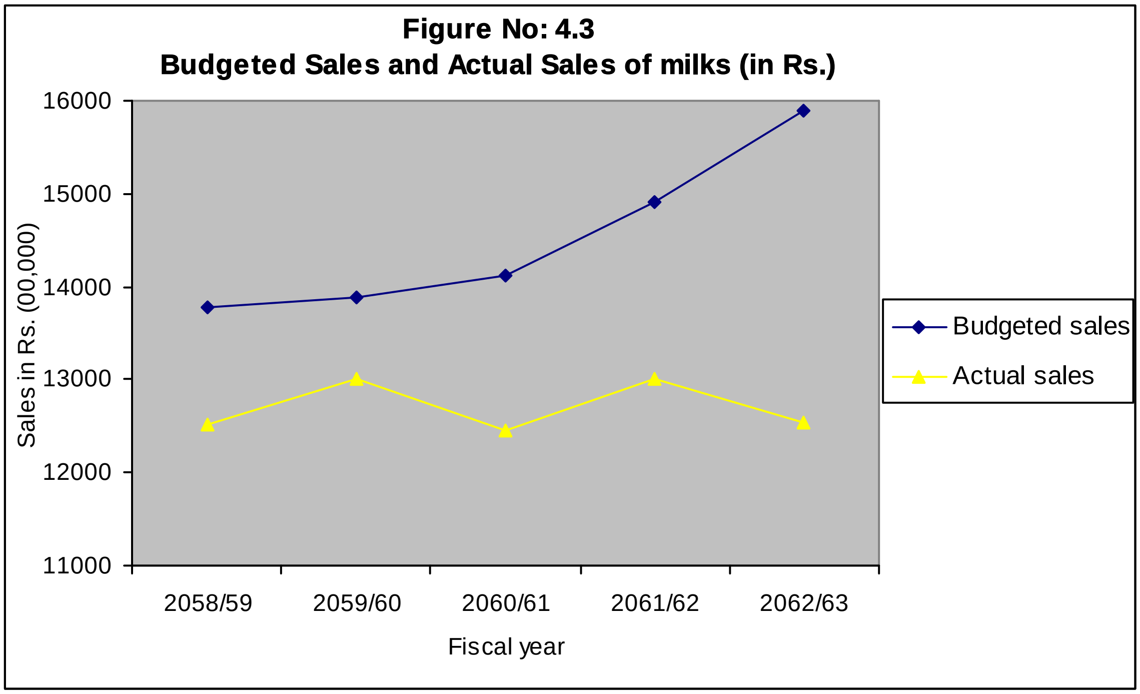
The actual sales were increasing except in the year 2060/61. In the year 2059/60, the corporation sold 60276000 litre milk which was the highest quantity than the four years. In the year 2060/61, the actual sale was 57492000 which was 4.62% less than that of previous year. But in the following two year the actual sales increased by 2.42% and 1.18% respectively.

The growth rate of budgeted sales kept on increasing during the fiscal years where as, the growth rate of actual sales were fluctuating in table no. 4.5.

Its trend was similar to above table no.4.6 but not exactly the same. In the fiscal year 2062/63 the quantity actual sale was 1.18% more than the previous sales but in Rs. the actual sales was 3.66% less than the previous sales. Discussion with the senior officer of the DDC showed that fluctuating trend of pricing system and growing factory overhead cost were the main reasons.

Figure No :4.2
Budgeted sales Actual Sales of Milks(in litre)





The Graph 4.2 and 4.3 shows the planned and actual sales of milk in litre and in rupees respectively. In the year 2058/59 and 2059/60, there were narrow gaps between the lines. But, in 2060/61 there was a remarkable gap between lines. The gap between the lines were wide in the year 2061/62 and 2062/63.

Table No.:4.6

Comparative study of Budgeted sales and Actual Sales of Butter (in kgs)

Fiscal years particulars	2058/59	2059/60	2060/61	2061/62	2062/63
Budgeted sales	294920	311100	324000	317550	314325
Growth rate	100%	105.49%	109.86%	107.67%	106.57%
Actual sales	310800	286000	239819	262910	286855
Growth rate	100%	92.02%	77.16%	84.58%	92.28%
Difference in sales	105.38%	91.93%	74.02%	82.80%	91.26%
Changes in Actual sales	-	-24800	-46181	23091	23945
%changes in Actual sales	-	-7.98%	-16.15%	9.62%	9.10%

Source : Annual Reports, DDC,2058/59-2062/63

Table No: 4.7

Comparative study of Budgeted sales and Actual sales of Butter (in Rs)

Particulars	2058/59	2059/60	2060/61	2061/62	2062/63
Budgeted sales (00,000)	489.51	513.14	601.41	534.36	494.20
Growth rate	100%	104.83%	122.86%	109.16%	100.96%
Actual sales (00,000)	511.09	506.73	442.20	494.81	321.57
Growth rate	100%	99.15%	86.52%	96.81%	62.91%
%Difference in sales	104.41%	98.75%	73.53%	92.60%	65.07%
Changes in Actual sales (00,000)	-	-4.36	-64.53	52.61	-34.99%
% changes in Actual sales	-	-0.85%	-12.73%	11.90%	-34.99%

Source : Annual Reports, 2058/59-2062/63

Table nos. 4.6 and 4.7 shows the comparative study of budgeted sales and actual sales of Butter in quantity and in rupees respectively.

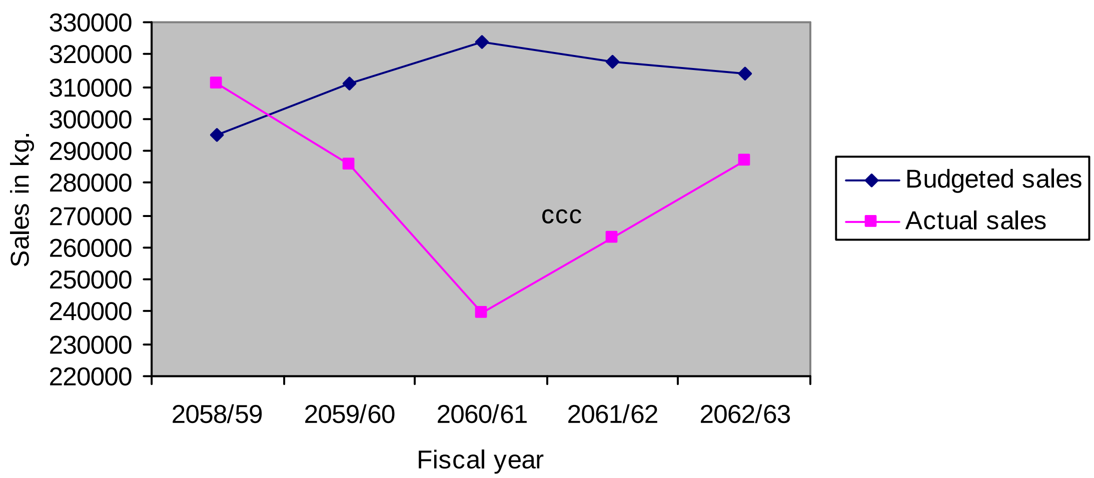
In Table no. 4.6, the growth rate of budgeted sales were increasing till the third year and decreasing in the fourth and fifth year. But the growth rate of actual sales were fluctuated during the fiscal years. The table shows that sales of Butter were not satisfactory. Only in the first year, actual sales was higher than its targeted sales. In that year , the targeted sales was 294920 kgs and actual sales was 310800 kg, which was 5.38% more than the budgeted sales. But rest of the year the corporation failed to achieve it target. In the year 2059/60,2060/61,2061/62 and 2062/63, actual sales were 8.07%, 25.98%, 17.2% and 8.74% less than its budgeted sales respectively.

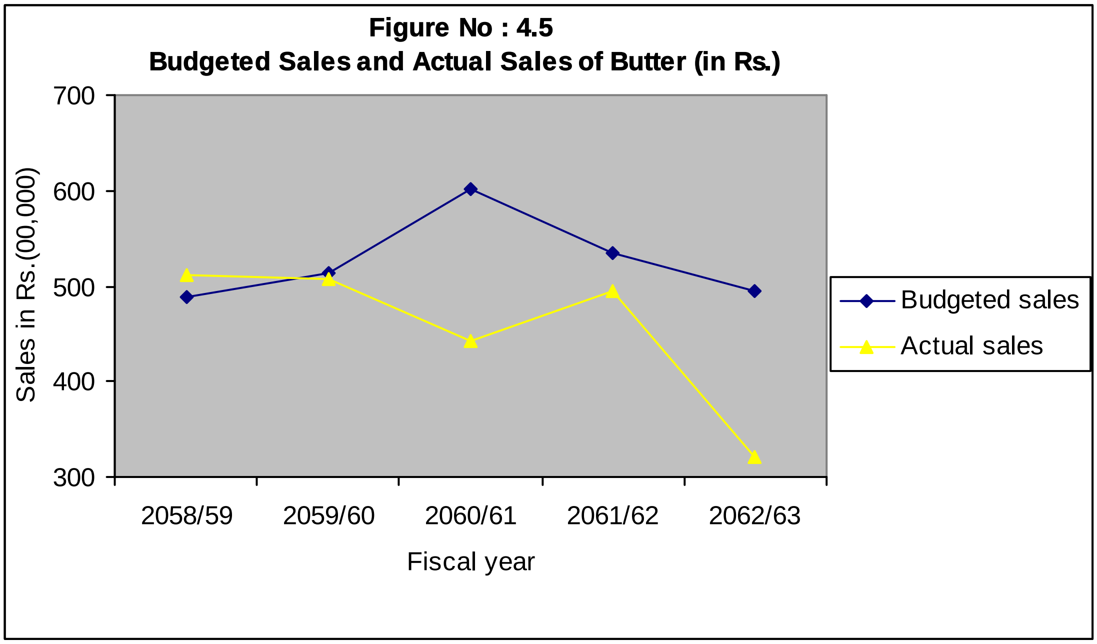
The actual sales in 2059/60 was 286000 kg. which is 7.98% less than the previous year. Similarly, in the year 2060/61 the actual sale was 16.15 % less than the previous year. But in the year 2061/62 and 2062/63 actual sales increased by 9.62

% and 9.10 % more than the previous year. The highest amount of actual sales of butter was recorded in the year 2058/59 i.e 310800kg.

In the table no.4.7, the growth rate of budgeted sales were increasing till the third year but it started fluctuating in the remaining fiscal years. The growth rate of actual sales were fluctuating during the fiscal years. The table shows that its trend was similar but not exactly the same to the above table no.4.6. In the fiscal year 2062/63, the quantity actual sale was 9.10% more than the pervious sales but in rupees the actual sales was 34.99 % less than the previous sales. Discussion with the senior officer showed that the reason may be the fluctuation of pricing system.

Figure No : 4.4
Budgeted Sales and Actual Sales of Butter (in kg.)





The figure 4.4 and 4.5 show the line chart of the budgeted sales and actual sales of the butter in quantity and in rupees respectively. In the year 2058/59, the line of actual sale was higher than the line of budgeted sales in both figures. But in the remaining years, the line of actual sales were below than the line of budgeted sales. The gap between two sales was very wide in the fiscal year 2060/61.

Table No: 4.8
Comparative study of Budgeted sales and Actual sales of Ghee (in kg.)

Fiscal years Particulars	2058/59	2059/60	2060/61	2061/62	2062/63
Budgeted sales	765585	899097	943000	921049	932024
Growth rate	100%	117.44%	123.17%	120.30%	121.73%
Actual sales	1011200	914400	703679	809039	756359
Growth rate	100%	90.43%	69.59%	80.01%	74.80%
% Difference in sales	132.08%	101.70%	74.62%	87.84%	81.15%
Changes in Actual sales	-	-96800	-210721	105360	-52680
% change in Actual sales	-	-9.57%	-23.04%	14.97%	-6.51%

Source: Annual reports, 2058/59-2062/63

Table No: 4.9

Comparative study of Budgeted and Actual sales of Ghee (in Rs.)

Particulars	2058/59	2059/60	2060/61	2061/62	2062/63
Budgeted sales (00,000)	1276.77	1469.56	1811.80	1818.21	1618.79
Growth rate	100%	115.10%	141.90%	142.40%	126.78%
Actual sales (00,000)	1657.77	1469.93	1416.05	1376.85	1396.57
Growth rate	100%	93.71%	85.45%	83.08%	84.27%
% Difference in sales	129.84%	100.02%	78.16%	75.72%	86.27%
Changes in Actual	-	-104.16	-136.88	-39.2	19.72
% Change in Actual sales	-	-6.28%	-8.81%	-2.77%	1.43%

Source : Annual Report, 2058/59-2062/63

Table no. 4.8 and 4.9 shows the comparative study of budgeted sales and actual sales of ghee in quantity and in rupees respectively.

The growth rate of budgeted sale were increasing till the year 2060/61 but it fluctuated thereafter. The growth rate of actual sales were fluctuating during the fiscal years in the table no. 4.8.

Only in the year 2058/59 and 2059/60 the corporation could achieve its target, but in rest three years its actual sales were not greater than budgeted sales. In the year 2058/59 and 2059/60, its actual sales were 1011200 kg and 914400 kg, which was 32.08% and 1.70% greater than its budgeted sales. The budgeted sales were 943000 kg, 921049 kg, 932024 kg in the year 2060/61, 2061/62, 2062/63 respectively. Likewise, the actual sales were 25.38%, 12.16%, 18.85% less than the budgeted sales respectively.

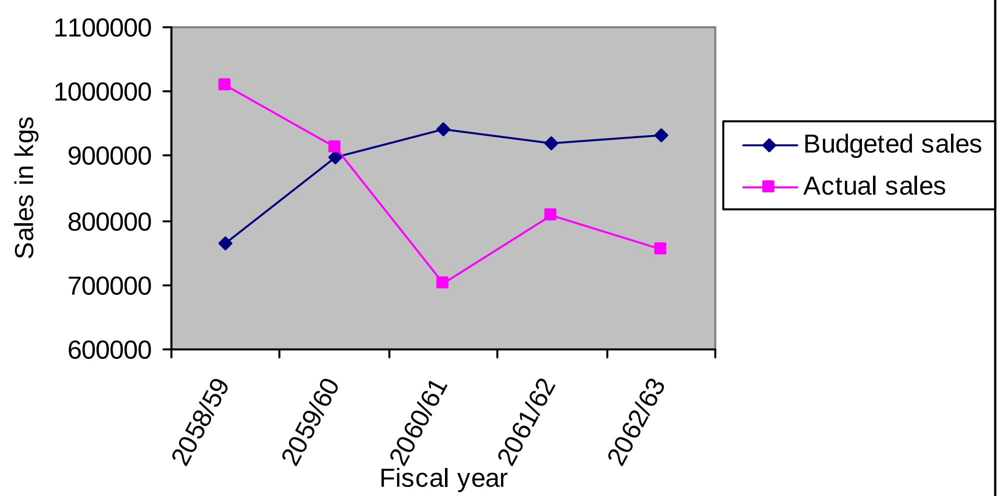
In the year 2061/62, its actual sale was 809039 kg which was 105360 or 14.97% more than the previous year. In the year 2059/60, 2060/61 and 2062/63 the actual sales decreased by 9.57% and 23.04% and 6.51%. 1011200 kg was the highest actual sales of Ghee in the year 2058/59.

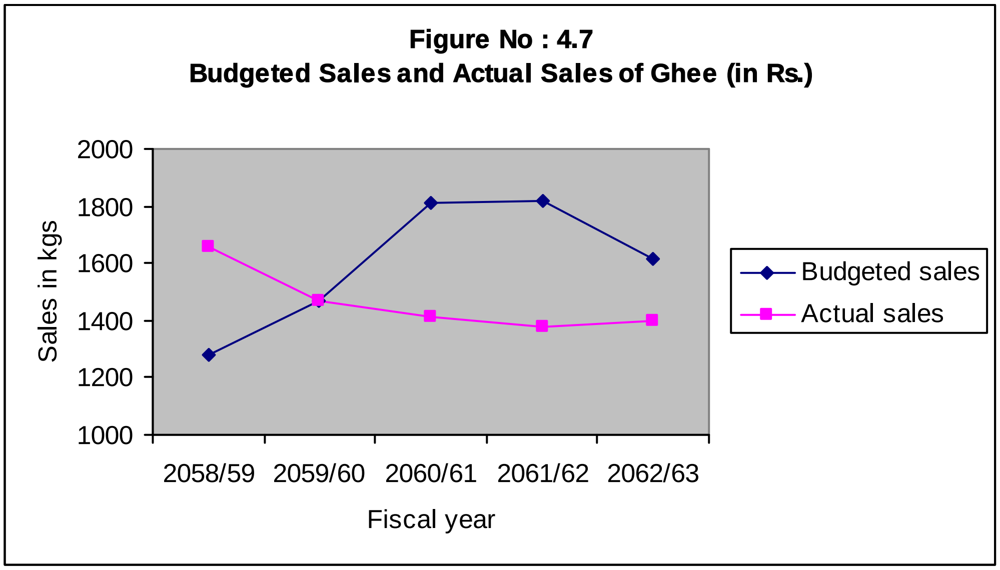
The growth rate of budgeted sales were increasing till the year 2061/62 but it decreased in 2062/63. But the growth rate of actual sales decreased during the first for years and increased in the last year in the table no.4.9.

The table shows that its trend was similar but not exactly the same to the table no.4.8. In 2061/62 the quantity actual sale was 14.97% more than the previous sales.

Likewise, in 2062/63, the quantity actual sale was 6.51% less than the previous sales but in rupees the actual sale was 1.43% more than the previous sales. Discussion with the senior officers showed that the reason may be the fluctuation of pricing system.

Figure No : 4.6
Budgeted Sales and Actual Sales of Ghee (in kg.)





The graph nos.4.6 and 4.7 represent the planned sales and actual sales of ghee respectively. In 2058/59, the actual sale was 1011280 kg. which was 301414 kg more than the budgeted sale. So, there was a wide gap between actual and planned sales. In the year 2059/60 the line of actual sales was higher than the budgeted sales. But in the rest of the year i.e. 2060/61,2061/62 and 2062/63 the line of budgeted sales was higher than targeted sales.

Table No:4.10

Comparative study of Budgeted sales and Actual sales of Cheese (in kg)

Fiscal years Particulars	2058/59	2059/60	2060/61	2061/62	2062/63
Budgeted sales	184285	180621	185000	182810	183547
Growth rate	100%	98.01%	100.39%	99.20%	99.59%
Actual sales	146500	151500	160952	156226	158589
Growth rate	100%	103.41%	109.86%	106.63%	108.24%
%Difference in sales	79.50%	83.88%	87%	85.46%	86.40%
Change in actual ins sales	-	5000	9452	-4726	2363
% change in actual sales	-	3.41%5	6.23%	-2.94%	1.51%

Source : Annual Reports (2058/59-2062/63)

Table No: 4.11

Comparative study of Budgeted sales Actual sales of Cheese (in Rs)

Particulars	2058/59	2059/60	2060/61	2061/62	2062/63
Budgeted sales (00,000)	414.39	396.14	432.45	487.49	559.83
Growth rate	100%	95.60%	104.36%	117.64%	135.09%
Actual sales (00,000)	327.83	343.82	355.33	358.58	354.32
Growth rate	100%	104.88%	108.39%	109.38%	108.08%
%Difference in sales	79.11%	86.79%	82.17%	73.56%	63.29%
Change in actual sales (00,000)	-	15.99	11.51	3.25	-4.26
% changes in Actual sales	-	4.88%	3.35%	0.90%	-1.20%

Source: Annual Reports (2058/59-2062/63)

Table nos 4.10 and 4.11 shows the comparative study of budgeted sales and actual sales of cheese in quantity and in rupees respectively.

The growth rate of budgeted sales were fluctuating where as, the growth rate of actual sales increased till fiscal year 2060/61 and decreased in 2061/62 and finally increased in the last fiscal year in table no 4.10.

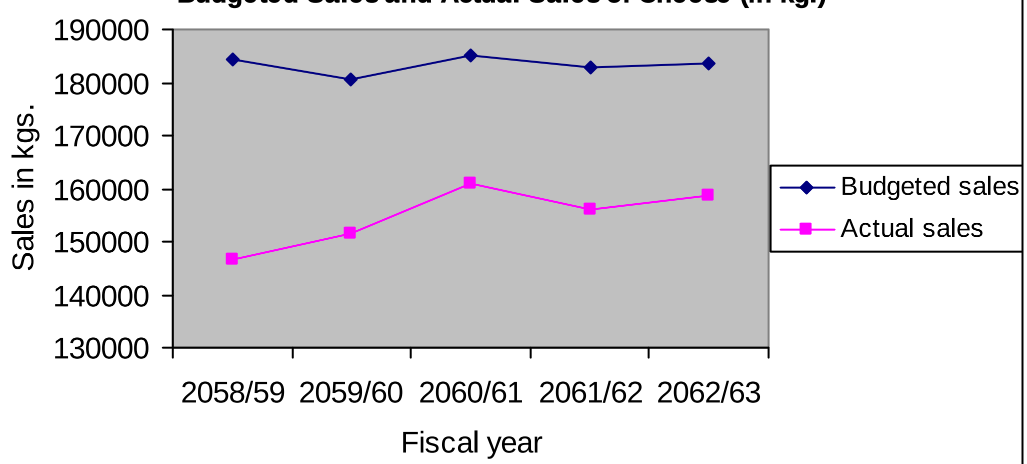
From the table, it can be seen that the sales of cheese were not satisfactory. We can see that the corporation failed to achieve its targeted sales in all five years. In 2058/59, its target was to sell 184285 kg cheese but only 146500 kg of cheese were sold which was 20.50% less. In the remaining years, the actual sales were 151500, 160952, 156226 and 158589 kgs. indicating 16.12%, 13%, 14.54% and 13.60% less in comparison with the budgeted sales.

In the year 2059/60 its actual sales was 151500 kg. which is 5000kg i.e.3.41% more than the previous year. In the fourth year its actual sales decreased by 4726 kg or 2.94%. But in the year 2060/61 and 2062/63, its actual sale was 9452 kg i.e 6.23% and 2363 kg. i.e. 1.51% more. The highest amount of sales of cheese 160952 kg. was recorded during that year 2060/61.

The growth rate of budgeted sales were increasing except in the year 2059/60. The growth rate of actual sales were increasing till the fourth fiscal year but it decreased in the year 2062/63 in table no. 4.11.

In the table, the trend of sales was similar but not exactly the same as that of table no.4.10. In the year 2061/62 the quantity actual sale was 2094% less than the previous sales but in rupees the actual sales was 0.90% more than the previous sales. Again in the year 2062/63 the quantity actual sale was 1.51% more than the previous sales but in rupees the actual sales was 1.20% less that the previous sales. Discussion with the senior officer showed that the reason of low achievements may be the fluctuation of pricing system.

Figure No : 4.8
Budgeted Sales and Actual Sales of Cheese (in kg.)



The graph nos.4.8 and 4.9 represent the planned sales and actual sales of cheese respectively. The graph shows that gaps between planned sales and actual sales were very wide. There were remarkable gaps in all the five fiscal year.

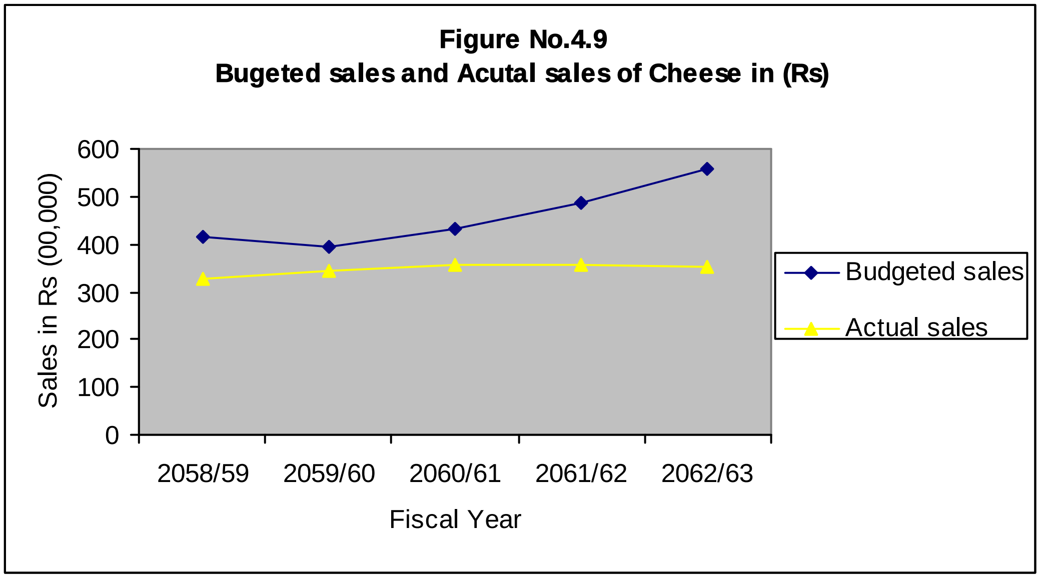


Table no 4.12

Comparative Study of Budgeted Sales and Actual sales of Curd (in litre)

Fiscal year Particulars	2058/59	2059/60	2060/61	2061/62	2062/63
Budgeted sales	902004	950800	1101000	1025900	963395
Growth rate	100%	105.41%	122.06%	113.73%	106.80%
Actual sales	927300	974310	1101633	1037972	1006141
Growth rate	100%	105.07%	118.80%	111.93%	108.50%
%Difference in sales	102.80%	102.47%	100.06%	101.18%	104.44%
Change in actual sales	-	47010	127323	-63661	-31831
% change in actual sales	-	5.06%	13.07%	-5.77%	-3.07%

Source : Annual Reports (2058/59-2062/63)

Table no: 4.13

Comparative study of Budgeted sales and Actual Sales of Curd (in Rs)

Particulars	2058/59	2059/60	2060/61	2061/62	2062/63
Budgeted sales (00,000)	298.56	316.61	401.52	467.39	434.45
Growth rate	100%	106.05%	134.49%	156.55%	145.52%
Actual sales (00,000)	334.71	361.50	396.77	371.74	462.18
Growth rate	100%	108.01%	118.54%	111.06%	138.07%
%Difference in sales	112.10%	114.18%	98.82%	79.82%	106.38%
Change in actual sales (00,000)	-	26.79	35.27	-25.03	90.44
% changes in actual sales	-	8.01%	9.76%	-6.30%	24.32%

Source: Annual Report (2058/59-2062/63)

Table nos 4.12 and 4.13 shows the comparative study of budgeted sales and actual sales of curd in quantity and in rupees respectively.

The growth rate of budgeted sales were increasing upto the fiscal year 2060/610 but decreasing in the remaining years. The growth rate of actual sales were similar to the budgeted sales in table no.4.12.

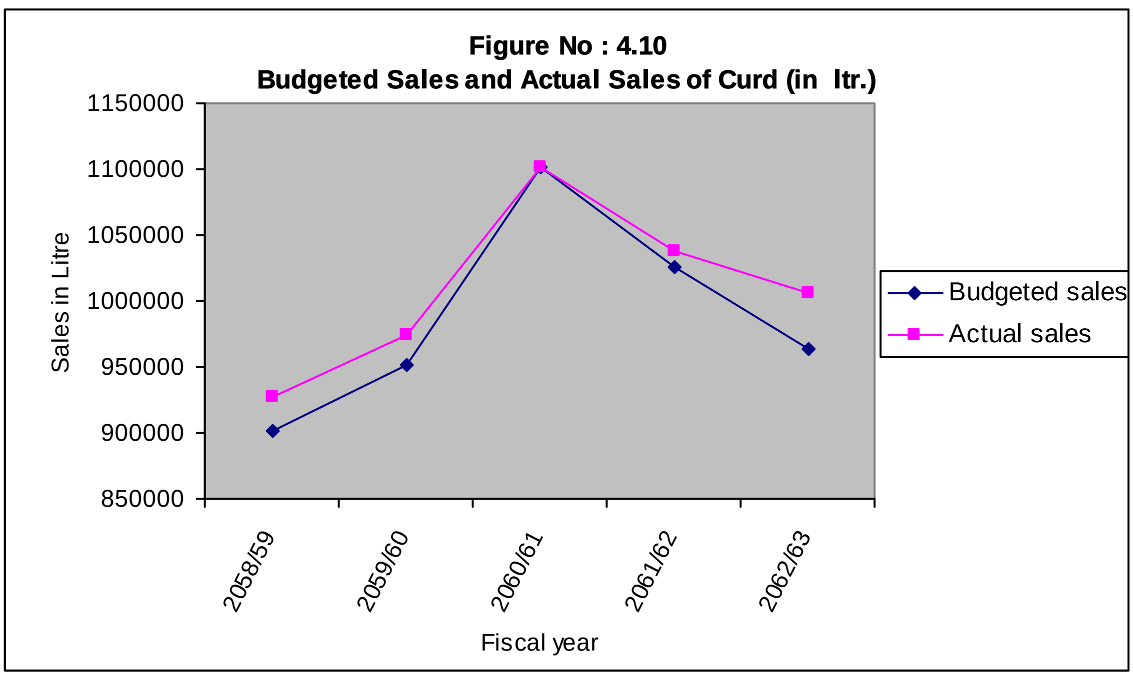
The table shows that the sale of the curd was satisfactory. In all the fiscal years, its actual sale was greater than budgeted sales. In the year 2058/59, 2059/60, 2060/61, 2061/62 and 2062/63 its actual sales were 927300, 974310, 1101633, 1037972, and 1006141 litre which were 2.80%, 2.47%, 0.06%, 1.18% and 4.44% more than the budgeted sales respectively.

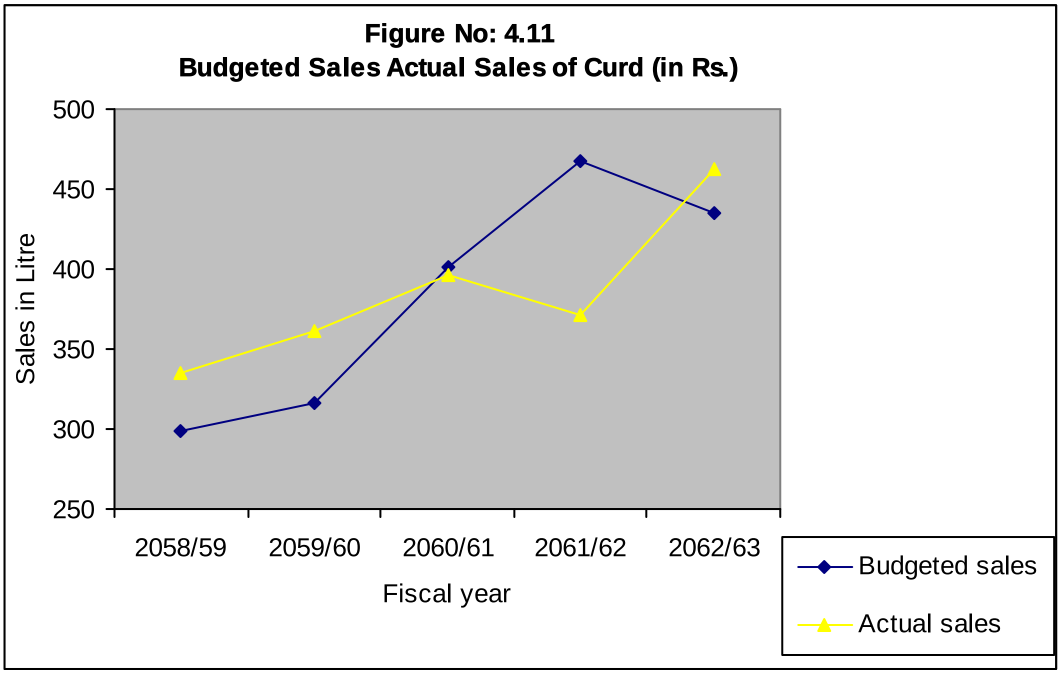
It is seen that the trend of actual sales were not satisfactory only in the fourth and fifth fiscal year. Its actual sales were 63661 and 31831 litres less than the previous year i.e 5.77% and 3.07 % less. The corporation had increasing trend of actual sales in the second and third year. In the second year its actual sale was 47010 litre . i.e 5.06% more than previous year. Likewise in the third year, its actual sale was

127323 litre more in comparison with the previous year i.e. 13.07%. The highest amount of sales of curd 1101633 liters was recorded during the year 2060/61.

The growth rate of budgeted sales were increasing in the first four years but it decreased in the last year. The growth rate of actual sales increased except in the year 2061/62 in table no.4.13.

The table shows that its trend was similar to table no. 4.12 but not exactly the same. In 2062/63 the quantity actual sale was 3.07% less than the previous sales but in rupees the actual sales 24.32% more than the previous sales. The reason of that may be the fluctuation of pricing system.





The figure no.4.10 and 4.11 represents the planned sales and actual sales of curd respectively. We can see that in the two fiscal years 2058/59 and 2059/60 the line of actual sales were higher than the budgeted sales. In the figure no. 4.10, the line of actual sale was higher than the planned sale in the year 2060/61 and 2061/62 but in the figure no 4.11, just opposite the line of planned sale was higher than the actual sale. Again in the fiscal year 2062/63 the actual sale was higher than the planned sale. It is known through the discussion with the senior officers that the main reasons of low achievements were the fluctuation of price and other overhead cost.

Table No: 4.14

Comparative Study of Budgeted Sale and Actual Sale of Ice Cream (in litre)

Fiscal year Particulars	2058/59	2029/60	2060/61	2061/62	2062/63
Budgeted sales	39020	38720	42000	40360	41180
Growth rate	100%	99.23%	107.63%	103.42%	105.52%
Actual sales	33315	35300	38352	36826	37589
Growth rate	100%	105.95%	115.11%	110.52%	112.80%
%Difference in sales	85.38%	91.17%	91.31%	91.24%	91.27%
Change in actual ins sales	-	1985	3052	-1526	763
% change in actual sales	-	5.95%	8.64%	-3.97%	2.07%

Source : Annual Reports 2058/59-2062/63

Table No: 4.15

Comparative Study of Budgeted Sale and Actual Sale of Ice cream (in Rs)

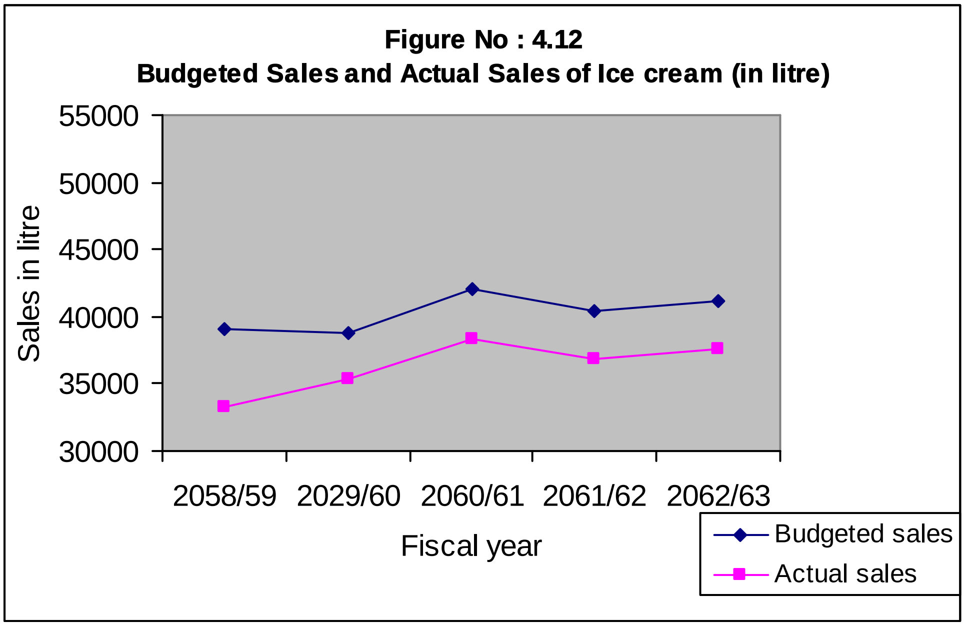
Particulars	2058/59	2059/60	2060/61	2061/62	2062/63
Budgeted sales (00,000)	44.07	47.67	53.85	62.04	61.94
Growth rate	100%	108.16%	122.18%	140.76%	140.53%
Actual sales (00,000)	37.54	39.78	57.14	64.22	63.29
Growth rate	100%	105.96%	152.21%	171.07%	168.59%
%Difference in sales	85.18%	83.44%	106.11%	103.51%	102.18%
Change in actual sales(00,000)	-	2.24	17.36	7.08	-0.93
% changes in Actual sales	-	5.96%	43.64%	12.39%	-1.44%

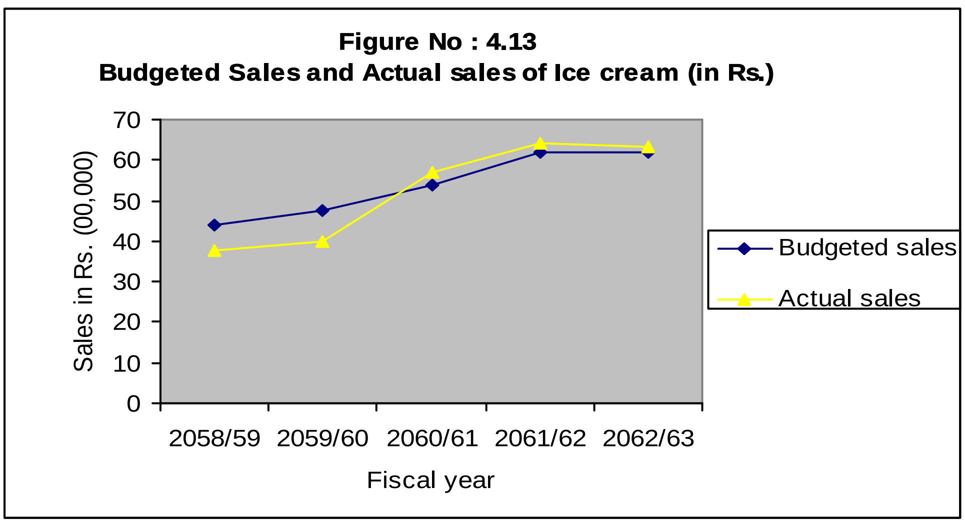
Source : Annual Reports(2058/59-2062/63)

Table nos. 4.14 and 4.15 shows the comparative study of budgeted sales and actual sales of ice cream in quantity and in rupees respectively.
The growth rate of budgeted sales were fluctuating during the fiscal years. But the growth rate of actual sales increased till the third year but it decreased in the fourth year. Again, it increased in the last year in table no.4.14.

In all the five fiscal year in table no.4.14, the corporation could not achieve its budgeted sales target. In fiscal year 2058/59 its budgeted sale was 39020 litre but its actual sale was only 33315 litre, which was 14.62% less than the budgeted sale. Similarly, 8.82%, 8.69%, 8.76% and 8.73% less sold in fiscal year 2059/60, 2060/61, 2061/62 and 2062/63 respectively in comparison with the budgeted sales.

In fiscal year 2058/59, the actual sale of ice-cream was 33315 litre where as in 2059/60 the actual sale was 35300 litre which was 5.95 % more than the previous year. Similarly, the trend of actual sale increased by 8.64 % and 2.07% in the third and fifth year. But in the fiscal year 2061/62, the actual sale was 36826 litre which was 3.97% less than the previous year. The highest amount of sale of ice-cream was 38352 litre which was recorded in the year 2060/61.
The growth rate of budgeted sales were increasing till the fiscal year 2061/62 but, it decreased in the last year compared to the previous year. The trend of growth rate of actual sales were same as that of budgeted sales. The table shows the same trend as that of table no.4.15 but in the last year its actual sale was higher than the budgeted sales. Discussion with the senior officers showed that the fluctuation of price and other overhead cost were the main reasons behind the low achievements.





The figure nos. 4.12 and 4.13 show the budgeted sales and actual sales of ice-cream in quantity and in rupees respectively. In the figure no.4.12, the budgeted sales were higher than the actual sales in all the five fiscal year. There was a narrow gap between the two lines in the year 2059/60 and 2060/61. But in the figure no. 4.13, the budgeted sales were higher than the actual sales in the first two years i.e. 2058/59 and 2059/60. But in the remaining year, just opposite the line of actual sales were higher than the budgeted sales. It was because of the fluctuation of price and other overhead cost.

Table No: 4.16

Comparative Study of Budgeted Sales and Actual Sales of Paneer (in kg.)

Fiscal year / Particulars	2058/59	2059/60	2060/61	2061/62	2062/63
Budgeted sales	43362	48163	67000	57582	62291
Growth rate	100%	111.07%	154.51%	132.79%	143.65%
Actual sales	49000	62000	69951	65975	67963
Growth rate	100%	126.53%	142.76%	134.64%	138.70%
%Difference in sales	113%	128.73%	104.40%	114.58%	109.11%
Change in actual ins sales	-	13000	7951	-3976	1988
% change in actual sales	-	26.54%	12.83%	-5.68%	3.01%

Source : Annual Reports (2058/59-2062/63)

Table No: 4.17

Comparative Study of Budgeted sales and Actual sales of Paneer (in Rs.)

Particulars	2058/59	2059/60	2060/61	2061/62	2062/63
Budgeted sales (00,000)	77.85	86.87	131.97	237.47	349.32
Growth rate	100%	111.59%	169.52%	305.03%	320.25%
Actual sales (00,000)	87.96	111.09	128.49	103.14	109.65
Growth rate	100%	111.59%	169.52%	305.03%	320.25%
%Difference in sales	112.99%	127.88%	97.36%	43.43%	31.39%
Change in actual sales (00,000)	-	23.13	17.4	-25.35	6.51
% changes in Actual sales	-	26.29%	15.67%	-19.72%	6.31%

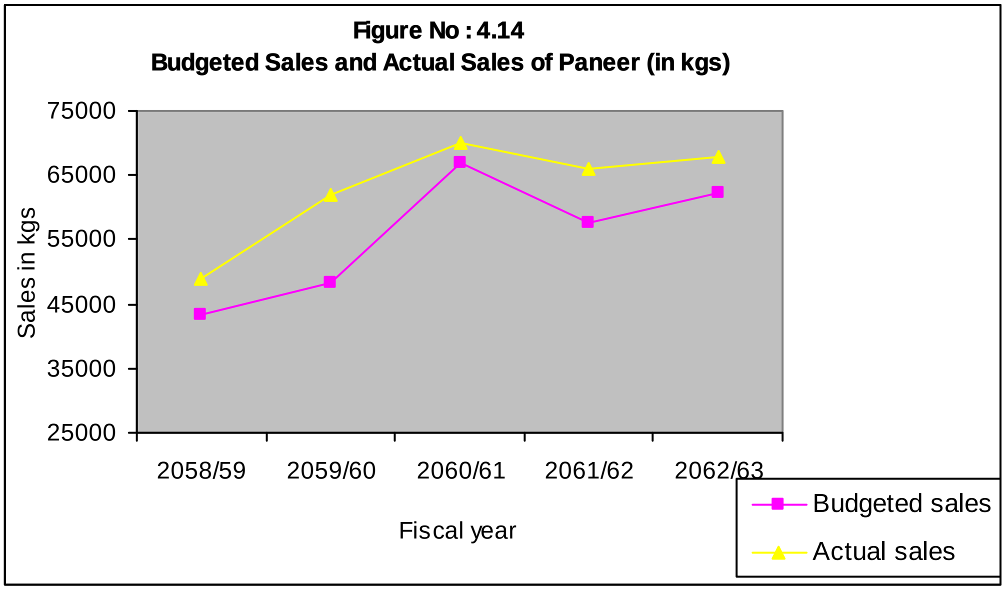
Source : Annual Reports (2058/59-2062/63)

Table nos. 4.16 and 4.17 shows the comparative study of budgeted sales and actual of paneer in quantity and in rupees respectively.

The growth rate of budgeted sales were increasing till the fiscal year 2060/61 but decreased in 2061/62 and again increased in last year. The trend of growth rate of actual sales were same as that of budgeted sales in table no.4.16. The table shows that the corporation could achieve its budgeted sales target. In all the fiscal years, it can be seen that the actual sales was 49000, 62000, 69951, 65975 and 67963 kgs, which were 13%, 28.73%, 4.40%, 14.58% and 9.11% more than the budgeted sales respectively.

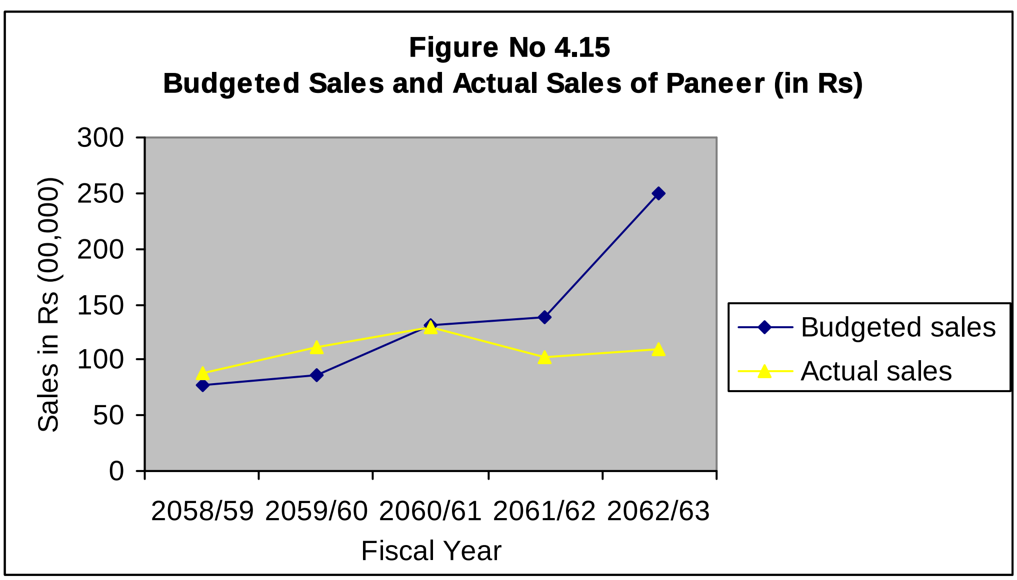
The trend of actual sale was increasing till third year but it decreased in the fourth year. Again, it increased in the fifth year. In the first year the actual sale was 49000 kgs and in the second year it increased to 62000 kgs, which was 26.54% more than the previous sales. Likewise, in 2060/61 and 2062/63, its actual sales increased by 12.83% and 3.01% respectively. But in the fiscal year 2061/62, there is a decrease in actual sales by 3976 kgs, i.e. 5.68%.The highest amount of sales of paneer was recorded 69951 kgs in the year 2060/61.

The growth rate of budgeted sales were increasing during the fiscal years. But the growth rate of actual sales were increasing till third year and it decreased in the fourth year and again it increased in the final year in table no.4.17. The table shows that the trend was similar to the above table.



The figure nos. 4.14 and 4.15 shows the line chart of planned sales and actual sales of paneer in quantity and in rupees respectively.

In the figure no. 4.14, the actual sales were higher than the planner sale in all the fiscal years. In the year 2060/61, the line was about to touch. In the second and fourth year, the gap was wide in comparison with the previous years.



In the figure no. 4.15, the actual sales were higher than the planned sales in the first two years. But in rest of the years i.e. 2060/61, 2061/62 and 2062/63, the planned sales were higher than the actual sales. It was because of the fluctuation of price.

4.1 Policy of Accounts Receivable and Discount

An investigation was carried out in which it was found that all the sales were in cash but if bank guarantee was provided, then 15 days credit period was given with no discount. It was also found that were no records of bad debts.

4.7 Price Fixing Practices

There is no fixed practice and policy of fixing price, the DDC used to add 10 to 15 percent profit on cost price in different products. Later the enterprise uses to revise the selling price when:

- Demand high and supply less
- Market survey shows that it has lower prices
- Staff's salary increase
- Raw material's price increase.

4.8 Cost-volume- Profit Analysis

1. Identification of Cost Variability

Identification of variability of cost is very important for profit planning profit planning is concerned with taking a series of decision where alternatives are available. Planning deals with the future. Therefore, future costs are relevant costs in the profit planning function cost volume profit relationship is an integral part of profit planning. It shows how the costs and profits vary with sales volume. Generally cost behaves in two ways in relation to volume of output. The cost that changes proportionately with changes in volume o output in variable cost. The cost that does not change with the change in volume is called fixed cost. Cost behaviour gives answers to identify each expenses with the output changes.

Cost can be classified in three categories according to their behaviour: fixed cost, variable cost and semi-variable cost. Fixed costs are costs associated with those inputs, which do not vary with changes in volume of output . Fixed costs remain constant whether activity increase or decreases within a relevant range.

All costs which are neither perfectly variable nor absolutely or semi- fixed costs. It is also known as mixed costs as they consist both the fixed and variable costs.

Classification of cost is important for determining the desired level of output for desired profit with the help of classification of cost, desired level of output for target profit can be found out. But DDC has no clear cut vision about classification of cost. The cost are classified into fixed and variable in the following ways.

Table No: 4.18

Cost items, Cost Behaviour and Amount

SN	Cost Items	Cost	Behaviour	Amount (Rs.)in F/Y 2062/63
1.	Administration expense	73529349.38	Fixed	20721502.75
			Variable	52807846.63
2.	Collection expenses	1144708429.24	Fixed	14369549.91
			Variable	1130338879.33
3.	Pasteurization expenses	284171570.25	Fixed	21166446.83
			Variable	263005123.48
4.	Sales expenses	42681441.99	Fixed	7835771.58
			Variable	34845670.23
5.	Interest	4663760.23	Fixed	4663760.23
			Variable	
6.	Depreciation	31778505.34	Variable	31778505.34
		Total Cost		1581533056.49

Source : Annual Reports, DDC FY, 2062/63

The above mentioned costs are lased on the transactions of F.Y 2062/63 and the analysis is depended upon rupees sales.

2.**Cost Volume Profit Analysis**

Cost volume profit analysis is on important tool used by managers to study the relationship between total revenues and total costs and volume of activity. It helps to make appropriate decisions, which directly impact profits. Specifically CVP analysis looks as the relationship between.

- Selling prices of products
- Output level
- Variable cot per unit
- Total fixed cost
- Sales mix

CVP analysis shows which volume is required for breakeven point and to determine the level of output of a target profit. It includes both contribution analysis and breakeven analysis of emphasized the level of output or productive activities at which sales revenue exactly total cost i.e. there is no profit or loss.

Cost-volume profit analysis of DDC is based on the assumptions those are as follows:

a. Cost volume structure is based on according data of F.Y. 2062/63.
b. Selling price does not change as unit of sales change .
c. Variable cost volume ration and fixed cost remain constant.
d. The basic management polices about operation will not change materially in the short run.

The cost and sales revenue of the FY 2062/63 are as follows:

Total cost = 1,581,533,056.49

Total sales revenue = 1,589,663,476.25

Total variable cost = 1,512,776,025.19

Total fixed cost = 68,757,031.30

A) Profit Volume Ratio (P/V Ratio)

This ration shows the proportion of contribution margin left to cover the fixed cost and profit per rupee of sales.

The formula is :

P/V ratio = $\frac{Sales\ revenue - Variable\ \cos t}{Sales\ revenue}$

$= \frac{1{,}589{,}663{,}476.25 - 1{,}512{,}776{,}025.19}{1{,}589{,}663{,}476.25}$

= 0.05

P/V ration is 0.5. It shows that the proportion of contribution margin is 0.05 to each rupee of revenue.

B) Variable Cost Volume Ration (V/V Ration)

This ration shows the proportion of variable cost to each rupee of sales revenue.

The formula is :

V/V Raito = 1- P/V ratio

= 1 - 0.05

= 0.95

V/V ratio is s0.95 and it shows that the proportion of Variable cost to each rupee of revenue is 0.95.

The Break even sales revenues can be calculated with the help of P/V ration.

BEP in Rs. = $\frac{Fixed\ \cos t}{P/V\ ratio}$

$$= \frac{68,757,131.30}{0.05}$$

=Rs. 1,375,14,626

The break even amount is Rs. 1,375,140,626. It means that there is not profit and no loss in this sales volume. The sales revenue of FV. 2062/63 is Rs. 1,589,663,476.25 which is more than BEP sales.

If the present cost structure remains constant, the target profit can be determined. The analysis shows the proportion of fixed cost is low and the variable cost is very high. It variables cost is reduced to some extent, the profit can be increased.

4.9 Major Findings :

1. DDC has not achieved its budgeted sales in the entire fiscal years mentioned above because of the fluctuating trend of pricing system, instability political condition and growing factory overhead.
2. After purchasing milk from the farmers owned organization, DDC supplies processed milk and products at a reasonable price on a regular basis and provides the suppliers of whole milk with safe market from their milk. But there is no proper management to supply sufficient milk in the urban areas.
3. DDC produces different kinds of milk products such as Butter, Dairy Ghee\ Yak Ghee, Curd, Cheese, Ice Cream, Paneer, Skimmed milk powder and Rasbary.
4. Milk is the major product of DDC. During the five fiscal years, it contributed more than 80% to the total sales revenue. The maximum amount of contribution of milk i.e. 81.83% was recorded during the year 2061\62.

5. Ghee has occupied the major share on the sales revenue on milk products' sales revenue. Ghee has contributed more than 47%.The average contribution of Ghee is 51.40%. The maximum amount of contribution of ghee was 56.05% in F.Y. 2058\59.
6. Butter is the second milk product in revenue of DDC. It contributes more than 15% during the five fiscal years. The average contribution of butter is 17.29%. The maximum contribution of butter was recorded during the year 2061\62 i.e.18.50%.
7. Curd is the third main milk product in revenue of DDC. It contributes more than 11% during the fiscal years. The average contribution of curd is 13.42%. The maximum contribution of curd was recorded during the year 2062\63 i.e. 16.33%.
8. The fourth milk product in revenue of DDC is cheese. The contribution of cheese in the milk products' sales revenue is more than 11%. The average contribution of cheese is 12.10%. The maximum contribution of cheese was recorded during the year 2060\61 i.e.12.71%.
9. Paneer is the fifth milk product in revenue of DDC. It has contributed more than 2% during the fiscal years. The average contribution of paneer is 3.75%. The maximum contribution of paneer was recorded during the year 2060\61 i.e. 4.60%.
10. The sixth milk product in revenue of DDC is Ice Cream. The contribution of ice cream in the milk products' sales revenue is more than 1%. The average contribution of ice cream is 1.90%. The maximum contribution of ice cream was recorded during the year 2060\61 i.e.2.4%.
11. All the sales were in cash but if bank guarantee was provided , then 15 days credit period was given with no discount. There were no records of bad debts.

12. There is no fixed practice and policy of fixing price, the DDC used to add 10 to 15 percent profit on cost price in different products. DDC needs the revision of its pricing policies and strategies.
13. The profit volume ratio shows the proportion of fixed cost is low and the variable cost is very high. If the variable cost is reduced to some extent, the profit can be increased.
14. No fines are charged for the late payment in case of overdue credit amount.
15. DDC has not satisfactory achievement of specific goals. No full autonomy, over staffing, under capitalization and corruption are the main cause of low achievements.
16. Classification of cost by DDC is not scientific and systematic.
17. Kathmandu, Hetauda, Biratnagar, Pokhara, Lumbini and Center office, Lainchour are the main sales projects of DDC.

(source: Annual Report, DDC)

18. Distribution channels of DDC are:

Producer	consumer	
Producer	retailer	consumer
Producer	wholesaler	consumer

CHAPTER – FIVE

SUMMARY, CONCLUSION AND RECOMMENDATION

This is the final chapter of the study in which the researcher has presented the summary, conclusion and recommendations.

5.1 Summary

Most parts of Nepal are covered by hills and mountains. Its big percentage economy is based on agriculture 90% of the total population are depended on agriculture.

After the Second World War, many countries got political independence. Their desire of rapid growth to reach at the level of developed countries gave way to planned economy and establishment of public enterprise. Nepal being an under developed country adopted this principle and several pes were established during the course of time.

DDC is the pioneer dairy factory in our country. Now it is also the largest daily factory running in our country. The main objective of this study is to evaluate the current practice of revenue planning and management of DDC and its effectiveness in order to identify problems and recommend possible remedial measures. DDC's other objectives is to increases economic condition of rural people. Now DDC is collecting milk from farmers and nine types of products are manufactured.

Planning is the essence of management and without it, efficient management cannot be imagined. Planning is the job of making things happened that would not

otherwise occur. Planning provides the basis for performance the four other managerial functions of organizing, staffing, leading and controlling.
Sales planning is the starting point of profit planning. It is an estimation of expected sales of future. Success and failure of the organization depends upon the sales plan. So, it is prepared on detailed basis by product and by interim time period. The main purpose of sales planning is to reduce the uncertainty of future revenue information and control sales activities.

In DDC, revenue resulted on the form of the sales of milk and milk product is measured in terms of sales quantity. Revenue is influenced by both external and internal factors. Most of the operate planning process starts from revenue planning which coordinates the efforts of revenue department, production department and all other department.

Revenue trends, limitation of supply, potential competitors and general level of economy are the factors that should be considered for revenue planning. Revenue planning is the most essential part as revenue is the base on which future of the company depends.
In order to achieve the objectives of the study and to obtain answer to research questions, descriptive and analytical research designs have been used. For the collection of data, primary as well as secondary data have been used. The study has covered a time period of five years from FY 2058/59 to 2062/63.
The analysis of data are done by using financial and statistical tools. The budgeted and actual sales are the main variables in this study.
Milk is the main product of DDC. It has contributed more than 80% to the total sales revenue and mile products contributed not more than 20%. Ghee, Butter,

Curd, and Cheese are the main products of DDC while, Paneer and Ice cream have a very small contribution to the corporation.

5.2 Conclusion

The following conclusion has been drawn on the basis of study.

1) The management of the company has applied annual sales budget. There is substantial gap between sales target and achievement of each year.
2) The top level executive are only involved in planning and decision making and lower level participation is not encouraged.
3) No proper management to supply sufficient milk in the urban areas because of the difficulty in collecting surplus milk in rural areas.
4) DDC has not satisfactory achievement of specific goals. Following are the main cause of low achievement :

   a. No full autonomy   b. over staffing

   c. Under capitalization   c. corruption
5) DDC sells only on cash. If bank guarantee is provided, then 15 days credit will be given.
6) Classification of cost is not scientific and systematic. DDC has not been able to make realistic budget.
7) NO bad debt is the most favorable side of DDC.
8) Distribution system of DDC is :

   Producer → Consumer

   producer → Retailer → Consumer

   producer → Booth center → Consumer
9) DDC sales projects are six. They are Kathmandu, Hetuda, Biratnager, Pokhara, Lumbini and Center office Lainchour.

5.3 Recommendation

1. DDC should have proper coordination of budget formulation, implementation activities of achievement.
2. To achieve targeted sales revenue, sales budget should be prepared on the realistic ground.
3. DDC should start the practice of preparing monthly budget for sales revenue.
4. The corporation should manage their changing policy of selling price of each product.
5. Role of budgets should be understood by every manager or the DDC.
6. DDC should develop the systematic periodic performance reports.
7. The management of DDC should try to minimize the gap between planned and actual sales.
8. Planning experts should be developed.
9. The DDC should try to increase collection centers, depo sales centers and market share to increase sales revenue.
10. DDC should survey in all the zones of the country and should supply their products all over the country including remote areas.

Appendix -1

Calculation of mean, standard deviation, coefficient of variation and correlation coefficient, budgeted sales and actual sales.

F.Y	Target Sales (X)	Actual Sales (Y)	$u = (x - \bar{x})$	$v = (Y - \bar{Y})$	u^2	v^2
2058/59	16381.55	15465.22	-1378.43	-115.16	1900069.27	13261.83
2059/60	16705.11	15931.37	-1054.87	350.99	111275.71	123193.99
2060/61	17558.90	15245.28	-201.08	-335.1	40433.17	112292.01
2061/62	18919.09	15896.64	1159.24	316.26	1343837.38	100020.39
2062/63	19236.09	15363.40	1475.11	-216.98	2175949.51	47080.32
n=5	88799.89	77901.91	0	0	657340.04	395848.54

Mean,

$$\bar{x} = \frac{\sum x}{n} \qquad\qquad \bar{Y} = \frac{\sum y}{n}$$

$$= \frac{88799.87}{5} \qquad\qquad = \frac{77901.91}{5}$$

= 17759.98 (in 00,000) =15580.38 (in 00,000)

$$\pm x = \sqrt{\frac{1}{n}\sum (x-\bar{x})^2} \qquad\qquad \pm y = \sqrt{\frac{1}{n}\sum (y-\bar{y})^2}$$

$$= \sqrt{\frac{1}{5}} \times 6573040.04 \qquad\qquad = \sqrt{\frac{1}{5}} \times 395848.54$$

= 1146.56 = 281.38

CV of X = $\frac{\pm x}{\sum x} \times 100$ CV of Y = $\frac{\pm y}{\sum y} \times 100$

$$= \frac{1146.56}{88799.87} \times 100 \qquad\qquad = \frac{281.38}{15580.38} \times 100$$

= 1.29 % = 1.80 %

Appendix 2

Questionnaire

Dear Sir/ Madam,

I am MBS final year student of Central Department of Management Preparing a thesis on "Revenue Planning and Management of Manufacturing Public Enterprises in Nepal: A Case Study of "Dairy Development Corporation (DDC)" to fulfill partial requirement of my study. I therefore, request you to fill this questionnaire and help me to carry out my study. Your valued response will be very helpful for me to conduct my study. All the answers will be taken very confidential and will not provide for any publications.

1. Dose the Enterprise prepare Monthly Budget regularly?

   Yes ☐ No ☐

2. Dose budgeted process have impact on profitability?

   Yes ☐ No ☐

3. Dose budgeting processes have impact on revenue of the Enterprises?

   Yes ☐ No ☐

4. Is targeted sales is achieving in your company appropriately?

   Yes ☐ No ☐ Can't say ☐

5. Is actual sales is satisfactory?

   Yes ☐ No ☐ Can't say ☐

6. Which types of credit policy are adopting by your enterprises, and how long is its period?

7. What are the constraints of revenue collection?