

CHAPTER-ONE

INTRODUCTION

1.1 Industrialization in Nepal

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

The years that followed witnessed further acceleration in industrial growth. New ventures like the Morang Sugar mills (1964), the Raghupati Jute Mills (1946).The Juddha Match Factory (1946), and a few others at Biratnagar were initiated. Surprisingly enough, within a short period of 10 years as many as 63 industrial units were opened with a total capital investment of Rs. 72 million. However, most of them went into liquidation after the second world war. A company Act was enacted in 2007 B.S. The five year plan period (1956-61), in this period, Industrial Policy (2014), Private Firm Registration Act (2014), and Factory and Factory's Worker's Act (2016) were published. Nepal Industrial Development Corporation was established in 2016.

Second plan (63-65), in this plan, sugar, metals, handicrafts, hotels, match, textile, biscuit and confectionery industries including Janakpur Cigarette factory, Birgung Sugar Factory and Bansbari Leather and Shoe Factory were established in the public sector

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

Fourth plan (1970-75) in this period, some same nature industry was established like the third plan.

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

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

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

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

Ninth Plan (1997-2002) has also been accomplished which continued the liberal economic policy. The plan had targeted to privatize 30 more public enterprises during the plan period but which could not be done as per the target.

Tenth Plan (2002-2007), at present the Tenth plan period, 2003-2008 is in operation. The main objective of Tenth plan is to make economic sector of country effective healthy, dynamic and competitive by maximum utilization of available resources. The plan conceives to expand the role of private sector for higher economic growth and effective operation of poverty alleviation programme sector is as follows. (Tenth plan, 2002-2007, National planning commission, GMN: 108)

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

1.2 Introduction of Unilever Nepal Limited

Nepal Lever Limited was established in 1992 in collaboration 'with Hindustan Lever Limited. It has changed its name to Unilever Nepal Ltd. in 2006 from the 12th annual general meetings. Unilever Nepal Limited as established to deliver the services to the customer and earn profit but nowadays Unilever Nepal Limited provides social service also. The management of the Unilever Nepal Limited is fully dedicated for the satisfaction of the customer. It is true that the development of country depends upon economic growth. Among the various benefits of economic growth, the development of company or firm is one of the most important benefits. In another word-there is no possibility of economic development to the people without industrial development. It helps in increasing national income. It provides customer by producing quality good at fixed rate etc. Unilever Nepal Limited has a Board of director comprising of seven members.

Unilever Nepal Limited registered office and factory is located in Basmaidi V.D.C.-5, Hetauda, Makwanpur District, Nepal. Its corporate office is located in Heritage Plaza-11, C and D Block, Kamaladi, Katmandu, Nepal. It was registered in NIDC capital markets Limited Kamalpokhari, Kathmandu, Nepal. Its bankers or Unilever Lever Limited obtains loan various commercial banks.

Notwithstanding the modes economic growth in the country and intense Competition from local and international players, both, in domestic and Exports market, Unilever Nepal Limited registered a strong performance in terms of growth of volume, sales and profits. Nepal India Chamber of Commerce and Industry awarded the "NICCI Award" to Unilever Nepal Limited for the 1999 for its excellent all around performance among large industries. In the year of 2006 the company has been awarded by FNCCI National Excellence Award for its significant achievement in operational information dissemination & utilization in large scale category. The Company had been awarded "Best presented Accounts Award for 2003/04" category "Industrial Sector" by The Institute of Chartered accountants of Nepal, and now Best Presented Accounts Award-2006:Runner up in the category of manufacturing sector by the Institute of Chartered Accounts of Nepal. This achievement was 3 years in a row, the 1st Year being adjusted as the Best.

1.2.1 The current Plan and Policy of UNL by the report of the Board of Directors

a. The Business Operations of UNL

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

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

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

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

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

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

b. The Safety, Environment and Energy Conservation

The Company's factory at Hetauda has completed 4.0 million men-hours without any lost time accident. This excellent Safety Record is a reflection of the Factory's managerial focus on safety. Several workshops were undertaken during the course of the year, and initiatives focused on development of a safety conscious culture and to bring about change in employee behavior. This included regular Safety Behavioral Audits which served to improve the safety consciousness of employees. The company continues to adhere to high standards of pollution control to ensure that the environment impact of its operations is minimized. Global Unilever Nepal norms were followed for treatment of effluent and emissions. The factory team is continuously working on reducing the water consumption and this has resulted in 9% drop in water consumption by last quarter of current year over previous year. Energy conservation remained a key deliverable & company achieved 15% reduction in Furnace Oil consumption per tone of soaps by end of the current year. Focused efforts in energy conservation have yielded a further 4% reduction in specific energy consumption. This has been achieved through rigorous implementation of a number of wastage control measures as well as optimization of processes. The company is committed to further reducing the energy consumption to reduce manufacturing costs and environmental impact.

c. Corporate Social Responsibility of UNL

The Company strives to be a trusted corporate citizen maintaining high standards of corporate governance and fulfilling its responsibilities to the societies and communities

in which it operates. Direct employments to over 135 Nepalese citizens were provided and generate indirect employment for over 20 times that number through network of suppliers, distributors and ancillaries. The Company is already one of the largest corporate taxpayer to Nepal Government. The company has been involved in various social projects which are as follows:

- A Mobile Medical Unit provided by the UNL Employee Trust is used extensively for providing emergency medical assistance in the Makawanpur district.
- The 'Miles of Healthy Smiles' program that the company runs in conjunction with United Mission to Nepal has provided dental hygiene awareness workshops and dental check ups to over 102,680 school children across Nepal. Apart from this the company supports a number of dental campuses.
- The company supported the United Nations program on hygiene through washing of hands. Through this program the company and UN educate the general public on the importance of hand washing to prevent the spread of Diarrhea and other infectious diseases.
- The company has assisted ASMAN in its endeavor to provide education available to the poor- focused on the girl child.
- A bus shelter has been erected in Nawalpur, Makawanpur to provide shade to travelers.
- The company has donated Stitching Machines, and assisted the Deaf & Dumb Association at Hetauda in organizing stitching classes/training to its members.
- During the year the, company extended help to 4 medical campuses held in & around Hetauda and donated Oral care products.

d. Trade Relation

The Board wishes to place on record its appreciation of the support and cooperation that the company received from all its Trading Partners-Suppliers, Processors, Carrying and Forwarding Agents, Redistribution Stockiest, Rural Distributors, Transporters, Wholesalers, Retailers and Service Providers. The Company regards them as partners in progress and happily shares with them the rewards of growth. It will be the company's continued endeavor to further build and nurture strong links with the trade based on mutual respect and co-operation consistent with consumer interests.

e. Personnel

The Company has always recorded a very high priority to improving the skills and capabilities of its employees and considers employee training and development as a key corner stone for superior performance. Employees at all levels received training through classroom instruction, coaching and functional visits to other companies to benchmark and learn from their best practices and personnel. The company maintained cordial relationship with the workmen and a 2 year settlement was signed.

f. Finance

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

g. Security

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

h. Dividend

The Board had recommended paying out a dividend of Rs. 275 per share for the fiscal year ending 32nd Ashad 2064. This will amount to Rs. 253.2 millions. If approved the

dividend will be paid to the shareholder who are registered in the book of the company within seven days from the book closure date, which will be noticed.

i. Future Outlook

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

1.2.2 The Corporate Purpose of the Company

The main purpose of Unilever Nepal Limited is to meet the everyday needs of people everywhere to anticipate the aspiration of consumers and to respond creatively and competitively with the branded products and services which rise up quality of life. The company brings their wealth of knowledge and industrial expertise to the services of local consumers. Unilever Nepal Limited roots in local culture & markets are unparalleled inheritance and foundation for the company's future growth. For its long term success requires a total commitment to exceptional standards of performance and productivity to working together effectively and willingness to embrace new ideas and learn continuously. The company believed that the success required the highest of corporate behavior towards its employees, consumers, society and the world in which it operates. Thus, Nepal Lever needs the sustainable profitable growth and long-term values creation for their stakeholders.

1.2.3 Ownership of Unilever Nepal Limited

It is a subsidiary company of foreign investment and technology transformation. It has an authorized capital of Rs. 30,00,00,000 (Thirty cores) divided into 30,00,000 (thirty lakhs) ordinary shares of Rs. 100 each. Issued and Subscribed & paid up capital is Rs. 9,20,70,000 and 9,20,700 ordinary shares of Rs. 100 each, Of the above (i) 7,36,560

shares are held by Hindustan Unilever Limited, India (ii) 46,035 shares are held by Sibkrim Land & Industrial Co. Pvt. Ltd. (iii) 1,38,105 shares are held by public. The company is listed in Nepal stock exchange center and has positive response towards its investors. The composition and percentage of shares their holdings are as follows:

Group Allocation of Shares % of Shares		
A	Hindustan Lever Ltd., India	80%
B	Shiva Kreem. Land and Ind. Co. (Pvt.) Ltd., the Nepalese Collaborator, Kathmandu	5%
C	Shares subscribed to the general public	15%

1.3 Statement of the Problem

Economic prosperity of every country depends upon a sustainable economic, development. For the attainment of accelerated economic development in the country, industrialization is as important as that of agriculture and other primary sectors. The industrialization, in the process of value added contributes, to the creation of new employment opportunities and economic integration. As long as this sector can not be expanded on a promotional basis, proper development of the economy can not be possible. However, industrialization has so far been a laggard phenomenon and has not been able to make the desired headway, owing to constraints in the supply of raw material, basic infrastructure, low purchasing power of people, underdeveloped capital market, lack in the technological advancement and efficient human resources.

As long as the private sector investors don't take a leading role in the rapid socio industrial development of the country as desired, the role of government owned enterprises becomes very important especially in term of developing the infrastructure, extending social overhead capital which increases the excess capacity of economy of economy that leads to intensity industrial production giving this fact, more prominence and greater recognition was given in the various plan of Nepal government to the role of government corporations.

Public enterprises were established in order to prepare social overhead capital, to provide the required goods and services in the country and to increase exportable goods help in controlling price situation, to create opportunities for employment, to increase government revenues and to contribute significantly in the national economic transformation of country.

Although the development of the public enterprises has achieved the main aim to some extent by creating employment opportunities, increasing production in the country and providing the important basic services, the enterprises have not been functioning in an efficient manner. Despite of the long term protection given to these public enterprises, they have not been able to achieve financial capability and work efficiency, and are still dependent upon government grants. The financial situation of government corporations, as a matter of fact is in a very poor.

Nepalese manufacturing enterprise is small due to small market and no good regulation in international marketing. It is growing steadily but most of the Nepalese public manufacturing industries are operating at loss.

The Nepal government itself evaluated public enterprises as very poorly managed. After the restoration of democracy in 1990 Nepal has adopted open and liberal economic policy to attract the FDI "Foreign Investment and Technology Transfer Act 1992" was enacted for the purpose which defines 'Technology Transfer' as any transfer of technology be made under agreement between industry and the foreign investor on the following matter.

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

After enactment of "Foreign Investment and Technology Transfer Act" the UNL was established in 1992 to produce different consumable goods.

The successful operation of an enterprise largely depends upon planning and control system of an enterprise, profit planning and control is one of the most important managerial devices that plays key role for effective formulation and implementation of strategic as well as tactical plans of an organization. PPC system requires the effective coordination between various functional budgets of an organization. So, this study tries to answer the following research questions:

- How effective is the sales budget prepared by Unilever Nepal Ltd.?
- What are the deviations budgeted and actual sales?
- What are the ratio between sales and profit?
- What steps should be taken in the sales planning to improve the profitability of the company?

This research study attempts to show the relationship of sales budget, their achievements besides their effective application with in the conceptual framework of PPC for solving the problem that have occurred in Unilever Nepal Ltd.

1.4 Objectives of the Study

The fundamental objectives of the present study are to analyze the current practices of sales budgeting and its effectiveness in manufacturing enterprises established under foreign investment. Other objectives of the study are;

- 1) To analyze the basis of preparing sales budget prepared by Unilever Nepal Ltd.
- 2) To evaluate the deviation between budgeted and actual figures.
- 3) To make comparison of sales with profit with the Unilever Nepal Ltd.
- 4) To analyze the effectiveness of sales plant prepared by UNL.

1.5 Significance of the Study

Sales plan is one of the most important plans for both non-manufacturing & manufacturing enterprises to achieve their goals. In the context of Nepal, most of the manufacturing enterprises are suffering poor performance due to lack of proper management of sales plan. Sales planning should be sensible without effective and efficient sales plan; no organization can achieve its goals. Most of the business organizations have been established to earn profit. No organization can be run a long time without profit. Proper sales plan is the most important for every the enterprises to earn profit. Therefore, sales plan should be prepared by every business organizations. Unilever Nepal products are different types of products or diversified products group to meet every body need have people everywhere. It has been producing the products since last teen years. Being a manufacturing company it spends a lot of time & effort to earn profit. Therefore the researcher is very much interested to examine its sales plan. Sales plan. Sales plan has been important tool for managerial decision in an enterprise. This study would be very useful for entrepreneurs, decision-makers and researcher because it deals with all the aspect of budgeting and profit planning. The need of this study is really to examine whether the Unilever Nepal is applying sales planning system properly or not by analyzing if there is any drawbacks in profit planning system of Unilever Nepal Ltd.

1.6 Limitations of the Study

The study attempts to find out the problems and impact of 1 Unilever Nepal Ltd. Therefore the following are the major limitations of the study.

1. Only the seven years covering the fiscal year 2059/060 to 2065/066.
2. The comprehensibility and accuracy of the study and based on the data obtained from management and various published document of Unilever Nepal Ltd.
3. Time and financial resource constraint is another factor which has limited the scope of the study.

4. The study is concentrated in budgeting, sales planning and some aspects from managerial, financial and accounting point of view, which doesn't cover the other area of these aspects of the enterprises.

Hence, this study is based on primary and secondary data.

1.7 Organization of the Study

This study has been organized into five chapters, which are given below:

1. Introduction is in the first chapter, and it includes background of study, introduction of the company, statement of the problem, objectives and limitation of the study.
2. The second chapter deals with review of literature, and review of related studies.
3. The third chapter deals with introduction, research design, nature and source of data, data gathering procedure, presentation and analysis of technique and tools.
4. The fourth chapter deals with presentation related data collection from different sources and analysis them to reach closer to the actual result by using financial and statistical tools & technique.
5. The last chapter provides the summary, conclusions and recommendations of overall study period.

At the end an extensive bibliography and annexed are also included.

CHAPTER-TWO

REVIEW OF LITERATURE

2.1 Conceptual Frameworks of the Study

I) Profit

Profit of a firm is its primary measure of success. In modern days many alternative objectives of firm has been cited, nobody has been able to completely wipe out the profit maximizing objective or the objective of earning, reasonable of profit. Profit is the main tests of the individual firm's performance. Every business organization is needs profit. The term profit has been defined in different way. An economist may say that profit is the reward for entrepreneurship for risk taking. A labor leader might say it is a measure which can be used to examine the efficiency of labor, because profit is produced by the labors and profit provides a base for negotiating a wage increase. An investor will view it as a gauge of return on his or her money. An internal revenue agent might regard it as the base for determining taxes. The accountant will define it simply as the excess of the firm's revenue over the expense in a given fiscal period.

Using the accountant's measuring stick, management thinks of profit as:

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

"Profit is the amount of revenue earned above the expenses incurred to operate the business.

The word profit implies as comparison of the operations of business between two specific dates, which are usually separated by an interval of one year. It should be noted that

profit are residual income left after the payment of the contractual rewards to other factors of production". (Joshi, 2057:276)

"The accounting concept of company profit is a concept of net business income. The sales transaction of a period are regarded as bringing new assets into the business and a profit results if there are in excess of the assets leaving the business in the same period. Profit is thus the surplus income that remains after paying expenses and providing for that part of capital that has been consumed in producing revenue". (Willsmore, 1986:28)

Finally, it can be concluded that profit is the excess of revenue over the costs of doing business. Without obtaining sufficient profit, no firm can operate for long-term period.

II) Planning

Many firms and companies use planning, which determines long range and short range decision for running the over all business. The terms and conditions are evaluated in terms of their financial impact on the business organization and plans are expressed in financial terms. It is the statement of organization and overall activities for coming period. It is developed by top executives considering general economic conditions, anticipated conditions of industries competitive considerations etc. Plan is a projection of activities all functional departments. It is developed in detail by specifying timing of activities for execution. "To plan is to look ahead and chalk out future course of operations. It is the determination of a course of action to achieve a desired result". (Kulkarni, 1985:187)

III) Control

Control refers to measurement and correction of performance to achieve the goals of a new venture. It is based on feedback.

- **Financial Control:** Entrepreneurs must ensure proper allocation and utilization of financial resources. This is needed to control costs and minimize wastage.

- **Production Control:** Entrepreneurs must achieve proper combination of inputs for production. Quality control should be ensured. Supervision should be effective. Efficiency should be improved.
- **Management Control:** Entrepreneurs must ensure management control in the new venture.

They should make key decision themselves. (Agrawal, 2002: 27).

IV) Profit Planning

Profit planning has to resolve a number of conflicting issues before expressing the established directions and decisions made by top management. Conflicting aims should be brought to produce more sales and profit, but many investors also increase the investment in working capital and the risk of bad debts.

"A profit planning is an advance decision of expected achievement based on the most efficient operation. It is established against which actual accomplishment is regularly compared. Profit is an outcome of effective and efficient management which is effected by various factors. Profit planning is that tools which manage all the factors efficiently and effectively. Profit planning is, therefore a fundamental part of the overall management functions and is vital part of the total budgeting process. The management determines the profit goals and prepares budgets that will lead them to the realization of these goals. Profit planning can be done only when the management has the information about the cost of the products both fixed and variables, and the selling price at which it will be in a position to sell the products of the company". (Maheshwari, 2000:171)

Profit planning is planning for future operation in such a way as to maximize the profit or to maintain a specified level of profit. A comprehensive profit planning is also known as broad budgeting schedule to develop in financial statement. Profit planning deals with the development of objectives, specification of short term goals and development of strategic and tactical profit plan. In other words, profit plan is a detail expression of the expected result from the planning decisions. Profit planning is an important approach developed to

facilitate for effective performance of management process like planning, organizing, staffing, controlling etc. therefore capital planning carryout the responsibility of forward thinking about the future operation of the organization.

V) Profit Planning and Control

“The foundation for profit planning and control them is that management must have confidence in its ability to establish realistic objectives and to devise efficient strategies to attain these objectives. The market theory argues very little for the concept of profit planning and control (PPC). There is conceptual or philosophical disagreement s to the real role of management in both business and non business entities. A brief look at the extreme positions in this conceptual disagreement many add to our insights. One extreme pole has been labeled the market theory at the opposite end of the spectrum is the planning and control theory”. (Welsch, 1999: 7)

“Profit planning and control rests up on the conviction that management can plan and control the long range destiny of the enterprise by making a continuing stream of well conceived decisions. The concept speaks to plan prosperity as opposed to unplanned happenstance. For long-range success, the stream of managerial decisions must generate plans and actions to provide the essential inflows that are necessary to support the planned outflows of the enterprise so that reasonable levels of profit and return on investment are earned. Continuing generation of profit by managerial manipulation of the inflows and outflows provides the substance of profit planning and control”.

Profit planning and control is a process designed to help management effectively in performing significant phase of planning and control function. Management process collectively constitutes with the functions of management (i.e. planning, organizing, staffing, leading and controlling). The management process usage sequential linkage form planning to control function and continuous feedback from all other functions to planning function. Out of the management functions, planning and controlling functions basically constitute the main focus of a comprehensive profit planning and control system. Planning and controlling are closely related because control is not possible

without plans and planning has no meaning if controlling is not done. The essence of planning and control depends on some fundamental or philosophical views of the real role of management in an endeavor. In harmony with these views, profit planning and control depends on the sincere belief of management that can plan and control long-term destiny of the enterprises by making a continuing stream of well-conceived decisions.

2.2 Development of Budgeting

A budget is a quantitative expression of a plan of action and an aid to coordination and implementation. Budget may be formulated for the organization as a whole or may be for a sub unit. Budgeting includes sales, production, distribution and financial aspects of an organization. Budget programs are designed to carry out a variety of function comprising, planning evaluating, performance, coordinating activities by implementing, plans, communicating, motivate and authority. It is quantitative expression of plan of action and an aid to coordinate and control. (Hongreen, 1990)

A Budget is a written plan for the future. The managers of firms, which use budgets, are forced to plan ahead. Thus anticipate problems before they occur. A firm without financial goals may find it difficult to make proper decisions. A firm with specific goals in the form of a budget helps a firm to control its cost by setting guideline for spending money for undead items because they know at all costs will be compared to the budget. If costs exceed the budgeted cost an explanation will be required. Frequently exceeding the budget helps to motivate employee help in setting in the budget. The complete budget for a firm is often called the master budget "The master budget consists of many functional budgets. These budgets include a sales budget, a production budget, a purchase budgets, an expense budget, an equipment purchase budget, and a cash budget. Once all of these budgets are completed, the master budget for the entire firm is prepared". (Flesher and Tonyak, 1960:406).

"Budget as a tool of planning and control in clearly related to the broader system of planning and control in an organization. Planning involves the specification of basis objectives that will guide it, in operation terms. It involves the step of setting objectives,

specifying goals, formulating strategies and expressing budgets. A budget is a comprehensive and coordinated plan". (Khan and Jain, 1993:296).

"The concept of comprehensive budget covers its use in planning, organizing and controlling all the financial and operating activities of the firm in the forthcoming period. Budgeting summarize the estimated results of the future transaction for the entire company in much the same manner as the accounting process records and summarize the results of completed transactions". (Richard, 1992:142).

2.3 Objective of Budgeting

"The main purpose of budgeting is to ensure the planned profit the enterprise. So, it is considered as a tax of planning and controlling the profit. One of the primary objectives of an annual budgets is to measure the profit expectations for the next financial year with due regard to all the circumstance favorable and unfavorable that can influence the trading prospect". (Regineld, 1982: 17)

The main objective of budgeting may summarize as follows:

- It is a plan, which reflects the policy of a business in financial terms.
- It is a plan of action serves as a declaration of policies.
- It is a plan of action serves as a declaration of policies.
- It is a control document by which management can monitor actual performance.
- It is the plan to forecast for future to avoid loss and to maximize profit, i.e. to help in planning.
- It is a plan to state the firm's expectations (goals) in clear, formal terms to avoid confusion and to faculties their attainability.
- It defined the objectives for all the executive's communications.
- It is a plan to bring about co-ordination between different functions of an enterprise, i.e. to help in coordination.

- It is a plan to communicate expectations to all concerned with the management of the firm so that they are understood, supported and implemented.
- It facts as motivator of employees.
- It provides as means of coordination and communication.
- It is a measure against which to evaluate the quality or management.
- Budget facilities centralize control with delegated authority and responsibility.

2.4 Characteristics of Good Budgeting

The characteristics of good budgeting are as follows:

- Budgets may be formulated for the organization as a whole or for any sub-unit.
- A good system of accounting is also essential to make the budgeting useful.
- A budget is a quantitative expression of a plan of action and aid to coordination and implementation.
- A good budgeting system should involve persons at different levels while preparing the budgets. The subordinates should not feel only imposition on term.
- Budgets are designed to carry out a variety of functions, planning, evaluating activities, implementation plans, communicating, motivating and authorizing I actions. (Pandey, 1994:21-22)

2.5 Budgetary Control

"Budgetary control is a system of controlling cost, which includes the preparation of budgets coordinating the departments and establishing responsibilities, comparing actual performance with the budgeted and outline upon results to achieve maximum profitability" (Sharma and Gupta, 1982: 782).

- Preparing budgets sets the budget.
- The actual figures are recorded.

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

2.6 Problems and Limitations of Budgeting

Budgeting is not fast proof; it can suffer from certain problems and limitations. The major problems of budgeting system are as follows:

- Developing meaning forecast and plant especially the sales plan.
- Seeking the support and involvement of all levels of management.
- Establishing realistic objectives, policies, procedures and standards of desired performance.
- Maintaining effective follow up procedures and adapting the budgeting system wherever the circumstances changes.
- Applying the budgeting system in a flexible manner.
- Educating, all individuals to be involved in the budgeting process and joining their fully participation (Sharma and Gupta 1982: 56)

The following are the limitations of budgeting system

- Budgeting is not exact science. It success lings upon the precision of estimates
- The installation of a perfect system of budgeting is not possible in a short period. Budgeting has to be a continuous exercise. It is a dynamic process.
- The success of the budgetary programmed is to understand by all and that manager and subordinates put concerned effort for accomplishing the budget goals.

- Budgeting will be ineffective and expensive, if it is unnecessary detailed and complicated. It should be flexible and rigid in application.
- The presence of a budgeting system should not make management complacent. To get the best results of management, management should use budgeting with intelligence and foresight. It can not replace management.
- The purpose of budgeting will be defeated if carelessly budget goals conflict with enterprise objectives.
- Budgeting will hide inefficiencies through a proper evaluation system.
- Budgeting will lower moral and productivity if unrealistic targets are set and if it is used as a pressure tactic.

2.7 Profit Planning and Control Process

Outline of the components of a typical PPC Program (Welsch, 1999:74).

- **The substantive plan**
 - i) Broad Objectives of the enterprise
 - ii) Specific enterprise goals
 - iii) Enterprise Strategies
 - iv) Executive management planning instructions
- **The Financial Plan**
 - I) Strategic long range profit plan
 - a) Sales, costs and profit projections
 - b) Major projects and capital additions
 - c) Cash flow and financing
 - d) Personnel requirements
 - II) Tactical short range (annual) profit plan

- a) Operating plan: Planned income statement
 - i) Sales plan
 - ii) Production Plan
 - iii) Administrative expense budget
 - iv) Distribution expense budget
 - v) Appropriation type budgets
- b) Financial Position Plan: Planned Balance Sheet
 - i) Assets
 - ii) Liabilities
 - iii) Owners Equity
 - iv) Cash Flow Plan
- c) Variable Expenses Budgets: Output-expense budget Output-expense formula
- d) Supplementary Data (CVP analysis, Ratio analysis)
- e) Performance reports
- f) Follow-up, corrective Action and Re-planning Reports.

2.8 Planning Vs Forecasting

"The distinction between forecasting and planning is not an easy one. Webster gives 'To plan ahead' as the leading definition for forecast. Forecasting is our best thinking about what will happen to us in the future. In forecasting we define situations and recognize problems and opportunities. In planning we develop our objectives in practical detail, and we correspondingly develop schemes of action to achieve these objectives". (American Accounting Association: 502)

"A forecast is not a plan rather it is a statement of and /or a quantified assessment of future conditions about a particular subject based on one or more explicit assumptions. A

forecast should always state the assumptions upon which it is based. A Forecast should be viewed as only one input into development of sales plan. The management of a company may accept, modify, or reject the forecast, other inputs, and management judgment about such related items as sales volume, prices, sales efforts, make a distinction between the sale forecast and the sales plan primarily because the internal technical staff should not be expected or permitted to make the fundamental management decision and judgments implicit in every Sales plan. Moreover, the influence of management actions on sales potentials is difficult to quantify for sales forecasting. Therefore, the elements of management experience and judgment must mold the sales plan. Another reason for identifying sales forecasting as only one step in sales planning is that sales forecasts are conditional". (Welsch, 1990: 172)

2.9 Sales Budget / Sales Plan

Sales plan is the first plan or budget to prepare profit plan starting from sales budgeting. It is very important to make profit plan. So it is called the means of profit plan which is the source of import. Sales plan is the primary source for other plans needed for the purchase plan, human resource plan capital addition plan, expenditure plan and other important operational aspects.

"Sales plan is the starting point in the preparation of PPC. All the other plans and budgets depend upon the sales plan and sales budget. The budget is usually presented both in unit and rupees/dollars. The preparation of sales plan is based upon the sales forecast. Verifying methods are used to forecast the sales for the planning period".

Sales budget is the starting point for the development of profit plan, According to Lynch and Robert "All budget planning begins with the forecast of sales using the information supplied by the sales persons".

"A comprehensive sales plan includes two separated but related plans; the strategic and tactical sales plan includes different components, management guidelines, sales forecast

and other relevant information and plan of marketing advertising and distribution expenses". (Welsch, 1986: 152)

Sales budget is a primary budget of PPC. It deals with both income and expense. It is the starting period of any budget. All other budgets are developed on the basis of planned sales unit. It starts with sales forecast. There is not any fix format for sales budget but it should be neat, clean and self-explanatory. The sales planning process is a part of PPC because (a) it provides for the basic management decisions about marketing and (b) based on these decisions, it is an organized approach for developing a comprehensive sales plan. The sales budget is the forecast of total sales of the entire product expressed in terms of physical quantities, prices and values in respect of each product of a future budget period. Preparation of sales budget is the starting point for the development of profit plan. After having the planning premises of the organization the sales plan is developed.

2.10 Components of Comprehensive Sales Planning

The major components of comprehensive sales plan is exhibited as here under:

Table No. 1

Components of comprehensive sales plan

Components	Strategic plan	Tactical Plan
1. Marketing policies and assumptions	Board and general	Detail and specific for the year
2. Marketing plan(sales and service revenue)	Annual amount; major groups	Detailed, by product and responsibility
3. Advertising and	General; by year	Detailed and specific for

promotion plan		the year
4. Distribution and Selling expense plan	Total fixed and total variable expense; by year	Fixed and variable expenses; by month and by responsibility

(Source: Welsch, 1990)

I) Strategic Sales Plan

"Strategic long term sales plan may cover the time span of five to ten years and developed in annual in the usual case: The long term sales plan uses broad grouping of products with separate consideration of major and new products and services. Long-term sales plan usually involves in depth analysis of future market potential, which may be built up from a basic foundation such as production changes, state of the economy, industry projections and finally company objective. Long term managerial strategies would affect such areas of long-term pricing policies. Development of new products and innovations of present products, new directions marketing efforts, expansion or changes in distribution channels and cost pattern". (Welsch, 1990:173).

II) Tactical Sales Plan

"A common approach used for short term time horizons in a company is to plan sales for twelve months into the future, detailing the plan initially by quarters and by months for the first quarter. At the end of each month or quarter through out the year, the sales plan is restudied and revised by adding a period in the future and by dropping the period just ended. This tactical sales plan is usually subject to revises and revision on a quarterly basis. The short-term sales plan includes a detailed plan for each major product and for grouping of minor products. Short term sales plan are usually developed in terms of physical units and in sales and or services dollars. Short term sales plans must also be

structured by marketing responsibility for planning and control purposes, short term sales plans may involve the application of technical analysis, however, managerial judgments plays a large part in their determination. The amount of detail in a tactical sales plan is a function of the company's environment characteristics. A short range sales plan should include considerable detail, whereas a long range sales plan should be in broad terms". (Welsch, 1990:175)

2.11 Purposes of Sales Plan

The main purpose of sales plan is to express future sales revenue for a specific period. It is based upon:

- a. Present knowledge of a company
- b. The environment
- c. The impact on the firm of enterprise objectives
- d. Management strategies

The main purposes of sales planning are as follows:

- To reduce uncertainty about future revenue
- To incorporate management fragments and decisions into the planning process (i.e. in the marketing plans).
- To provide necessary information for developing other elements of a comprehensive profit plans
- To facilitates management's control of sales activities.

2.12 Steps of Developing a Comprehensive Sales Plan

The developing of comprehensive of sales plan, Welsh, Hilton and Gordon suggest different types of process to flow which are as follows (Welsch, 1990:176).

Step-1

Develop management guidelines specify to sales planning including the sales planning process and planning responsibilities.

Step-2

Prepare one or more sales forecasting guidelines included assumptions.

Step-3

Assemble all the other data that will be relevant in developing comprehensive sales plan which are as follows:

- a) Manufacturing capacity
- b) Source or merchandise to be sold
- c) Availability of key people and a labor force
- d) Capital availability
- e) Availability of alternative distribution channels.

Step - 4

Using the information provided in steps one, two, and three, the management develops a comprehensive sales plan. Four different approaches that are widely used in sales plan are:

- a) Sales force composite (maximum participation)

- b) Sales division manager's composite (participation limited to managers only)
- c) Executive decision (participation limited to top management)
- d) Statistical approaches: (technical specialists plus limited participation).

Step-5

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

2.13 Sales Planning Vs Sales Forecasting

A sales budget is not a sales forecast. It is a planning and control document, which shows what management, intends to accomplish. The document is active rather than passive. The sales forecast, on the contrary, is a projection of the available customer demand. A forecast reflects the environment and competitive situation facing a company, while the sales budget shows how to react to this situation. The sales budget is the most important functional budgets. If sales figure is incorrect, practically all functional all functional budgets and consequently master budget will be affected. It is the keystone of the budgets structure. A sales forecast is converted to a sales plan when management has brought to bear management judgment, planned strategies, and commitment to aggressive actions to attain the goals. On the basis of the above definitions the differences between sales budget and sales forecasts can be explained as follows:

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

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

2.14 Consideration of Alternatives

A sales plan is also a decision making process. In sales planning, the executive management has to choose one final choice among the different alternatives. The decision must be made about new products. Discontinuance of present products, pricing, expansion or contraction of sales areas, size of sales force, advertising and other promotional policies. A sound sales plan includes a whole complex of management of decision. It includes work programmed and organization for sales effort and a host of other coordinative understanding necessary for efficient and aggressive efforts to maximize sales potentials at minimum costs.

I) Pricing Policies in Sales Planning

Pricing plays a vital role on sales planning. Pricing and sales volume are mutually interdependent. The sales can be affected by sales price. The demands of the products can be increased or decreased on the basis of selling price. The unit cost also varies with the level of production. So the sales plan must consider the following two related basic relationship between sales volume and prices.

- Estimation of demand curve that is the extent to which sales volume varies at the different offering prices.
- The unit cost curve which varies with the level of production output. Thus, price -cost -volume relationship has a significant impact on the managerial strategy that should be adopted

II) Product Line Consideration

Product line refers to the volume relationship as between two or more product mix. If the company is producing more than one kind of output, in that case the sales plan also has to determine the number and the variety of the products. The management also has to determine for beneficial product mix, so that the profit can be maximized.

2.15 A Review of Previous Related Research Works

There are very few research papers concerning this particular topic i.e. 'Sales Budgeting' Most of the students of account group have done the research in the topic of profit planning and control of different public and non-public business enterprise. Sales budgeting are the most important part of all types of manufacturing and non-manufacturing business enterprises. Without sales budgeting other plan can not be prepared.

Some dissertations are reviewed here made on the topic of profit planning and sales budgeting.

Acharya, P.P. (2000) has studied the "Profit planning in Nepalese PEs". The basic objective of his research was to see how far the different functional budgets are being applied as a tool of for profit planning in manufacturing and business enterprises. Other objectives are as follows: -

- To show profit plans and examines the practice and effectiveness of comprehensive profit planning and control system of Herbs production and processing Ltd.
- To examine the present planning provision adopted by HPPCL on the basis of budgeting.

- To access the BEP analysis of HPPCL.

Acharya, concluded his research with some findings. His major findings were:

- The company has been suffering at loss since establishment- to now due to unscientific and imperfect budgets prepared.
- The company has facing marketing problem in international markets as well as Indian market.
- Achievements and the analysis of CVP and Flexible Budgeting shows that HPPCL has been suffering with various internal and external problems in the process of formulating and implementing profit plan.

Chalise, I.R. 2001 has conducted a research on the topic "Profit Planning in Nepal"(A case study of Unilever Nepal Ltd). The main objectives of the study are:

- To examine the practices and effectiveness of profit planning in UNL.
- To analyze the various functional; plans formulated and implemented in UNL.
- Evaluate the variance between target and actual of UNL.
- To evaluate the profit planning process applied in UNL with conceptual perspective.
- To point out feasible suggestion and recommendation to make betterment of
- Nepalese manufacturing enterprises with speed reference to UNL.

His major findings were:

- General Manager with mutual co-operation of other top-level managers and which the board of directors finally approves prepare yearly budget for income and expenditure.
- The company has no planning division. It has no skilled and expert planners as well.
- UNL has been suffering from many internal and external factors in formulating and implementing plans.
- The company has no practice of sales forecasting. It does not prepare sales and production plans. They are made on ad-had basic.
- The company is unable to appoint sufficient number of reliable agents/dealers to improve its sales performance.
- Annual capacity of producing goods is 34,750 metric tons. The capacity utilization of the company is more deviated from their standard and targeted capacity utilization from year to year.
- In UNL there is detail plan of manpower and systematic approach of labor cost needed to produce the planned quantities of goods.

Parajuli, A. 2002 has conducted a research on the topic "A study of profit planning in manufacturing public enterprises in Nepal "(with a special reference to Bansbari Leather and Shoe Factory and Dairy Development Corporation). In this study he has attempted to point out some feature and problems of profit planning. Prevailing practice and premises for implementing profit planning in these two manufacturing public enterprises.

The basic objectives of his research work were:

- Examine how far the profit planning system in BLSF and DDC has been applied.

- Sketch the trend of profit planning in DDC & BLSF.
- Draw a picture of planning diversification (utilization of resource).
- Examine the course lying make a statement behind the managerial that are known to the untrue problem of profit planning.

Mr. Parajuli's research work concludes that these two PEs were developing profit plan on an unrealistic premises. Resources were inefficiently utilized and management was occupied by false perception that they are brightly endowed to adopt comprehensive profit planning based on overall managerial budgeting.

The main findings of Parajuli are as follows:

- There is no adequate co-ordination system and realization of objectives between the different level managers.
- Very few managers are competent to identify the relevant factors and
- Manipulate them for successful and implementation of the plan.
- Enterprise has no any financial plan rather they have only sales and production targets.
- There is no any practice of profit plan.

Paudel, N. (2003) has conducted on research on "Sales budgeting and its effectiveness of Manufacturing Public Enterprises". The main objective of this study is to analyze the present sales planning system of RDL. Other major objectives are:

- To analyze the sales budget prepared by RDL with theoretical prescription.
- To analyze the cause of sales fluctuation in different month and years.

- To study the relationship of sales plan with production plan, inventory and different overhead etc. made by RDL.
- To study about variance between actual and budgeted sales.
- To evaluate the effectiveness of sales plan made by RDL.

The main findings of Paudel are as follows:

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

Mishra, S. (2003) has carried out an investigation topic "profit planning and control in manufacturing company" the basic objective of his research is to examine the present comprehensive profit planning system applied by Nepal Lever Limited. Overall objective is to guide and provide future direction and prospectus to the organization.

Other specific objectives of the study are:

- To examine the variance between the actual and the budgeted production.
- To analyze the various functional and department budgets adapted by Nepal Lever Limited.
- To measure the efficiency of the organization in terms of capacity utilization.
- To analyze the financial performance of Nepal Lever Limited.

- To highlight the P.P.C. system adapted by various departments of Nepal Lever Limited.
- To forecast future production and sales of Nepal Lever Limited and to recommend and suggest for improving the profit planning.

Mishra, concluded his research with some findings, His major findings were:

- Specific goals and strategy for the organization are set up by the top -level executive and the management is totally governed by the Hindustan Lever Limited.
- The organization is licensed to produce 10 varieties of product but it is only producing & products at present.
- The Co. has no proper practice of segregation of cost into fixed and variable and controllable and uncontrollable cost. Even though F & L is produced at separate plant but it is not separately in records.
- Authorities and responsibilities are not clearly defined among various departmental working managers. Role conflict and lack of coordination among them is paramount.
- In terms of capacity utilization only 36% of installed capacity is utilized by Fair & Lovely.
- Application of profit plan is not realistic. Every thing is prepared on ad-hoc manner.
- Nepal Lever Limited faces a major problem in utilization of raw material. A major portion of raw material is imported from other counties; very less portion of Nepalese raw material is consumed by the organization.

2.16 Research Gap

A brief review of the above mentioned dissertations, it is seen that most of the enterprises are not operating effectively. The previous researches have also not applied the fully concept of budgeting i.e. application of profit planning system and have recommended for the effective implementation of profit planning system which is related with the major findings of their studies. This study so would be of different value as it focuses on specific area of overall profit planning i.e. sales budget and its impact on profitability with special reference to UNL manufacturing enterprises. This research paper has also applied correlation and regression analysis between the budgeted sales and actual sales with the other tools of analysis.

It would be a significant step on knowing about the sales budget of Unilever Nepal Limited creates synergic impact on its profitability of the firm. The study attempts to analyze the sales budgeting system of the, manufacturing industry. This study is very new in the field of researches related with profit planning and control.

CHAPTER-THREE

RESEARCH METHODOLOGY

3.1 Introduction

Research methodology is a way to solve systematically about research problem. The main objective of the present research is to highlight the current practice of sales planning in UNL and accordingly the sub objectives are formulated. The research methodology is followed to achieve the basic objectives and goals of this research work. The following are the major contents of research methodology followed in course of study.

3.2 Research Design

The main objective of the study is to analyze the degree of application of sales planning concept in Unilever Nepal Limited. For that purpose of the descriptive and analytical research design is used for the study.

3.3 Nature and Source of Data

Information is blood of every research, both Primary & secondary information have been used in this study. Primary information is based on questionnaire, information interview as well as unstructured dialogues and discussions with the officials of Unilever Nepal Limited.

Secondary data have been collected from the following sources:

- Financial Statement of UNL
- Previous studies made in the field
- Published and unpublished articles

- Annual magazine & reports
- Personal approach & interview, annual reports of UNL
- Others relevant data available in this subject area.

3.4 Period Covered

The present study covers the time period of seven years for the purpose of trend analysis from the FY 2059/060 to 2065/066.

3.5 Research Variables

Mainly the research variables of this study are related with sales statement of UNL, budgeted and actual sales in units & rupees, sales trend. Pricing trend are the research variables of this study.

3.6 Research Tools Used

The collected data from various sources are managed to analyze and presented in proper tables, figures, format, and graphs: are interpreted, explained, concluded and recommended wherever necessary.

To analyze the collected data, statistical and financial tools are used.

*** Financial Tools:**

a) **Ratio Analysis:** Ratio Analysis stands for the process of determining and presenting the relationship of items and groups' of items in the financial statements. It is an important technique of financial analysis. It is a way by which financial stability and health of concern can be judged.

1. **Gross Profit Ratio (Margin):** This ratio tells gross margin on trading and is calculated as under:

$$\text{Gross Profit Margin} = \frac{\text{Gross Profit}}{\text{Net Sales}} \times 100$$

Higher the ratio the better it is. A low ratio indicates unfavorable trends in the form of reduction in selling price not accompanied by proportionate decrease in cost of goods or increase in cost of production. The gross profit should be adequate to cover fixed expenses, dividends and building of the reserves.

2. **Net Profit Ratio (Margin):** This ratio is very useful to the proprietors and prospective investors because it reveals the overall profitability of the concern. This is the ratio of net profit after taxes to net sales and is calculated as follows:

$$\text{Net Profit Ratio} = \frac{\text{Net Profit}}{\text{Net Sales}} \times 100$$

This ratio differs from operating profit ratio in as much as it is calculated after deducting non-operating expenses.

b) **Sales Plan:** Sales planning is the foundation of all other budgets i.e. first plan or budget to prepare profit plan. The sales planning process is a necessary part of PPC because: I) it provides for basic management decisions about marketing and II) based on those decisions, it is an organized approach for developing a comprehensive sales plan. If sales plan is not realistic most other parts of overall profit plan are not realistic. So management should develop a realistic sales plan. If management cannot develop realistic sales plan, it will be little justified. Similarly if it is really impossible to assess the future revenue potential of business, there would be little incentives for investment in the business initially or for continuous of it except for purely speculative ventures that most manager and investors prefer to avoid.

c) **Variance Analysis**

The deviation between standard cost, profit or sales and actual costs, profit or sales respectively will be known as variances. In simple way, the difference between standard

sales and actual sales which is known as variance. The variance may be favorable and unfavorable. If actual cost is less than standard cost and actual profit and sales are more than the standard profit and sales, the variance will be favorable. On the contrary if actual cost is more than standard cost and actual profit and sales are less than the standard profit and sales, the variance will be unfavorable. The variances are related to efficiency. If variances are favorable it will show efficiency and if variances are unfavorable it will show not efficiency in activities. Variances of different items of cost provide the key to cost control because they disclose whether and to what extent standards set have been achieved.

Variance = Planned Figures – Actual Figures

*** Statistical Tools:**

a) **Mean:** Mean of a set of observation is the sum of all observation divided by the number of observation.

$$\text{Mean } (\bar{X}) = \frac{\sum x}{n}$$

b) **Standard Deviation:** Standard Deviation is the absolute measure of dispersion in which the drawbacks presents in other measures of dispersion are removed. It is said to be the best measure of dispersion as it satisfies most of the requisites of good measure of dispersion.

Standard Deviation is defined as the positive square root of the mean of the square of the deviation taken from arithmetic mean. It is denoted by:

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

c) **Variance:** Square of the standard deviation is known as variance. It is denoted by σ^2 .

d) **Coefficient of Variation (CV):** Standard Deviation is the absolute measure of dispersion. The relative measure of dispersion based on the standard deviation is known as the coefficient of standard deviation.

$$\text{Coefficient of S.D.} = \text{S.D./Mean} = \dagger / \bar{x}$$

The coefficient of dispersion based on standard deviation multiplied by hundred is known as the coefficient of variation (C.V.). If \bar{x} be the arithmetic mean and \dagger be the standard deviation of the distribution, then the C.V, is defined by:

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

If C.V. $\uparrow \rightarrow$ Less uniformity, consistency

If C.V. $\downarrow \rightarrow$ More uniformity, consistency

e) **Correlation:** Correlation may be defined as the degree of linear relationship existing between two or more variable. Two variables said to be co-related when the change in the value of one variable is accompanied by the change of another variable. It is denoted by r.

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

f) **Probable Error:** Probable error of the correlation coefficient denoted by P.E. is used to measure the reliability and taste of significance of correlation coefficient. It is calculated by:

$$\text{P.E.} = 0.6745 \times \frac{(1 - r^2)}{\sqrt{n}}$$

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

I) If $r < \text{P.E.}$; it is in significant.

II) If $r > 6 \text{ P.E.}$, it is significant.

III) If $\text{P.E.} < r < 6 \text{ P.E.}$ nothing can be concluded.

g) **Trend Analysis:** It shows the figure of any item fluctuated over a time.

h) **Bar Diagrams:** Bar Diagrams are one of the most commonly used and easiest methods of presenting the data. Bar Diagrams consist of a set of rectangles one for each set of data in which the magnitudes or values are represented by length or height.

Types:

- Simple bar diagram
- Component bar diagram
- Percentage bar diagram
- Multiple bar diagram

g) **Pie Diagram (Pie Chart):** Circle diagram is a diagram in the form of a circle whose area represents the total value. The circle diagram dividing into different sectors by radial lines such that the area of each of the sector representing the component value of total value is said to be the pie diagrams. As in case of a sub-divided bar diagram. pie diagram is used to show the relation between the components with one another and also to the total. However, in pie diagram, the areas are compared. So, pie diagram is a two dimensional diagram.

CHAPTER-FOUR

DATA PRESENTATION AND ANALYSIS

4.1 Introduction

Presentation and analysis of data is an important stage of research study. For the application of profit plan, a company should prepare numbers of plans: one of them is sales plan. Sales plan is the basic foundation infrastructure of profit plan. Other budgets of profit plan depend upon the sales plan. The prime objective of business firm is to earn net profit. First of all the sales plan must be set up from the profit plan. Sales plan is the major source of revenue. Sales plan is a tool of profit planning and control, which is used for controlling the various functional budgets and the actual performance in manufacturing enterprises.

The gap between the actual sales and target of UNL is fluctuating during the last five year data. The main purpose of current study is to analyze the current practice of formulation and implementation of the sales plan in the context of Nepalese manufacturing enterprise. For this purpose UNL has been selected for the study. To accomplish the specified objectives, this chapter will present and analyze the sales plan and various aspects of PPC with the special reference of UNL.

MNC constitutes a vital role for the socio - economic development of particular country. So for it concerned with Nepal, they enjoy a strategic and crucial position in its (Nepal's) mixed economy. The MNC have been established in manufacturing sectors especially for the development of any country with different goals and objectives.

UNL is the manufacturing establishment established as the subsidiary company of Hindustan Lever Ltd. which is the subsidiary company of one of the very popular MNC 'Unilever Group of England', the corporate objective of UNL are:-to meet the everyday needs of people everywhere, to anticipate the aspirations of targeted consumers and

customers to respond creatively and competitively with branded products and services which raise the quality of life, to bring the wealth of knowledge and international expertise to the service of local consumers, to working together effectively and to a willingness to embrace ideas and learn continuously.

Generally sales budget and plan are prepared on strategic sales plan. The study is mainly focused on tactical short range sales plan of the UNL, However, the figures of the previous year are presented and analyzed to know overall economic trend to estimate the possible future of UNL with the reference of the F/Y 2059/060 to 2065/066.

4.2 Sales Plan of UNL

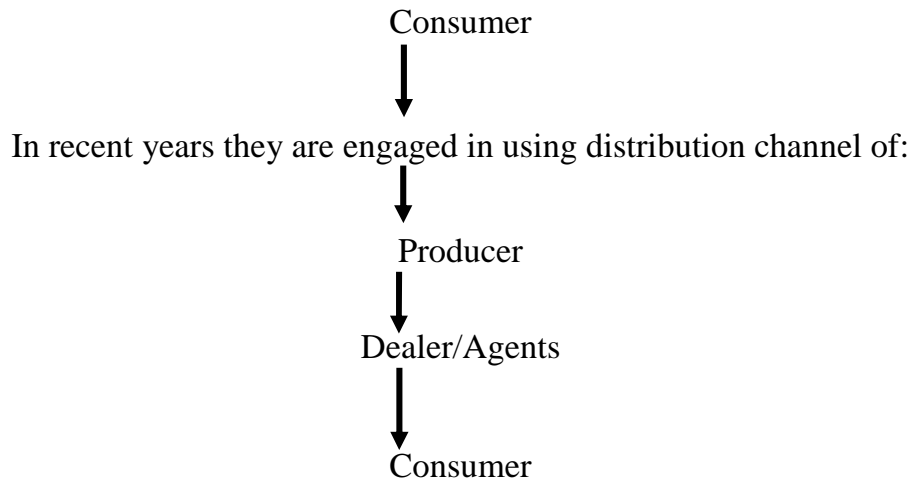
Sales budget is the foundation of profit planning and control. It is the first plan or budget to be prepared. All other planning is based on it. Sales are the main source of revenues. The sales not only generate revenue but also incur selling cost for this reason. A comprehensive sales planning is a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

UNL is a multinational company engaged in production and manufacturing household consumer goods of daily utilities. UNL has no practice of preparing long-range sales plan. However, short-range sales plan are developed randomly.

The company has sales department but they don't have expert personnel. Top management fixes prices. They don't forecast sales nor do they perform market research. Thus UNL doesn't have systematic profit planning and control.

The company faces competency in soap and detergent products produced by other, domestic companies. At the very initial stage of production, company adopts margin of profit. The company sales a major portion of sales against letter of credit. Therefore, the company does not face the problem of collecting credit sales. The distribution channel adopted by the company in the earlier years is presented below:

Producer
↓
46



4.2.1 Difference between Budgeted Sales and Actual Sales

To know about sales trend of past and to forecast for the, future, past year's budgeted sales of UNL & their achievement is presented in the table. The following table and diagrams presented budgeted sales and actual sales achievement from the FY 2059/060 to 2065/066.

Table No. 4.1
Sales Budget & Achievement

(Rs. in 000)

Fiscal Year	Planned Sales (x)	Actual Sales (y)	Achievement %
059/60	1545066	1244727	80.55
060/61	1555909	1524901	98.0
061/62	1906126	1481560	77.72
062/63	1986904	1434942	72.22
063/64	2311883	1818527	78.66
064/65	2393216	2144589	89.61
065/66	2704134	2625826	97.10

Source : Accounting Reports & Sales Department of UNL

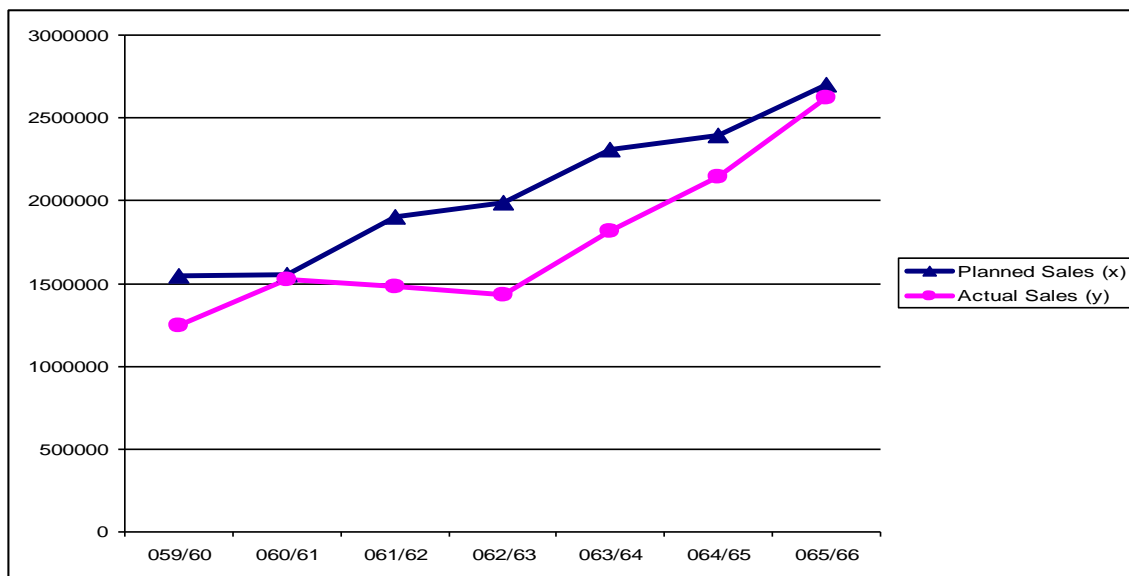
The table shows the sales target and sales achievement at the period of fiscal years 2059/60 to 2065/66. From the table its shows that sales achievement is always less than

the sales target. In 2060/61 actual sales is 98% of sales target, which is best among seven years. Actual sales trend is in decreasing trend. Based upon the achievement trend, it becomes clear those targets of UNL are very optimistic.

The analysis of above table shows that there is no systematic sales plan and performance of budget and planning section of UNL is poor. Budgets are prepared without consideration of market condition or challenge that may arise in market only prepared based on historical data. UNL has affected by external environment such as political situations. So, its target and achievement are different. By UNL view, if Nepalese political situation is better, sales will be growing up. We can present the sales budget and achievement more effectively by the following graph and diagram.

Figure No. 4.1

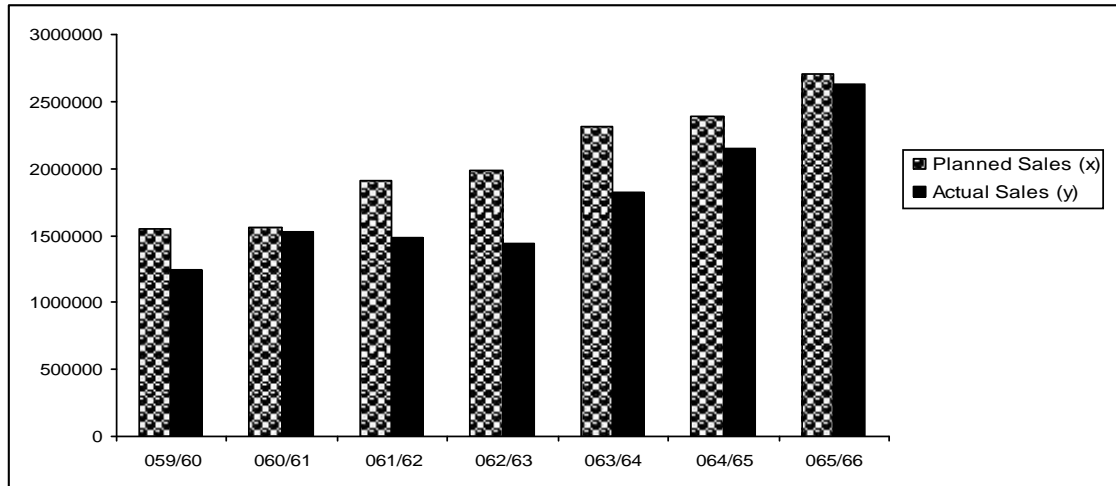
Trend Line of Actual Sales and Planned Sales



Source: Table 4.1

Figure No. 4.2

Statement of Actual Sales and Planned Sales



Source: Table 4.1

The above diagram indicates actual sales never met the budgeted sales. In F.Y. 2060/61 we have a highest achievement of 98% , in F.Y. 2062/63 we have the lowest achievement of 72.22%. In the between years of neither study we found that the achievement % in neither increasing order nor decreasing order. Due to such fluctuations nature of sales trend. It is difficult to project the future potential sales.

Table No. 4.2

Summary of arithmetic mean, standard deviation, coefficient of variation, correlation, probable errors of planned and actual sales (in cases)

Statistical Tools	Planned Sales	Actual Sales
Mean	2057.57	1753.28
S.D. (σ)	403.08	447.63
C.V.	0.195	0.2553
r	0.8776	
P.E.	0.058	

Source: Appendix 2

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

To find out the correlation between the planned and actual sales, “Carl Perarsons” coefficient of correlation ‘r’ is determined for the purpose of correlation of ‘r’ planned sales (x) are assumes to be independent variable. The correlation between ‘x’ and ‘y’ variables should be positive. To know the significances of ‘r’ is the calculated in Appendix – 2.

From Appendix – 2, it is found that the calculated value of probable error is 0.058. Considering probable error P.E. It is found that the value of ‘r’ is more than ‘6PE’ i.e., $0.8776 > 0.348$. So, it can be concluded that the calculated value of ‘r’ is significant and actual sales will go in the same direction of planned sales.

From Appendix -3, planned sales are denoted by ‘x’ an independent and actual sale is denoted by ‘y’ a dependent variable. Fitting of regression line is done on Appendix -3. The regression line shows that positive relationship between planned sales, is increasing trend and actual sales will increase by 0.9745 in one unit in the planned sales.

Other statistical tools called least square method can be used to analyze the trend to actual sales and estimated sales for future time. A straight trend this method will show the relationship time or period and actual sales of the every sales trend of previous year continuous in the figure. This is done in Appendix–4.

4.2.2 Sales Plan of UNL by Territory

On the basis of territories the total sales by UNL can be categories into two territory of product i.e. Domestic Sales and Export Sales. The following table presents the actual condition of sales of UNL by territories.

Table No. 4.3

Sales Plan of UNL by Territory

(Rs. in lakh and Qty. in tons)

F/Y	Total Sales		Growth% (of sales unit)	Domestic sales		Growth% (of sales unit)	Exports sales		Growth% (of sales unit)
	Unit	Amount		Unit	Amount		Unit	Amount	
059/60	18533	12447	(5)	14647	10199	8	3886	22475	(34)
060/61	22624	15249	22.07	17746	11883	21.15	4878	25959	(25.5)
061/62	21232	14816	(6.15)	21232	11022	19.64	Nil	Nil	(100)
062/63	22409	14349	5.45	22409	14349	5.54	Nil	Nil	(100)
063/64	26974	18185	20.37	26974	18185	20.37	Nil	Nil	(100)
064/65	26243	21445	(2.71)	26243	21445	(2.71)	Nil	Nil	(100)
065/66	24682	26258	(5.94)	24682	26258	(5.94)	Nil	Nil	(100)

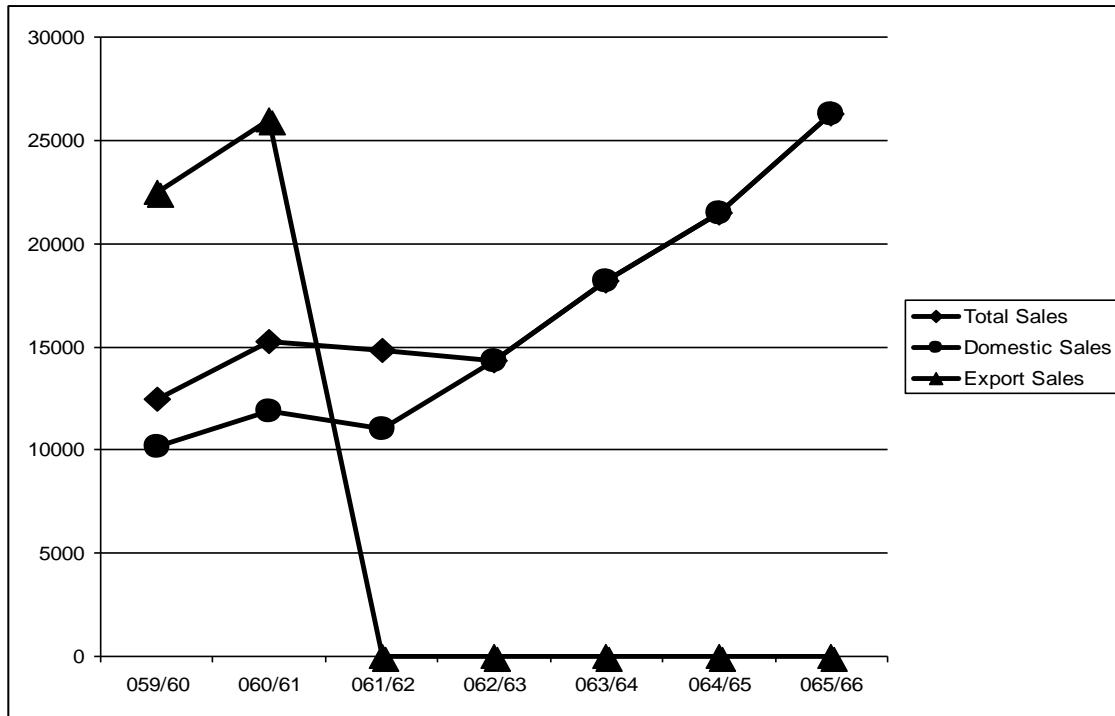
Source : Annual Report

Above table indicates territories wise actual sales during seven fiscal years. To calculate the growth rate previous year sales unit is taken as base such as sales of 059/60 is subtracted by the sales of the year 2060/61 and divided by the sales unit of 2059/60 and multiplied by 100. At present the condition of exports sales have been decreased and adversely affected because of different reasons. in spite of this unfavorable condition in export trade and domestic sales are in increasing trend. In the fiscal year 2061/62 it has increased by 19.6% and in the fiscal year 2063/64 it has 20% Growth in sales.

The total sales of UNL are in increasing from fiscal year 2059/60 to 2060/61. It is decreased in 2061/62 and again increasing trend from fiscal year 2063/64. Again it is decreasing trend from fiscal year 2063/64 to 2065/66.

Figure No. 4.3

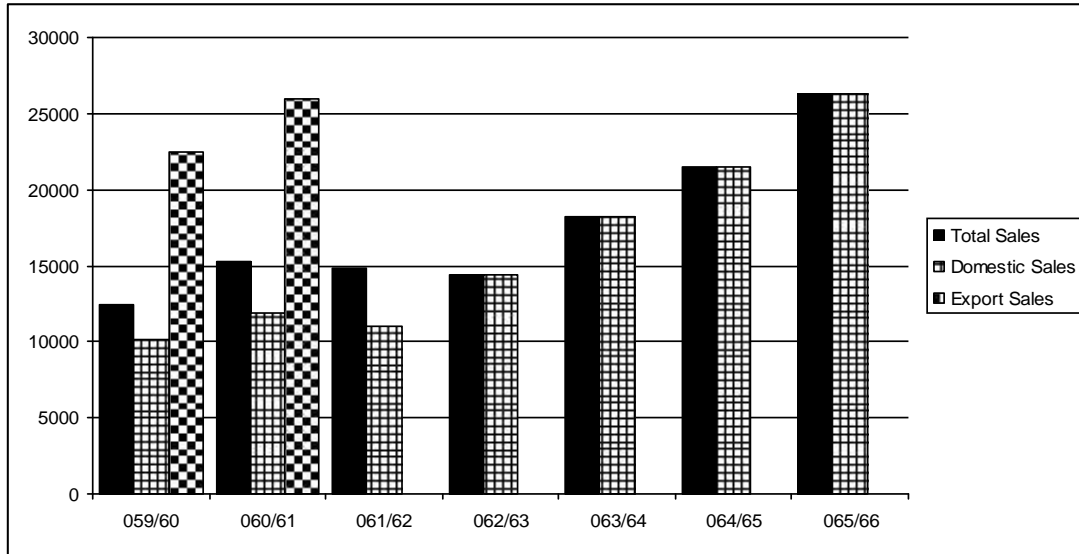
Sales Plan of UNL by Territory



Source: Table 4.2

Figure No. 4.4

Sales Plan of UNL by Territory



Source: Table 4.2

4.3 Analysis of Actual sales with Selling and Distribution Expenses

Selling and distribution expenditure is important for every manufacturing company. This expenditure indicates about company's strength and weakness of distribution channel. If new product is launched there must be high investment in promotional activities. Company is paying high amount, it means primary stage of product's life cycle of UNL has also paid high amount for promotional activities in primary stage. The Following table shows about selling and distribution expenditure with sales value.

Table No. 4.4
Actual Sales and Selling and Distribution Expenses

(Rs. in Lakh)

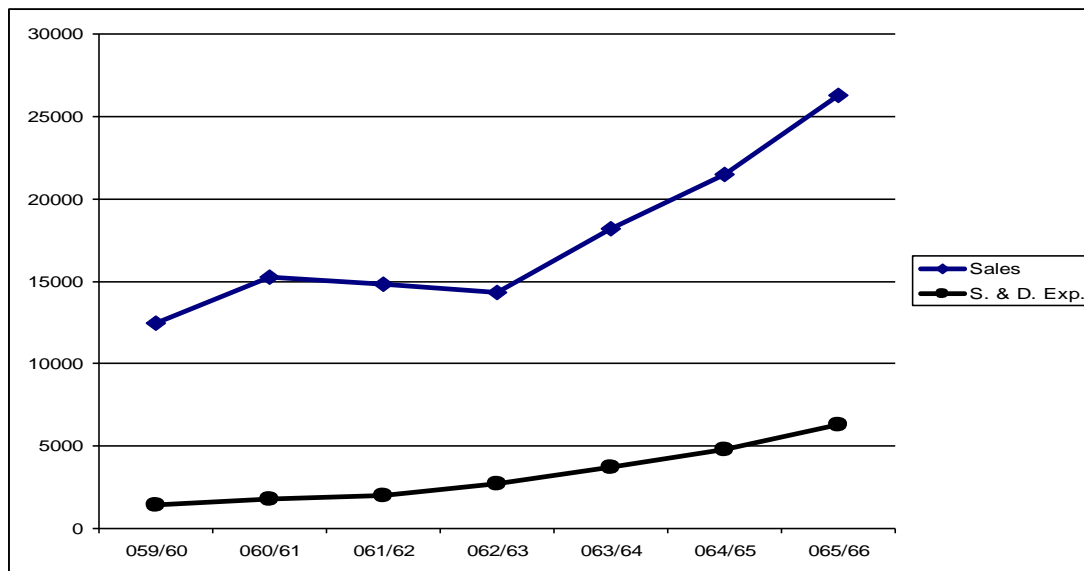
F./Y.	Sales	S. & D. Exp.	% of Sales
059/60	12447	1435	11.52
060/61	15249	1824	11.96
061/62	14816	2028	13.68
062/63	14349	2737	19.07
063/64	18185	3753	20.63
064/65	21445	4820	22.47

065/66	26258	6322	24.07
--------	-------	------	-------

Source : Annual Report

The above table gives clear information about the comparative analysis between the sales and distribution expenses of UNL in different years. For the year 2059/60 company spent 11.5% of sales value in selling and distribution expenses. Same as next four year company invested 11.96%, 13.68%, 19.07%, and 20.63% of sales in S&D. in last two years S&D expenses has been also increased i.e. [22.47%, 24.07%] The main reason of increment in S & D expenses is increment in the price of fuel and increment in the price of advertisement etc. But the company's total sales amount is also increasing while there is the increment in S&D expenses. So we can say that the sales promotion and advertisement is increasing the company's total sales amount.

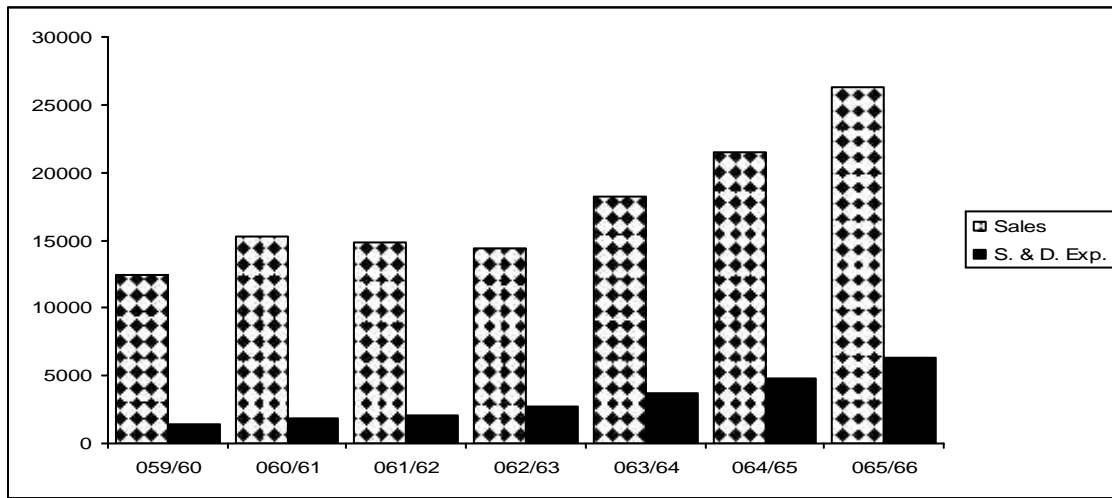
Figure No. 4.5
Actual Sales and S & D Expenses



Source: Table 4.4

Figure 4.6

Actual Sales and S & D Expenses



Source : Table 4.4

4.4 Difference between Actual Sales & Production

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

Table No. 4.5
Actual Sales and Production

(Qty. in Tons)

F./Y.	Actual Sales	Actual Production	Sales as % of Production
059/60	18533	18802	98.57
060/61	22624	22781	99.31
061/62	21232	21644	98.09
062/63	22409	22806	98.25
063/64	26974	26875	100.36
064/65	26243	26294	99.80

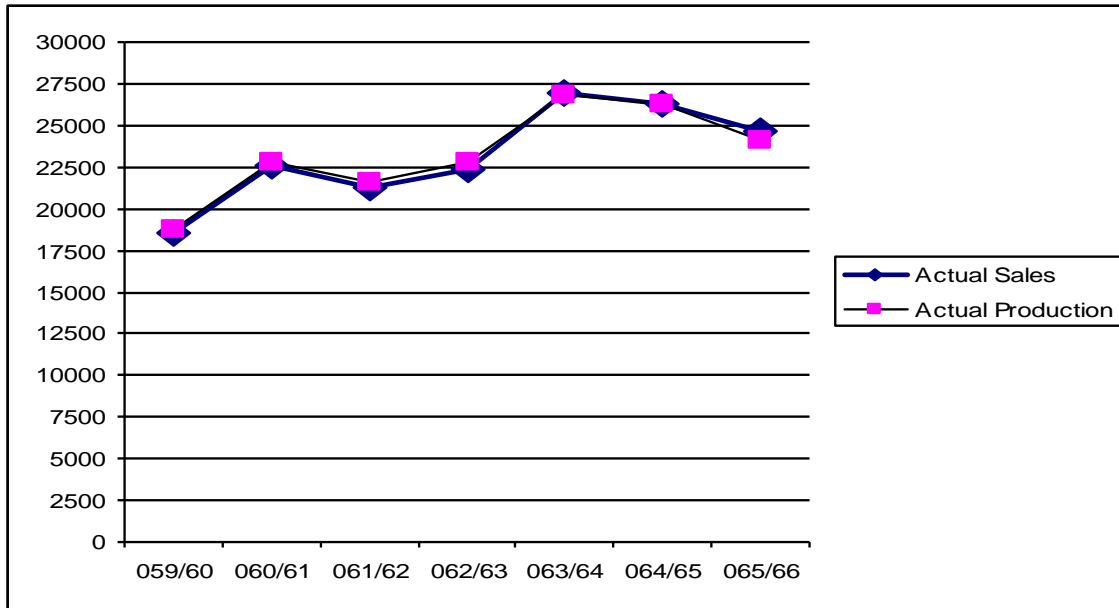
065/66	24682	24086	102.47
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Source : Annual Report

The above table gives clear information about the comparison between actual sales and actual production. According to the table, except the year 2063/64 & 2065/66 it does not secure more than 100% achievement in actual sales. Achievement percentage is more than 98%. It means no enough closing stock. Company's nature of business is also impressed for production. So company produces its product based on sales volume over production or over stocking may be loss for company due to expiry. We can present the actual sales and production more effectively by following graph.

Figure No. 4.7

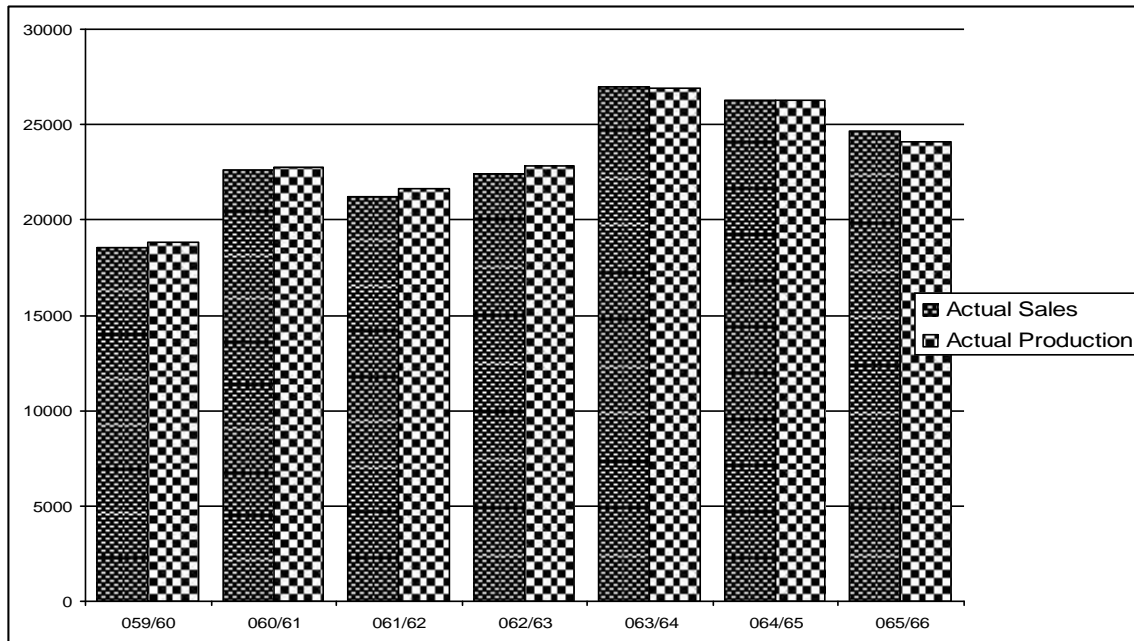
Trade Analysis of Actual Sales and Actual Production



Source : Table 4.5

Figure 4.8

Trade Analysis of Actual Sales and Actual Production



Source : Table 4.5

Table No. 4.6

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

(Qty. in Tones '000')

Statistical Tools	Actual Sales	Actual Production
Mean	23242.42	23326.85
S.D. (σ)	2733.33	2559.16
C.V.	0.1176	0.1097
r	0.994	

Source: Appendix 5

The above table represents that actual production are more variable than actual sales. But there is no more variation between actual sales & production. Production plan must be change if sales volume is high efficiency and effectiveness of any management organization can be interpreted by its sales achievement.

The correlation coefficient is calculated to find out the relation between actual sales and production. In appendix-5 Karl Pearson's formula is used to calculate correlation coefficient which is denoted by 'r', 'X' is denoted for actual sales and 'Y' is denoted for actual production. The value of 'r' is 0.994.

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

4.5 Analysis of Actual Sales and Net Profit

Actual Sales and Net Profit figure are presented below:

Table No. 4.7
Actual Sales and Net Profit

(Rs. in Lakh)

F./Y.	Sales (Rs.)	% Deviation on an average sales	Net Profit	% Deviation on Average net Profit
059/60	12447	(29.01)	931	(61.73)
060/61	15249	(13.03)	1407	(42.17)
061/62	14815	(15.15)	1891	(22.28)
062/63	14349	(18.17)	2382	(2.10)
063/64	18258	3.70	2631	8.12
064/65	21445	22.29	3351	37.71
065/66	26258	49.74	4440	82.46
Total	17535.429		4233.285	

Source : Annual Report of UNL

The above table shows the relation between sales and net profit from the fiscal year 2059/60 to 2065/64. From the above table, it is observed that the average sales and net profit during the study period are Rs. 17535.42 and 2433.285 lakh respectively.

Similarly the above table shows the percentage deviation of sales and net profit over the study period. The highest deviation from the average sales is 49.74% in fiscal year 065/66 and the highest positive deviation in profit is 82.46%.

The highest negative deviation from the average sales is (29.01)% in fiscal year 059/60 and highest negative deviation from average net profit is (61.73)% in the fiscal year 059/60.

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

Computation of correlation coefficient between actual sales and net profit is done in appendix-5.

The correlation between sales and net profit has been observed to be 0.949 in appendix-5. Therefore, there is significant positive relationship between sales and net profit. Therefore, it is concluded that the change in sales results in the change in net profit.

4.6 Identification of Cost Variability

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

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

Table No. 4.8
Cost Classification

Particulars	Nature of cost
Raw material consume	Variable
Package material cost	Variable
Labour cost	Variable
Utilities	Variable
Depreciation	Fixed
Interest	Fixed
Rent	Fixed
Staff bonus	Fixed
Processing charges	Variable
Transportation	Variable
Quality charges	Variable
Repairs and maintenance	Variable
Administration OH	Fixed
Distribution and advertisement	Fixed

Source : Production Department of UNL

4.7 Cost Volume Profit Analysis

Manufacturing enterprise always wishes to produce and sell a product till sales revenue at least equal marginal cost. Marginal costs are always connected with volume and vary directly and directly and proportionately with variations in volume. On the other hand fixed costs remains constant and are not affected by the change in volume of production. Thus the amount of profit in every manufacturing enterprise depends upon volume of production and its cost. Thus we see that there is a close relationship between volume cost and profit. When and effort is make to establish this relationship that process is

known CVP analysis. CVP analysis here is accepted as the most significant tool of profit planning and control.

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

- Cost volume structure is based on the accounting data of FY 065/66.
- Changes in inventories are disregarded while computing the CVP ingredients.
- Non operating incomes and non operating expenses are also excluded from CVP relationship.
- Selling prices, variable costs per annum are assumed to remain constant.
- Consumptions are making on total basis not product wise.

Cost volume profit analysis of UNL, based on FY 2065/66.

I. Variable cost–volume ratio (V.V. ratio)

This ratio shows the proportion of variable cost to each Rs. Of sales revenue V.V. ratio can be achieved by using the following formula:

$$1. \quad \text{V.V. Ratio} = \frac{\text{Total Variable Cost (Rs.)}}{\text{Sales (Rs.)}}$$

$$= \frac{1451345814}{2625826798}$$

$$= 0.5527$$

$$= 55.27\%$$

$$2. \quad \text{P.V. Ratio} = 1 - \text{V.V. Ratio}$$

$$= 1 - 0.5527$$

$$= 0.4472$$

$$= 44.72\%$$

$$3. \quad \text{B.E.P. (in Qty.)} = \frac{\text{Fixed Cost}}{\text{C.M./Sales volume}}$$

$$= \frac{730438223}{47584.51}$$

= 15350.33 Tonns

$$\begin{aligned} 4. \quad \text{B.E.P. (in Rs.)} &= \text{FC/PV Ratio} = \frac{\text{Fixed Cost}}{\text{PV Ration}} \\ &= \frac{730438223}{0.4472} \\ &= 1633359175 \end{aligned}$$

The result of B.E.P. in Rs. is 1633359175 shows that if UNL maintains the sales volume that particular level it can recover its fixed operations cost by contribution margin.

4.8 Analysis of Primary Data

The primary data is collected from personnel of administrative, sales, marketing and plant of the company. These have become very much helpful to know about the opinion of the managerial and about the budgeting system, especially sales budgeting system. The primary data collected in reference to different topics as per the purpose of study. A set of questionnaire was distributed among 25 employee of Nepal Lever Limited. Out of them only 20 respondents returned back the questionnaire fully answered which is 85% of total questionnaire distributed, and they are kept in analysis. Analyses of primary data are collected as follows:

- Plant staffs of UNL provide information about production. Some data are based on chatting.
- Sales executive of UNL provides sales planning and actual sales.
- Accounting information is taken from Finance Department of UNL.
- Company profiles are based of HR Department of the company.
- Global information is adopted from various websites and journals.
- Market share about this company is based on Govt. Officials.

- Some data are based on interaction with employees, which are converted into this analysis.
-

4.8.1 Preparation of Budget

To know about the preparation of budget of Nepal Lever Limited a question was asked "Which level of management is responsible for budget preparation in your organization?"

Answers provided by respondent are presented below:

Table No. 4.9
Preparation of budget

Answer	No. of respondent	%
High level	20	100
Low level	0	0
Total	20	100

Source: Opinion Survey

Above table shows that the 100% of respondent thinks, high level is responsible for budget preparation in UNL.

4.8.2 Production Policy

To know about the production policy of UNL a question was asked "What production policy has been adopted in your organization?" the answer provided by respondent are presented below:

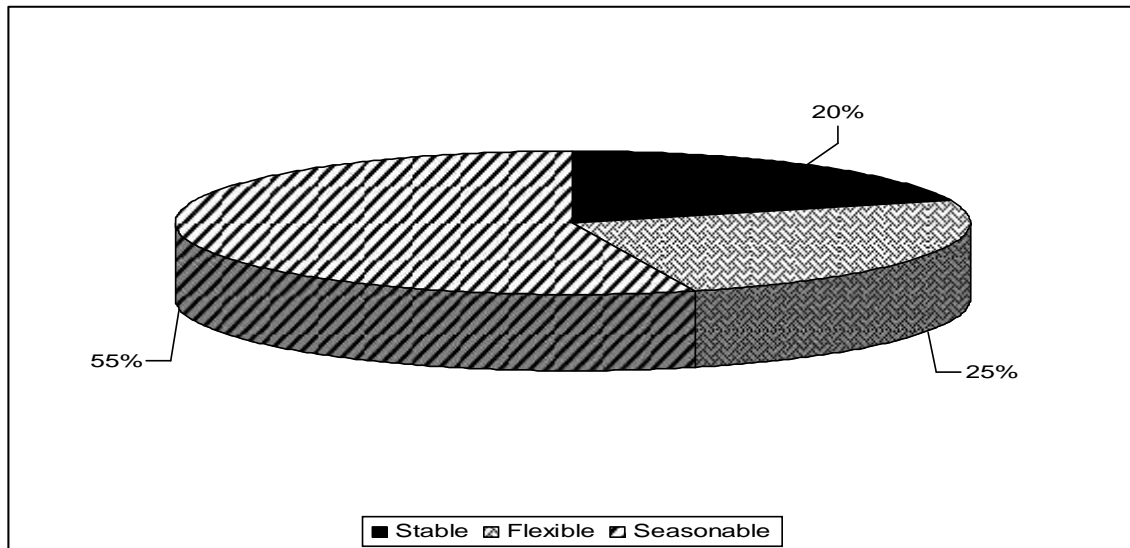
Table No. 4.10
Production Policy

Answer	No. of respondent	%
Stable	4	20
Flexible	5	25

Seasonable	11	55
Total	20	100

Source: Opinion Survey

Figure No. 4.9
Production Policy of UNL



Source: Table 4.9

Above table and pie-chart shows that the 55 % of respondent thinks that UNL has the seasonal production policy so we can conclude that there is seasonal production policy in UNL.

4.8.3 Sales Forecasting

Another question was asked "Who is responsible for sales forecasting?" The answer provided by respondent are presented below:

Table No. 4.11
Sales Forecasting

Answer	No. of respondent	%
Sales manager	20	100
Sales officer	0	0
Marketing officer	0	0
Total	20	100

Source: Opinion Survey

Above table shows that 100% of respondent believe that the sales manager is responsible for sales forecasting.

4.8.4 Methods of Sales Forecasting

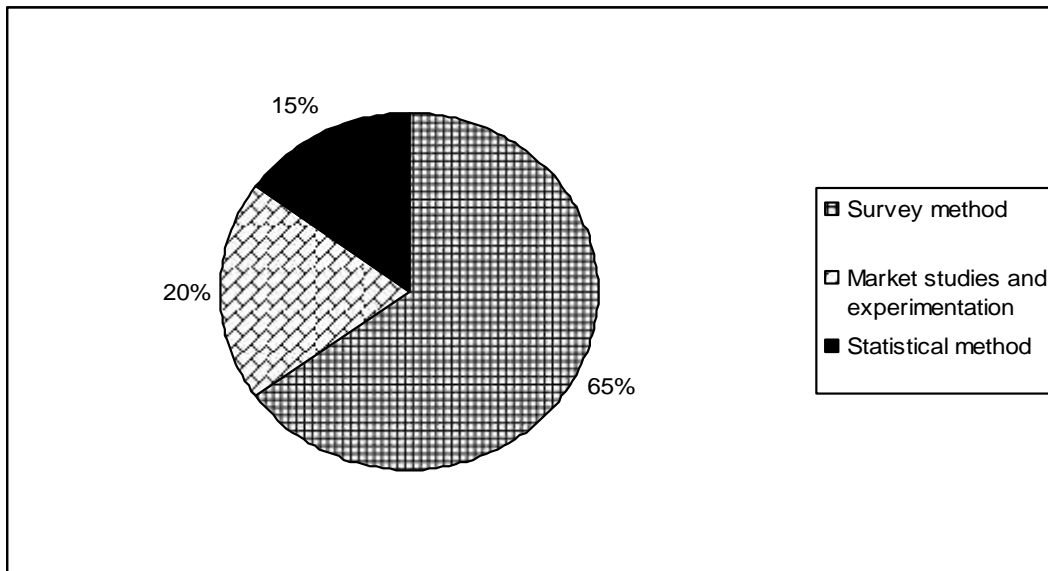
To know the method adopted by UNL for sales forecasting a question was asked "What methods and tools are used for sales forecasting?" answers provided by respondent are presented below:

Table No. 4.12
Methods of Sales Forecasting

Answer	No. of respondent	%
Survey method	13	65
Market studies and experimentation	4	20
Statistical method	3	15
Total	20	100

Source: Opinion Survey

Figure No. 10
Methods of sales forecasting



Source : Table 4.12

Above table and pie-chart shows that 65% of respondent are in favor of survey method. So we can conclude that UNL use the survey method for sales forecasting.

4.8.5 Preparation of Sales Plan

Another question was asked "On what basis sales plan is prepared?" answers provided by respondent are presented below:

Table No. 4.13

Preparation of Sales plan

Answer	No. of respondent	%
By product basis	20	100
By time period basis	0	0
By territories basis	0	0
Total	20	100

Source: Opinion Survey

Above table shows that 100% of respondent are in favor of by product basis, so we can conclude the UNL prepares its sales plan in "By product basis."

4.8.6 Pricing Method

To know the pricing method adopted by UNL a question was asked "What Pricing methods has been accepted by your organization?" the answers provided by respondent are presented below:

Table No. 4.14

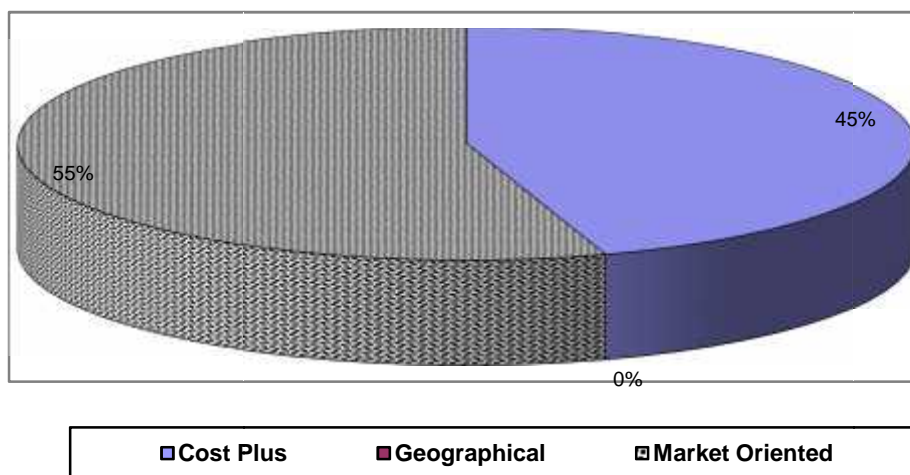
Pricing Method

Answer	No. of respondent	%
Cost plus	9	45
Geographical	0	0
Market oriented	11	55

Total	20	100
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Source: Opinion Survey

Figure No. 4.11
Pricing Method



Source: Table 4.14

In above table and pie-chart shows that 55% of respondent are in favor of Market oriented so we can conclude that UNL have accepted the marketing oriented pricing method.

4.8.7 Promotional Tools

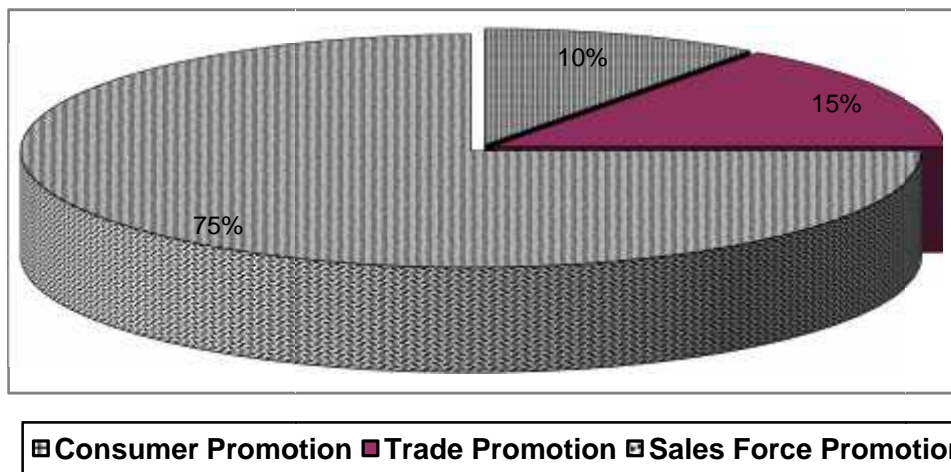
To know about the promotional tool by UNL a question was asked "What promotional tools are usually used?" answers provided by respondent are presented below:

Table No. 4.15
Promotional Tools

Answer	No. of respondent	%
Consumer promotion	15	75
Trade promotion	3	15
Sales force promotion	2	10
Total	20	100

Source: Opinion Survey

Figure No. 4.12
Promotional Tools



Source: Table 4.15

In the above table and pie-chart shows that 75% of respondents answered consumer promotion is the promotional tools used by UNL. So conclusion can be drawn that UNL is using consumer promotion as the promotional tools.

4.8.8 Promotional Medias

Another question was asked "What promotional medias are usually used?" answers provided by respondent are presented below:

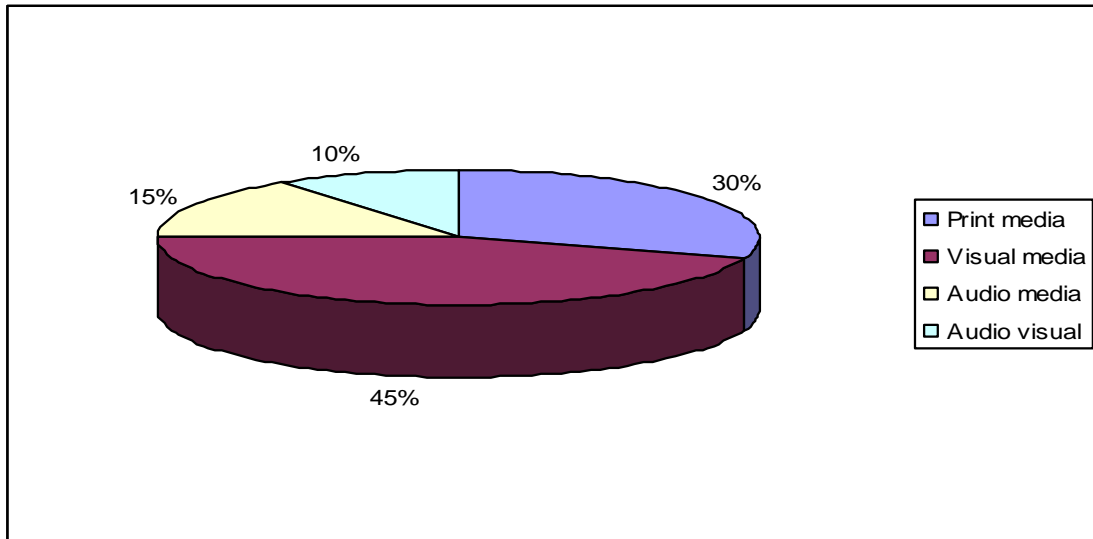
Table No. 4.16
Promotional Media

Answer	No. of respondent	%
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Print media	6	30
Visual media	9	45
Audio media	3	15
Audio visual	2	10
Total	20	100

Source: Opinion Survey

Figure No. 4.13
Promotional Medias



Source: Table 4.16

In the above table and pie-chart shows that 45% of respondents answered visual media so we can conclude that UNL is using visual media as its promotional media.

4.8.9 Competition Market

To know about the competitive market for UNL a question was asked "From which market the company faces competition?" answers provided by respondent are presented below:

Table No. 4.17

Competition Market

Answer	No. of respondent	%
National market	0	0
International market	0	0
Both	20	100
Total	20	100

Source: Opinion Survey

In the above table 100% respondents think UNL faces competition from both national and international market.

4.8.10 Main Market

Another question was asked "Which is the main market for our company?" answers provided by respondent are presented below:

Table No. 4.18

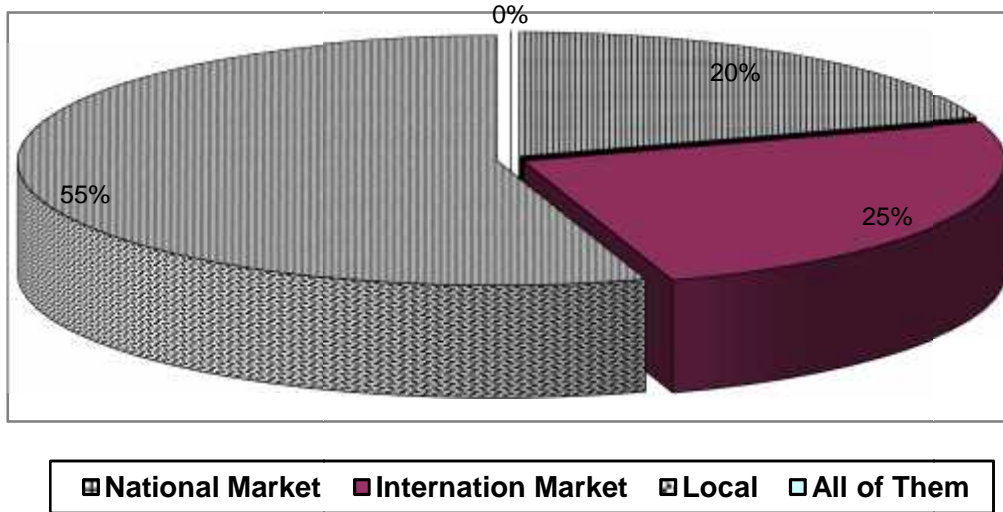
Main Market

Answer	No. of respondent	%
National market	4	20
International market	5	25
Local	11	55
All of them	0	0
Total	20	100

Source: Opinion Survey

Figure No. 4.14

Main Market



Source: Table 4.18

In the above table and pie-chart shows that 55% of respondents answered consumer promotion is the promotional tools used by UNL. So conclusion can be drawn that UNL is using consumer promotion as the promotional tools.

4.8.11 Mode of Sales

To know the term of sales of UNL a question was asked "Sales of your company are made in?" answers provided by respondent are presented below:

Table No. 4.19
Mode of Sales

Answer	No. of respondent	%
Credit	0	0
Cash	0	0
Both	20	100
Total	20	100

Source: Opinion Survey

Above table shows UNL makes it sale in both credit and in cash.

4.9 Major Findings

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

- The company does not have practice of preparing sales plan although there is tentative sales plan.
- Actual sales are below than planned sales.
- The correlation between planned and actual sales shows a positive correlation. It means that the company can meet its sales goal as specified in annual program.
- The company has no practice of systematic forecasting. Sales forecasting is not based on realistic ground. It has no practice of using statistical techniques in sales forecasting.
- The company produces mainly cosmetics and households products.
- The company covers 35% of cosmetics and households products in Nepal.
- Lack of diversity in product.
- Combo pack for consumer is not produced. (i.e. two products in single pack in reasonable price.)
- Authorities and responsibilities are not clearly defined among employees. Role conflict and lack of co-ordination among them is paramount.
- HR department is infected by political situation.
- UNL has positive of selling, its products sales on cash or credit.
- UNL has takes security deposit and bank guarantee for new distributorship.
- UNL has no separate costing department and professional cost experts. It has no separate cost for each types of product. But it has measured as per standard.
- Both the production and sales is in fluctuating trend over the period of 7 years.

- Internal and external variables providing opportunities, the top management does not identify threats, strength and weakness.
- The products of the company are made available to the consumer in four steps. (i.e. Company – to – Distributor – to – Customer – to – Consumer).
- Market is leading by competitor but its share of market is growing slowly.
- Supply for all over country mainly from Hetauda.
- Selling volume is not increased during 7 years. No vary in sales quantity in 7 years.
- UNL use the survey method for sales forecasting.
- UNL prepares its sales budget in "By product basis"
- UNL have accepted the marketing oriented pricing method.
- UNL is using consumer promotion as the promotional tool.
- UNL faces competition from both national and international market.
- Local market is the main market for UNL.
- UNL makes it sale in both credit and in cash.

CHAPTER –FIVE

SUMMARY, CONCLUSION AND RECOMMENDATION

5.1 Summary

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

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

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

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

The basic objectives of the present study are to analyze the current practice and Application of sales budgeting system and its impact on profitability of UNL and its effectiveness. For this purpose seven years data covering from the FY 2059/060 to 2065/066 are taken. Both primary and secondary data mainly research done previously and the annual report of the company was also used in this study. The data have been analyzed with the help of various statistical techniques like mean, standard deviation, percentage, graph, correlation, regression, covariance, probable error, time series analysis variance and financial tools like BEP analysis, ratio analysis are used. From the analysis of sales budget and actual sales reports of the UNL, it is found that the actual sales are always less than the budgeted sales.

Related literature was reviewed which consists of book, reports, periodical articles and dissertations.

5.2 Conclusion

Analyzing and studying the practice of sales budget in UNL helped a lot to draw the following conclusion.

UNL has not a practice of systematic & scientific sales planning and is not at all practicing profit planning. Company does not prepare strategies and policies for long term. Even though it has mentioned clear objective of serving people everyday and everywhere, it is not in implementation. UNL is also trying to achieve social needs of the

common people by organizing various programs. UNL has not the practice of using statistical tools in sales forecasting. Mainly regression equation about budgeted sales & actual sales indicates positive correlation between the budgeted and actual sales. Production cost in UNL was not segmented on products and departments. UNL was unable to maintain a proper coordination, among various departments. The company has ignored the environmental factors and it has also not adequately considered controllable and non-controllable variables affecting the company. Moreover, the company has no in depth analysis of the strengths, weakness and. threats. The study has attempted to show the strength and weakness of UNL. UNL did not discharge the corporate social responsibility and failed to make public interest expenditure on the sales related promotional activity. Some of the raw materials were purchased from the international market. So the products cost were too high. Production policy was not stable. Flexible production policy has increased the cost of production. There was no definite target to earn profit.

Strengths

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

Weakness/Threats

- High cost of local raw material
- Lack of participatory management
- Lack of autonomy
- Tough competition in local market

5.3 Recommendations

Based on the major findings of the study of sales budgeting of UNL some suggestions have been recommended. It seems necessary to develop, implement and improve the process preparing of sales budget. It is hoped that these recommendations will prove be useful for the management if it is brought into effects.

- UNL must classify the cost according to departments and products. So that return of each product and department can be evaluated.
- Lower level management participation should be encouraged for decision making in UNL. UNL should hire qualified and technically manpower to utilize its idle capacity.
- As per the annual reports of UNL it is seen that the top executives are frequently changed, due to which informant overall work became difficult.
- So for a positive performance it is required to appoint the top executives for a specific period. These executives should make planning on the prevailing environment.
- There must be a separate planning department and the experts should be appointed for making plans. The company has to adopt the certain planning procedure. Both the long term as well as the short term plan should be prepared and the proper evaluation and analysis must be done frequently.
- The company needs to follow certain strategy to increase the export sales.
- UNL should have in depth analysis of the company's strength and weakness.

It should try to overcome its weakness by using the strengths.

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

- UNL should implement of profit planning, in all the areas. It should timely evaluate its relevant variables and above all managerial involvement, organization adaptation, responsibility accounting, fUNL communication, realistic expectation; time dimensions, flexible application, behavioral view point and follow up program should be made more effective.
- MBO i.e. management by objective technique should be followed with coordination and cooperation with all levels of personnel of all the departments.
- UNL should have the competitive pricing policy according to the market situation to increase the, high market share.
- UNL should develop its overhead budget in a well-classified and scientific way. All expenses related with production and purchase should be included in manufacturing overhead and similarly, administrative overhead and selling and distribution overhead should be categorized systematically.
- UNL should use feedback mechanism to control overall activities.
- The Company lacks the adequate expense on sales related research and development. It is recommended that certain amount of profit should be, allocated for the sales promotional research and development.
- The Company should develop a policy to earn certain profit in a specific period.
- Profit planning manuals should be communicated from top to lower levels.
- A reliable cash collection policy should be developed. It will reduce bad debts and increase profitability.

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Appendix-1

Dear Sir,

This questionnaire is concerned with the research on "Sales Planning in Manufacturing Enterprises (A Case Study of Unilever Limited)". It would be very much [appreciated if you could spare some of your valuable time for filling the questionnaire.

Researcher

Balkumari college

Narayangarh, Chitwan

Name of the respondent: :.....

Post:.....

Address:.....

Questionnaire for Sales Planning

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

a) High level ()

b) Low level ()

2) What Production Policy has been adopted in your organization?

a) Stable ()

b) Flexible ()

c) Seasonal ()

3) Who is responsible for sales forecasting?

- a) Sales Manager ()
- b) Sales officer ()
- c) Marketing manager ()
- d) Marketing officer ()

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

- a) Survey Method ()
- b) Market studies and experimentation method ()
- c) Statistical Method. ()

5) On what Basis Sales plan is Prepared?

- a) By Product Basis ()
- b) By time Period Basis ()
- c) By Territories ()

6) What pricing method has been accepted by your organization?

- a) Cost plus ()
- b) Geographical ()
- c) Market oriented ()

7) What promotional tools are usually used?

- a) Consumer promotion ()
- b) Trade promotion ()
- c) Sales force promotion ()

8) What promotional Medias are usually used?

- a) Print media ()
- b) Visual media ()
- c) Audio media ()
- d) Audio visual ()

9) From which market the company faces competition?

- a) National Market ()
- b) International Market ()
- c) Both ()

10) Which is the main market for our company?

- a) Local Market ()
- b) National Market ()
- c) International Market ()
- d) All of them ()

11) Sales of your company are in:

- a) Credit ()
- b) Cash ()
- c) Both ()

THANK YOU

Appendix-2
Sales budget & achievement

(Rs. In '000000')

Fiscal Year	Planned Sales (x)	Actual Sales (y)	$x - \bar{x}$	$y - \bar{y}$	x^2	y^2	xy
059/60	1545	1245	-51.57	-508.28	262728.00	258348.5	260529.07
060/61	1556	1525	-501.57	-228.28	251572.46	52111.75	114498.39
061/62	1906	1481	-151.57	-272.28	22973.46	74136.39	41269.47
062/63	1987	1435	-70.57	-318.28	4960.38	101302.15	22461.01
063/64	2312	1818	254.43	64.72	64734.62	4188.67	16466.70
064/65	2393	2144	335.43	390.72	112513.28	152662.11	131059.20
065/66	2704	2625	646.43	871.72	417871.74	759895.75	563505.95
N=7	$\Sigma x=14403$	$\Sigma y=12273$	$\Sigma x=0$	$\Sigma y=0$	$\Sigma x^2=113753.94$	1402645.32	1108520.78

1. For Planned Sales

$$\text{Mean } (\bar{x}) = \frac{\sum x}{N} = \frac{14403}{7} = 2057.57$$

$$\text{Standard Deviation } (\sigma_x) = \sqrt{\frac{\sum x^2}{N}} = \sqrt{\frac{113753.94}{7}} = \sqrt{162479.13} = 403.08$$

$$\text{Coefficient of Variation (C. } V_x) = \frac{\sigma_x}{\bar{x}} = \frac{403.08}{2057.57} = 0.195$$

2. For Actual Sales

$$\text{Mean } (\bar{y}) = \frac{\sum y}{N} = \frac{12273}{7} = 1753.28$$

$$\text{Standard Deviation } (\sigma_y) = \sqrt{\frac{\sum y^2}{N}} = \sqrt{\frac{1402645.32}{7}} = \sqrt{200377.90} = 447.63$$

$$\text{Coefficient of Variation (C. V}_y) = \frac{\sigma_y}{\bar{y}} = \frac{447.63}{1753.28} = 0.2553$$

Calculation of correction coefficient:

$$r_{xy} = \frac{\sum xy}{\sqrt{\sum x^2 \times \sum y^2}} = \frac{1108520.78}{\sqrt{1137353.94 \times 1402645.32}} = \frac{1108520.78}{1263053.51}$$

$$= 0.877653$$

Calculation for probable error

$$\text{PE} = 0.6745 \times \left(1 - \frac{r^2}{\sqrt{N}}\right) = \frac{0.6745 \times [1 - (0.87765)^2]}{\sqrt{7}} = \frac{0.6745(1 - 0.770272)}{\sqrt{7}}$$

$$= \frac{0.6745(0.22972)}{2.6457} = 0.058$$

$$6\text{PE} = 0.348$$

Appendix-3

Fitting Regression Line

The regression equation of y on x can be expressed as

$$y - \bar{y} = b_{yx} (x - \bar{x})$$

where b_{yx} is called regression coefficient of y on x.

\bar{x} and \bar{y} are arithmetic means of x and y series respect.

$b_{yx} = r \frac{\uparrow y}{\uparrow x}$, when r = simple correlation coefficient between x and y.

here,

$$y - \bar{y} = b_{yx} (x - \bar{x})$$

$$y - \bar{y} = r \frac{\uparrow y}{\uparrow x} (x - \bar{x})$$

$$y - 1753.28 = 0.8776 \left(\frac{447.63}{403.08} \right) \times (x - 2057.57)$$

$$y - 1753.28 = 0.8776 \times 1.1105 \times (x - 2057.57)$$

$$y - 1753.28 = 0.9745 \times (x - 2057.57)$$

$$y - 1753.28 = 0.9745x - 2005.29$$

$$y = 0.9745x - 2005.29 + 1753.28$$

$$y = 0.9745x - 252.019$$

Appendix-4

Fitting Straight Line Trend

Regression equation y on x

$$y = a + bx \dots\dots\dots (1)$$

Where ‘a’ and ‘b’ are constraints to be determined to find the position of the line completely. The parameter of a determines the distance of the line directly above or below the origin and ‘b’ the change in ‘y’ per unit change in ‘x’ (i.e. slope)

The values of constraints ‘a’ and ‘b’ can be determined by solving following two normal equations. (applying principle of methods of least square)

$$\Sigma y = na + b\Sigma x \dots\dots\dots (ii)$$

$$\Sigma xy = a\Sigma x + b\Sigma x^2 \dots\dots\dots (iii)$$

Let the straight line trend be represented by the equation (I) for UNL.

$$12273 = 7a + ob \dots\dots\dots$$

Fitting of Trend Line by least square Method

(Rs. in 000000)

Fiscal Year (X)	Actual Sales (y)	$x = X - 2063$	x^2	xy
059/60	1245	-3	9	-11205
060/61	1525	-2	4	-3050
061/62	1481	-1	1	-1481
062/63	1435	0	0	0
063/64	1818	1	1	1818
064/65	2144	2	4	4288
065/66	2625	3	9	23625
N=7	$\Sigma y=12273$	$\Sigma x=0$	$\Sigma x^2=28$	13995

Since, $\Sigma x = 0$

$$\text{so, } a = \frac{\Sigma y}{N} = \frac{12273}{7} = 1753.28$$

$$\therefore a = 1753.28$$

and putting the value of 'a' in equation (iii), we get the value of b.

$$\Sigma xy = a\Sigma x + b\Sigma x^2 \dots\dots\dots(iii)$$

$$13995 = 1753.28 \times 0 + b.28$$

$$b.28 = 13995$$

$$\therefore b = 499.82$$

Substituting the value of 'a' and 'b' in equation (i), we get the regression equation of 'y' on 'x'.

$$y = a + bx$$

$$y = 1753.28 + 499.82x$$

To estimate the value of 'y', when $x = 2065$

$$x = (x - 2063) = (2065 - 2063) = 2$$

$$\text{so that, } y (\text{for } 2065) = 1753.28 + 499.82 \times 2$$

$$= 1753.28 + 999.64$$

$$= \text{Rs. } 2752.92$$

\therefore Estimated sales for 2065/66 = 2752.92 Lakh.

Appendix-5

Computation of correlation between Actual Sales and Actual Production, Mean, S.D. and C.V.

Correlation Co-efficient

(Quantity in Tons)

Fiscal Year	Actual Sales (x)	Actual Production (y)	$x - \bar{x}$	$y - \bar{y}$	x^2	y^2	xy
059/60	18533	18802	-709.42	-4524.85	22178636.74	20474267.52	21309419.09
060/61	22624	22781	-618.42	-545.85	382443.29	297952.22	337564.55
061/62	21232	21644	-2010.42	-1682.85	4041788.57	2831984.123	3383235.29
062/63	22409	22806	-833.42	-520.85	694588.89	271284.72	434086.80
063/64	26974	26875	3731.58	3548.15	13924689.3	12589368.42	13240205.58
064/65	26243	26294	3000.58	2967.15	900348.33	8803979.122	8903170.94
065/66	24682	24086	1439.58	759.15	2072390.05	576308.72	1092857.15
Total	$\Sigma x = 162697$	$\Sigma y = 163288$	$\Sigma x = 0$	$\Sigma y = 0$	$\Sigma x^2 = 52298017.17$	$\Sigma y^2 = 45845144.85$	$\Sigma xy = 48700539.41$

Where x = Actual sales in tons and independent variable.

y = Actual production, dependent variables.

(\bar{x}) = Actual mean for actual sales

(\bar{y}) = Actual mean for actual production

$x = x - \bar{x}$

$y = y - \bar{y}$

r = correlation

No = No. of years

1. For Actual Sales

$$\text{mean } (\bar{x}) = \frac{\sum x}{N} = \frac{162697}{7} = 23242.42$$

$$\begin{aligned} \text{S.D. } (\sigma_x) &= \sqrt{\frac{\sum x^2}{N}} = \sqrt{\frac{52298017.17}{7}} = \sqrt{7471145.31} \\ &= 2733.33 \end{aligned}$$

$$\begin{aligned} \text{Coefficient of variance (C.V.)} &= \frac{\sigma_x}{\bar{x}} = \frac{2733.33}{23242.42} \\ &= 0.1176 \end{aligned}$$

2. For Actual Production:

$$\text{mean } (\bar{y}) = \frac{\sum y}{N} = \frac{163288}{7} = 23326.85$$

$$\begin{aligned} \text{S.D. } (\sigma_y) &= \sqrt{\frac{\sum y^2}{N}} = \sqrt{\frac{45845144.85}{7}} = \sqrt{6549306.40} \\ &= 2559.16 \end{aligned}$$

$$\begin{aligned} \text{Coefficient of variance (C.V.)} &= \frac{\sigma_y}{\bar{y}} = \frac{2559.16}{23326.85} \\ &= 0.1097 \end{aligned}$$

Calculation of correlation co-efficient

$$\begin{aligned} r_{xy} &= \frac{\sum xy}{\sqrt{\sum x^2 \cdot \sum y^2}} = \frac{48700539.41}{\sqrt{52298017.17 \times 45845144.85}} \\ &= \frac{48700539.41}{48965397.63} \\ &= 0.994 \end{aligned}$$

Appendix – 6

Calculation of correlation coefficient between Actual Sales and Net Profit

(in Rs. 00000)

Fiscal Year	Actual Sales (x)	Net Profit(y)	$x = x - \bar{x}$	$y = y - \bar{y}$	x^2	y^2	xy
59/60	12447	931	-5088.57	-1502.28	25893544.64	2256845.9	7644456.94
60/61	15249	1407	-2286.57	-1026.28	8225402.36	1053250.63	2346661.06
061/62	14816	1891	-2719.57	-542.28	7396060.98	294067	1447768.42
062/63	14349	2382	-3168.57	-51.28	10154228.36	2629.63	163407.30
063/64	18185	2631	831.43	197.72	691275.84	39093.19	164390.33
064/65	21445	3351	4091.43	917.72	16739799.44	84209.99	3754787.14
065/66	26258	4440	8904.43	2006.76	79288873.62	4026925.16	17868697.77
Total	$\Sigma x = 122749$	$\Sigma y = 17033$	$\Sigma x = 0$	$\Sigma y = 0$	$\Sigma x^2 = 145392185.2$	$\Sigma y^2 = 8515021.37$	$\Sigma xy = 33417168.96$

1. for act sales:

$$\begin{aligned} \text{mean } (\bar{x}) &= \frac{\sum x}{N} = \frac{122749}{7} \\ &= 17535.57 \end{aligned}$$

2. For Net Profit:

$$\begin{aligned} \text{mean } (\bar{y}) &= \frac{\sum y}{N} = \frac{17033}{7} \\ &= 2433.28 \end{aligned}$$

$$\begin{aligned} \text{Coefficient of Variation } (C_{xy}) &= \frac{\sum xy}{\sqrt{\sum x^2 - \sum y^2}} \\ &= \frac{33417168.96}{\sqrt{145392185.2 \times 8515021.37}} \\ &= \frac{33417168.96}{35185473.76} \\ &= 0.949 \end{aligned}$$

Appendix – 7

1. **Variable Cost** = Total Material Consumed+Total Manufacturing Expenses
= 1447800998 + 3544816
= 1451345814

2. **Fixed Cost** = Sales – Variable Cost – Net Profit
= 2625826798 – 1451345814 – 444042761
= 730438223

3. **Contribution Margin (CM)** = Sales – Variable Cost
= 2625826798 – 1451345814
= 1174480984

3. **Contribution Margin Per Unit (CMPU)** = $\frac{CM}{SalesQty.}$
= $\frac{1174480984}{24682}$ = 47584.51

Answer	No. of respondent	%
Survey method	13	65
Market studies and experimentation	4	20
Statistical method	3	15

Answer	No. of respondent	%
By product basis	20	100
By time period basis	0	0
By territories basis	0	0

Answer	No. of respondent	%
Cost plus	9	45
Geographical	0	0
Market oriented	11	55

Answer	No. of respondent	%
Consumer promotion	15	75
Trade promotion	3	15
Sales force promotion	2	10

Print media	6	30
Visual media	9	45
Audio media	3	15

Audio visual	2	10
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National market	0	0
Internatio nal market	0	0
Both	20	100

National market	4	20
Internatio nal market	5	25
Local	11	55
All of them	0	0

Credit	0	0
Cash	0	0
Both	20	100