CHAPTER-I

INTRODUCTION

1.1 Background of the Study

For the application of a profit plan, a company should prepare number of plans of them is sales plan. Sales plan is the infrastructure of profit plan. Other plan of profit plan depend upon the sales plan. The prime objective of business is to earn net profit. So the first consideration of the sales plan must be made from profit plan. A sale is the major sources of revenue and profit is the amount which is the difference between revenue and cost.

Development of industrial sector among other sector is equally essential for the rapid economic development of the country. Despite the determinant role of the industrial sector development in resolving issues growing unemployment and rural poverty, the share of productivity industrial sector in Nepal's GDP is only in the range of 10 percent. Industrialization play a crucial role in the process of economic development and its importance is as mean of achieving economic growth and prosperity with in the country. Hence industrialization is universally accepted as a strategy of economic development as well as fundamental goals of most developing countries (Pradhan: 1994;35). Thus, we can say that for the better improvement of economic the country must have well developed industries.

1.2. Evolution of Industry in Nepal

In Nepal, the history of development of industry begins after the establishment of "Udhyog parasad" in 1936 A.D during Rana Regime, During the Rana regime, they were not interested in the development of the country. Though, Biratnagar jute mill (1936), Nepal Bank Ltd(1937A.D), Juddha match factory, Morang cotton mill, Mahendra Sugar Mill and Butawal Plywood and Babai Factory had been established during this regime. They are the parent industry in Nepal. After the introduction of Democracy in 2007 B.S, the Government felt the need of the industrialization and started some public enterprises; likewise the government established a separate unit as "Industry Department". After the restoration of democracy, the department has been recognized with its new name "Cottage and Small Industry Department ".

It was felt that the private sector could not set up all basic and feasible industries capable of making special contribution to the Industrial development of the country. Within the period of this plan the new industrial policy 1974 was also announced by government of Nepal. In 1981 a new industrial policy was declared and the main features of this policy were that all industries were kept open to private sector except the defiance industry. The changing political situation has changed its industrial policy. Private investment is encouraged and foreign investment is welcomed. In this reference, the government has conducted the procedures of privatizing some public enterprises, such as Bansbari lather and shoes factory, Bhrikuti paper mill and Harisiddhi brick factory are the major in first phase.

The process will continue. Likewise the ministry of industry, UNDP has jointly conducted a foreign investment forum on the first week of the December 1992, the investors more than hundred countries attended the conference and should their keen interest in the industrialization process of Nepal. They also signed on the proposal of so many industries to be established in Nepal. It is believed that the conference leads the industrial situation of Nepal towards the golden future.

The first five year plan period (1956-61), in this period, industrial policy (2014), private firm registration Act (2014), and factory and factory’s workers Act (2016) were published. Nepal industrial development corporation was established in 2016.

Secomd plan (1963-65), in this plan sugar, metals, handicrafts, hotels, match, textile, biscuit and confectionary industries including Janakpur cigarette factory, Birgung sugar factory and Bansbari Leather and shoe factory were established in the public sector.

Third plan (1965-70), Third plan (1965-70) in this plan, Vegetables ghee, flour, milk, soap, cold storage, bakery etc industries were established in the private sector, while Hetaunda & Balaju Textile Industries were established in the public sector under the assistance of Chinese government.

Forth plan (1970-75), In this plan, vegetable ghee, flour mill, soap, cold storage, bakery, etc. Industries were established in 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 Center(2031) was set up.

Fifth plan(1975-80), in this period, only 3 industries were established in the public sector, while a few small industries , such as flour mill , sugar , cotton, textile, soap ,polythene pipe, etc. were established in the private sector. Security exchange Center (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 Magnesite and Nepal Metal Industry were under construction phase, However, Industrial policy (2037), Industrial Enterprises Act (2038),Foreign In vestment and Technology Act (2038) were formulated.

Seventh plan (1985-90) in his 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 the public sector.

Eight plan (1992-97), in this period, HMG has adopted open and liberal economic policies. 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. HMG had 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. The strategic adopted for the promotion of private sector are as follows (Tenth plan, 2002-2007, National planning commission, Government of Nepal: 108).

- Emphasis on investor friendly environment for forward economic improvement by policy wise quarantine.
- Provision of entry and drawback of private investment in every sector of economy by defining the role of private sector.
- Increase in competitive capacity by providing facilities and benefits to the investment sector,
- Acceleration of privatization programme effectively.

1.3 Introduction of Bottlers Nepal (Terai) Ltd. as MNC's

MNC's stand for the multinational companies, from the name it is clears that it operates in more then one countries due to various reasons Globalization, Competitive advantage, Local resources, Huge market, Potential marker. These companies are regulated from the parent's company management team. The MNC's were quite common during 1960's and the MNC's sharply increased from 1980's. These are the primary engine for today's globalization.

Today 395 MNC's are operating in Nepal, Bottlers Nepal (Terai) Ltd. one of them. Coca-Cola, Coke is the major product of Bottlers Nepal (Terai) Ltd, which is the registered trademark of Coca Cola, limited Atlanta USA. The formula of the composition of the products of the company was first formulated by Dr. Jonh S. Pemberton in 1886 in Atlanta, Georgia, USA.

Bottlers Nepal limited was established in 1973 as a private limited company under the company act 1964. It was converted into public limited company in 1984 AD. The main objective of the company is to produce bottle soft drink under the brand name of Coke, Fanta, and Sprite. The first established company is in Balaju (ktm) while the company has established subsidiary company Bottlers Nepal (Terai) Ltd, in Chitwan district. Bottlers Nepal (Terai) Ltd a subsidiary company of Bottlers Nepal Ltd, Balaju, Kathmandu, was established in 1986 under the company act 1964 with the objectives of producing and bottling soft drinks under the brand name of Coke, Sprite and Fanta (orange, lemon and soda). The products are transfer in the marker in 1000ml and 500ml non-returnable plastic bottlers and 250ml and 200ml returnable glass bottles. The company situated in Chitwan district is under the management of Frase & Neave Coca Cola Pvt. Ltd, Singapore since September 1993AD.Frase and Neave, Singapore took responsible of the company management from 1993 to 2000 AD. In the 2000-2004 AD, the responsibility was taken by Coca Cola, Atlanta. At present South Africa bottling company South Africa is taking the responsibility of company management. The installed capacity of the plant is 350 bottling per minute. Altogether there are 170 employees.

Bottlers Nepal (Terai) limited is leading multinational company among the manufacturing and processing company in Nepal. The company is located at Bharatpur municipality-9, in Chitwan district, Nepal. It occupies the area of 1.8 hector with the large scale multinational manufacturing company of Chitwan district.

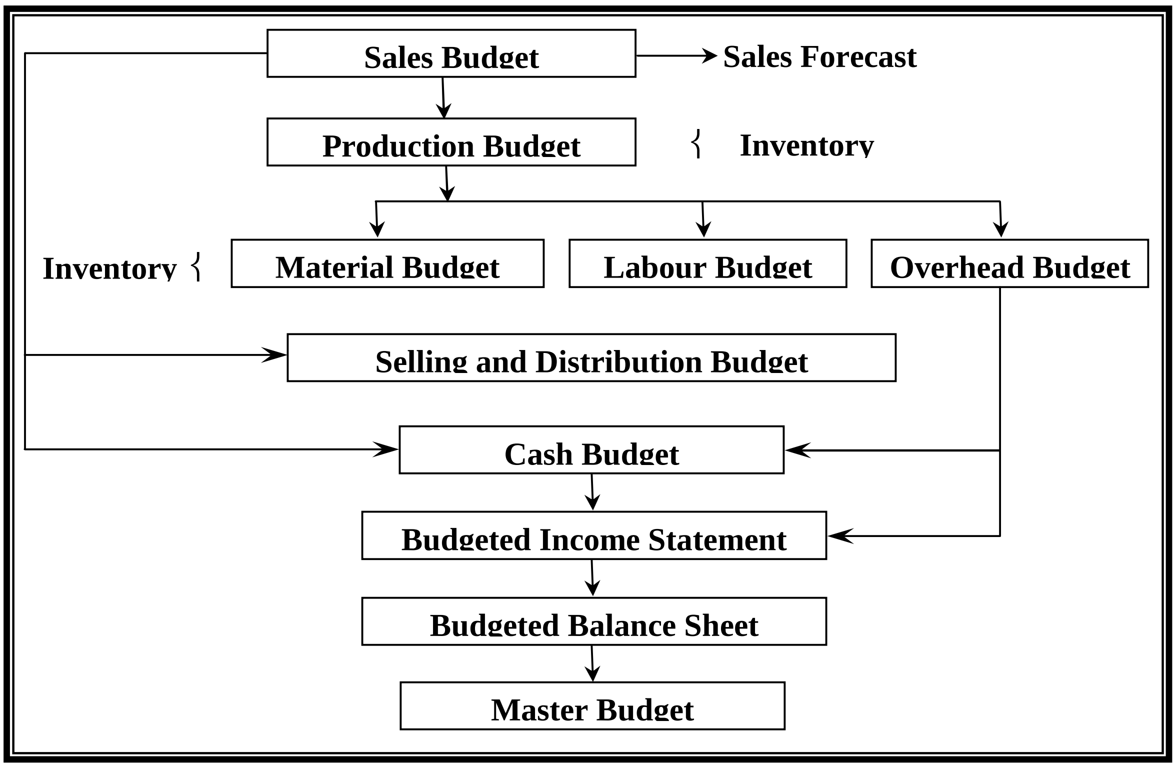
Different types of inputs are used for the production of the different products. All the inputs are not available in the Nepalese's market thus it is imported from Singapore, Iran, Pakistan, Indonesia, German, and India. Quality product is the main focus of the Bottler Nepal (Tetai) Ltd. They have well-equipped laboratory for the identification of good quality finished goods. Therefore the company had been awarded the third prize for "quality" in the south, east and west Asia division.

Bottlers Nepal (Terai) Ltd. continues to maintain its leadership in the soft drink market because of its strong market infrastructure backed up by our effective sales and promotional plans and consumers' preferences to its products. The sales volume decreased by 18% over the previous year resulting, the revenue of the company had decreased to Rs. 354 million compared with Rs. 401 million of the previous year. Due to heavy revenue less, the gross margins decrease to 47 percent in the year under review compared with 52 percent in previous year. The operating profit of the company decreased by 28 percent to Rs. 33 million against compared with the previous year.

1.4 About sales Plan \ Budget

Sales plan is the initial plan. It is very important to make profit plan. "All budget planning begins with the forecast of sales. Using the information supplied by the sales person" (Lynch: 1995; 100). Sales budget is one of the functional or operating budgets and it's essentially a forecast of sales to be affected in a budget period. The sales planning process is a part of PPC because if provides for the basic management decision about marketing and based on these decisions. Infect sales budget defines the quantities and value of expected sales in total as well as product wise and area wise. The preparation of sales budget required forecast of quantities to be sold and also the standard price at which these quantities may be sold. According to these statements sales budget is mile stone for all other budget. This is shown more clearly by figure below.

Figure1.1
Sales Plan and Budget



Sales budget is a functional budget and is a prime budget. Therefore it is very important. Figure also clarifies the important of sales budget. The sales plan is the foundation for periodic planning in the firm because particularly all other planning is built on it. It is the primary source of cash. The capital additions needed the amount of expenses to be planned, the man power requirement, the production level and other important operational aspects depend on the volume of sales. Therefore the sales plan must be realistic. There are two types of sales plans called strategic and tactical sales plan. Strategic sale plan is known as long –rang sales plan, usually five to ten years. It requires depth analysis of future market potentiality, which may build up from a basic foundation such as population change, state of economic, industry projections, company objectives and long term strategies. They would affect in such area as pricing development of new product line, innovation for product expansions of distribution channel and cost patterns. Tactical sales plan is to be developed for short term period in a company for future 12 months detailed by month and quarters. Tactical sales plan includes detail plan for each major products and forms grouping of minor products. Short term sales planed are usually developed in terms of physical units, jobs and in sales rupees.

1.5 Statement of Problem

One of the major problems which hinder Nepalese industrial development is their negligence in the field of sales projection or market study before the establishment of industry. Nepal industrial sector mainly suffered from lack of sufficient capital and modern technology. So the study tries to analyze the following problems.

- What is the existing sales planning system of the Bottlers Nepal (Terai) Ltd?
- To analyze the ratio between sales and profit.
- What kind of tool and techniques used for sales planning?
- What are the problems faced by Bottlers Nepal (Terai) Ltd in sales planning?

1.6 Objectives of Study

The major objectives of study are as follows.

- To examine the practice and effectiveness of sale planning programme.
- To find out the relationship between sales with profitability.
- To provide appropriate suggestion & recommendations.

1.7 Limitation of Study

In every case study, there is pragmatic limitation under which the study is to be made theory and practical does not necessarily match always. Besides this, there are other working problems such as time constraints, resources unavailability, study type and various official difficulties that hinder in the study.

The main focus of this study is confined to sales planning of Bottlers Nepal (Tarai) Ltd. through product wise based on last five fiscal years. The study attempts to find out the problems and impact of Bottlers Nepal (Tarai) Ltd. The following are the major limitation of the study: -

- This study covers only the budgeting, sales planning which has limited the scope of the study.
- Only the five years trend and data are analyzed.
- The comprehensibility and accuracy of the study base on the data availability.
- Some data are taken from government office and employee of the company.
- The limited time available to submit this thesis for the partial fulfillment of MBS course.
- Being a student financial resource is another factor, which has limited the scope of the study.
- This study based on data availability and conversation with employee of the company.

1.8 Significance of Study

Seeing some extent of essentiality of working on the field of profit planning this research is attempted to carry out successfully by using relevant and valid tools and instruments. The sales planning process is an essential part of profit planning and control because it provides for the basic management decision about managing. Sales planning are one of the most important plans for manufacturing and non- manufacturing organization to achieve their goals. Lack of the proper management of sales plan most of Nepalese manufacturing enterprises are suffering from loss. The study focused on analysis and examination of actual and budgeted sales and its relationship with profitability. The importance of sales planning cannot be over emphasis. So proper sales plan is the most important for the every enterprise to earn the profit. Therefore sales plan should be prepared every business organization. Bottlers Nepal (Terai) Ltd produces bottle soft drink under the brand name COCA COLA, FANTA, and SPRITE. Being manufacturing company it spends a lot of time and effort to earn profit. Therefore the researcher is very much interested to examine its sales plan. Sales plan is both the ends and mean of profit planning and control.

At last, the study will be a notable help to those scholars studying profit planning and control. Similarly student conducting research on sales planning can take the study as a guide.

1.9 Research Methodology

Research is a systematic and organized effort to investigate specific problem that needs a solution. This process investigation involves a series of well through out activities of gathering, recording, analyzing and interpreting the data with the purpose of finding answers to the problem. Research Methodology consists of research design, data collection procedure, data processing procedure and techniques.

1.10 Design of the Study

The study has been divided into five chapters they are as under:

1. Introduction.
2. Review of literature
3. Research methodology.
4. Presentation and analysis of data.
5. Summary conclusion and recommendation.

The first chapter is about the introduction, which includes background, statement of problem, objective of study, scope of study, importance of study, limitation of study and organization of study.

The second chapter is about review of literature, which includes conceptual review, and review of related studies. For review of related studies some books, dissertations, reports and articles have been reviewed.

The third chapter is concerned with research methodology. In this chapter research design, population and sample, nature and source of data, data collection procedure, data processing procedure and analysis of data and weight of choice have been described.

The fourth Chapter is Data Presentation and Analysis. It deals presentation related data collection from different source and analysis them to reach closer to the actual result by using financial and statistical tools and techniques.

The fifth chapter is mainly concern with finding summary, conclusion and recommendation.

Appendix and bibliography have been presented in the last part of the study. Thus the research study has been organized.

CHAPTER -II

REVIEW OF LITERATURE

2.1 General Concept of Profit Planning

Profit planning is the key point of management without proper planning profits will not just happen. So every enterprise should systematically plan for profits in a proper way. Various functional budgets are the basic tools for proper planning of profit and control over them.

Profit planning is a systematic and formalized approach of determining the effect of management's plans upon the company's profitability. In order to undertake planning for profits the financial manager makes projections of outflows and inflows of the enterprise. The essential inflow of an enterprise is people, capital and materials and they are generally cost incurring factors. On the other hand, the planned outflows are products, services and social contributions that the enterprise generates. Having projected inflows and outflows, the management manipulates the combinations of inflows and planned outflows so that the ultimate goal of the enterprise is reached (Srivastay & Radhey, 1980:170).

"Profit planning in fact is a managerial techniques and a profit plan in such a written plan, in which all aspects of business operations with respect to a definite future period are included. It is a formal statement of policy, plan, objective and goal established by the top management in respect of gone future period. It is a predetermined detailed plan of action developed and disbursed as a guide to current operations and as a partial basis for the subsequent evaluation of performance. Thus, we can say that profit planning is a tool which may be used by the management in planning the future course of actions and in controlling the actual performance" (Gupta, 1992:521). Profit planning as a decisional tool involves establishment of specific goals for the enterprise, development of long range profit plans and short range annual profit plans which are prepared after integrating sales plan, production plan, administrative expenses budget, distribution expenses budget etc(Srivastav and Radhey, 1980: 170).

Profit planning concepts are:

a) Profit planning entails pervasive management controls activities.
b) Profit planning requires major planning decisions by management. And
c) Profit planning recognizes many of the critical behavioral implication throughout the organization.

Profit planning is one of the more important approaches that have been developed to facilitate effective performance of the management process. The concepts and techniques of profit planning have wide application in individual business enterprises, governmental units, charitable organizations and virtually all groups endeavors (Welsch,1999: 30 to31).

Profit planning is a comprehensive statement of intentions expressed in financial terms, for the operation of a firm of both short and long term period. It is a plan of firm's expectation and is used as basis for measuring the actual performance of managers and their units. The success of each enterprise in realizing its optimum profit in each year will be determined by the extent to which it establishes objectives and exercises control results reach or exceed those planned. This process constitutes the budgetary planning and control programme. It includes revenues, cost, profits, cash, working capitals, fixed assets, financing and dividend distribution. It extends throughout the entire organization form the chief executive to the front line supervisory levels. "Profit planning is a comprehensive and co-coordinated plan expressed in financial terms for the operations and resources of an enterprise for specific period in the future".

Comprehensive profit planning and control is defined as the planning process designed to help management effectively perform significant phases of the planning and control functions. Profit planning control model involves:-

a) The development and applications of broad and long-range objectives of the enterprises.
b) The specification of enterprise goals.
c) The development of strategic long-range profit plan in board terms.
d) The specification of tactical short range profit plan detailed by assigned responsibilities (divisions, departments, projects).
e) The establishment of a system of periodic performance reports detailed by assigned responsibilities.
f) The development of follow up procedures.

Profit planning is a summary of overall planning process of an organization. In fact it is a managerial technique in written form in which all aspects of business operations with respect to a definite future period are included. It is a formal statement of policy, plan, objective and goal established by the top management will respect to some future period. Profit planning is deciding in advance or in the present. What to achieve in the future. It comprises both the determination of desired future and the steps to bring it about. It is a process whereby companies reconcile their resources with their objectives and opportunities.

“Profit planning function of management rests upon some fundamental views that is the conviction that a management can plan the long range destiny of a manufacturing enterprise by making a continuing stream of well conceived decisions. The thrust of the comprehensive profit planning concept goes to the very heart of management that is the decision making process especially for long range success the stream of managerial decision must generate plans and actions to provide the essential inflows that are necessary of support the planned outflows of the enterprise. So that realistic profits and return on investment are earned. Continuing generation of profits by managerial manipulation of the inflows and outflows provides the substance of profit planning (Welsch, 1999: 31).

The aggregate meaning of the preparation of various functional annual budgets is known as profit planning. The determination of next year production trends to achieve the sales, which is directly related with revenue generation. The decision on new capital investment and financial borrowing represent profit planning. In all cases, the firm is deciding now how it will use its resources, i.e. men, material, machine and money in the future. A formal profit planning is the key to corporate survival in a world of rapid social change and intense competition. Profit planning can take the best use of firm's opportunities and resources to meet the targeted profit.

2.2 Profit

Profit is the primary measure of business success a firm or an industry is organized to make profits. Generally profit is a controversial term and many authors defined it in different ways. In simply, profit is the main objectives of every organization in the world. 'Profit is the primary objectives of business in view of the heave investment which is necessary for the success of most enterprise. Profit in the accounting sense trends to become a long term objectives which measure not only the success of product but also of the development market of it (Kulkarni, 1985:245).

"Profit is the dominant goal in business and profit making should be the main objectives in terms of which the general effectiveness of organization is measured. In other words, profit is obtained by subtracting the cost form revenue. According to economist, profit is the reward for bearing risk of enterprise, the risk of venturing in business the risk of owing something in hopes of selling in later." (Myers and John,1981:27) .

Profit is the fundamental factor for success of every enterprise. “Profit planning involves stream living activities in order to get employees profit minded and to secure maximum benefit for minimum effort and expenditure. Best result seems to be obtained by assessing a profit planner to investigate the entire factor affecting the profit obtained from the product. The organization, the model of operations, the pricing, the marketing or any other factor of making and selling the product that is in judgment affects profit accruing form that product, the concentration of profit efforts upon one product, and the right of the enterprise to translate needs from one group to another and to obtain concerned profit budgeting efforts are the fundamental factors that contribute the success of profit planning” (Terry, 1968: 62).

Dean Joel clearly distinguishes the views of Accountants and Economist about profit in as following ways. The most important point of difference between economist and accountant approaches center around.

- The business of costs, i.e. what should be subtracted from revenue to get profit.
- The treatment of capital gains and losses and perhaps more important.
- The meaning of depreciation.
- The price level basis for valuation of assets.

A profit plan is estimation and predetermination of revenues and expenses that estimates how much income will be generated in order to meet the financial requirement. It presents a plan for special requirement. It presents a plan for spending income in a manner that does not result in a loss? It represents an overall plan of operations and covers a definite period of time and formulates the planning decision of the management.

Profit differs from return on other factors in three respects:

- Profit is residual income and not contractual or certain income as in the case of other factors.

- b) There is much greater fluctuation in profits than the reward of the other factors.
- Profit may be negative aware, as rent wages and interest must always be positive.

  (Dewelf, 1981: 299).

Lynch and Robert Williams define the term profits in view from management as follows:

- An intangible expression of the goals it has set for the firm.
- A measure of the performance towards the achievement of its goals.
- A means of maintaining the health growth and continuity of the company.

  (Lynch , 1988:245).

2.3 Planning

Planning means a assessing the future making provision for it and assuming that establishing goal can be met with acceptable home frame. Define the planning its simplest terms as the determination of anything in advance of action, it is essentially a decision making process that provides a basis for economical and defective action in the future. Effective planning sets the stage for integrated action to take place, reduce the number of enforceable crises, promotes to use of more efficient methods and provides the basis for the managerial function of control, there by assuming to cusses on organization objectives. Glen A Welsch defines management planning as the design of a desired future state for an entity and effective ways of bringing in about. He further explains, “A fundamental purpose of management is to provide for a feed forward process. The concept of feed forward planning is generally recognized as the most difficult task facing the manager, and it is one on which it is very easy to procrastinate. It clearly indicated that planning is a decision making process of the highest order, it requires management time and dedication and systematic approach. The decision made in the planning process is:

- Anticipatory, since they are made sometime in advance of action and
- Interrelated, since they comprise broad groups of interdependent choice from and alternatives of the government (Welsch, 1999: 11).

Planning is the basic foundation of profit planning and a plan is a projected course of action."

Planning is a technique were by the use pattern of resources is carried out" (Agrawal, 1989: 348). Planning process includes setting goals, evaluating resources, forecasting by different methods and formulating a master plan. Planning depends upon the organized objectives. For the planning purpose a firm's objectives can distinguish mainly three types; the first is prime, the second one is instrumental and the last another is specific. The primary objective is the aim or end of action, instrumental objectives are aims for accomplishment of more basis aim; for the purpose the company has establish divisional, departmental and individual job objectives. Specific objective are those objectives that have been specified as to time and magnitude, which is known as goals. So company's objectives provide the ultimate criteria for resolving difficult company decisions and company objectives are the bases for long – range profit planning.

Roy A. Gentles defined the importance of planning, as the planning process both short and long – term is the most crucial component of the whole system. It is the foundation for other elements because it is through the planning process that we determine what we are going to do it, and which is in reasons and communicates (Welsch,1992:554). "Planning as the conscious recognition of the futurity of present decision" (Drucker, 1959: 238).

Planning is the feed forward process to reduce uncertainty about the future. The planning process is based on the conviction that management can plan its activities and condition that state of the enterprise that determines its density (Pandey,1999: 554). So, planning is an intellectual process, rational way a systematic way, goal-oriented task. Primary function of management and planning provides all managerial activities and it is directed to wards efficiency. Planning no firm can accomplish its predetermined goals and objectives. Hence, it is the lifeblood as well as heard of any organization on which makes them efficiently run towards competitive environment.

2.4 Profit Planning

Profit planning is the major tool of the organization; it directs the organization towards achieving goals through profit. Profit is the very basic primary short – term and long-term objective of every government and non-government business organization. An organization's good symbol is increasing ratio of profit. In nature of profit is the yardstick judging of managerial efficiency in terms of a means of measurement for the success. We can define the term of profit through difference views likely simply it is excess of income over expenditures similarly difference between total costs and total revenue, it also defined difference between outflow and inflow, surplus after paying cost of production and selling expenses over income.

Ninemeir and Schmidgall, in their book "Basic Accounting standards" define the topic "Profit plan as estimation and forecasting of revenues and expenses that planning how much income will be generated and how it should be spent on order to meet investment and profit requirements. In the case of institutional operation it presents a plan for spending income in a manner that doesn't result in a loss (Schmidgall, 1989:137).

Explaining use of budgets and profit plans, they further mention that, "Once developed, managers know that when actual expenses exceed budget limitations there may be problems. The profit plan tells manager how much money remains to be spent in each expanses category. Profit plans are also used to develop new budgets. Information form the current profit plan, along with actual accounting information, becomes the basis for developing the next fiscal years budgets".

Neil W. Chamberlin describes in his research report that “Profit planning and control refers to the organization, techniques and procedures where by long and short range plans are formulated, considered and approved responsibility for execution is delegated; flexibility to meet changing conditions is provided, progress in working the plan is reported, division in operation are anal sized and correctives action required to reach the desired objectives is taken.

A profit planning is an advance decision of expected achievement based on the most efficient operating standards in effect or prospect at the time is established, against which actual accomplishment is regularly compared. The primary aim of profit plan is to assist in assuming the procurement of the profits planned and to provide a guide for assisting in establishing the financial control policies including fixed assets additions, inventories and the cash position. The adoption of a correctly constructed profit plan provisions provides opportunities for a regular and systematic analysis of incurred or anticipated expenses, organized future planning, fixing of responsibility and simulation of effort. In short, it provides a tool for more effective supervision of individual operations and practical administration of the business as a whole.

Glenn A. Welsch summarized the broad concept of profit planning in short forms as “The profit planning and control means the development and acceptance of objectives and goals and moving an organization efficiently to achieve the objective and goals (Welsch, 1986: 4). Other terms used in the same context of comprehensive profit planning and control are; business budgeting, managerial budgeting and budgeting.

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 forms planning to control function and continuous feedback from all other functions to planning functions. 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 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.

2.5 Development of Budgeting

A budget is a quantitative expression of a plan of action and an aid to co-ordination and implementation. Budget may be formulated for the organization as a whole or may submit. Budgeting includes sales, production, distribution and financial aspects of an organization. Budgeting programs are designed to carry out a variety of function, planning, evaluating, performance, co-coordinating activities, implementation plans, communicating, motivate and authority actions. Charrels, T. Hongreen further states that is quantitative expression of plan of action and an aid to co-coordinating and control. Budgets basically are forecasted financial statements form expression of management plans, they are targets that encompass all phase operations sales, production distribution and financial (Charles, 1976:133).

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 employed help in setting in the budget.

The complete budget for a firm is often called the master budget. The master budget consists of functional budgets. These budgets include a sales budget a production budget, a purchase budgets, an expenses 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 clearly related to the broader system of planning and control in 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 co-ordinate plan (Khan and Jain, 1993:296).

The concept of compressive 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 (Richar,1992: 142).

2.5.1 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 (Regineldl, 1982:17).

The basic objectives of budgets are:

- To smooth out seasonal variation in production by developing new “fill in” products they're by accomplishing one phase of economic planning. To confirm with good business practice by planning for the future.
- To co-ordinate the various divisions of a business namely production, marketing, financial and administrative division by consultation among the divisional beads and mutual company policies.
- To operate most efficiently the divisions, departments and cost centers of a plant.
- To establish divisional and departmental responsibilities.
- To provide a method of measurement of operating activities and financial position both where standards are and not lisped.
- To forecast operating activities and financial position.
- To provide more definite assurance of earning the proper return on capital invested.
- To provide waste, to reduce expenses and to obtain the income desired.
- To add in obtaining better inventory control and turnover.
- To add in controlling cash.
- To show management where action is needed to remedy a situation.
- To centralize management control.
- To obtain a more economical use of capital.
- To ensure that adequate working capital is available for the efficient operation of the business.

2.5.2 Classification of Budget

It may be classified from various points of view depending upon the various basis adopted for such classification:

a. According to time Factor
b. According to Functional
c. According to Flexibility

a. **In Terms of time Factor Budget is Classified into three Types:-**

1. **Long-Term Budget**

These budgets are concerned with planning the operations of firm over a prospective of 5 to 10 years. They are usually informed of physical quantities. A long term planning is one that attempts to forecast conditions for a considerable future period. This period may be and usually is for a coming calendar of fiscal year. Business practice because of the uncertainly and difficulty of carrying forecast into longer period. For some purpose, as planning is the construction of new factories or given investors and understanding of the possibilities of a business, long-range forecasts or budget may be prepared. Long range budgeting as means of planning for the future is frequently useful for the government planning agencies and economic studies.

2. **Short-Term Budget**

These budgets are usually for a period of a year or two years. They are usually in the form of production plan in monitory terms. Profit plan of this kind can be prepared more accurately.

3. **Current Budget**

These budgets cover a month or so and are the short-term budgets adjusted to current condition or prevailing circumstances.

A. **In term of Functional classification**

On the basis of classification budgets correspond and are co terminus, with a particular function and are integrated with the master budget of the business. These are called functional Budgets, whose number depends upon the size and nature of the business. The usual functional Budgets of a business are:

- Sales Budgets

- Selling and Distribution cost Budget
- Purchase cost Budget
- Personnel Budget
- Research Budget
- Cash Budget
- Plant utilization Budget
- Capital Budget
- Master Budget

B. In Terms of Flexibility Classification

1. Fixed Budget

It is a budget in which targets are rigidly fixed. Such budgets are usually prepared from one to three months in advance of the fiscal year to which they are applicable.

2. Flexible Budget

Flexible expenses budget is complementary to tactical profit plan. They helps to provide expenses plans for tactical profit plan and expenses plan adjusted to actual output for comparison with actual expenses in periodic performance report.

2.5.3 Requirement for Effective Budget

a. Support of Top Management

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

b. Clearly Defined Organization

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

c. Accurate Accounting System

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

d. Unambiguous Policy

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

e. Preparation by Responsible Executives

Formation of budget in the participation of executive who are entrusted with the performance and in complementation is one of the essentials of effective budgeting**.**

f. Logical Sequence in the Budget Preparation

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

g. Constant Vigilance

An effective system of budgetary control requires that provision must be made for the comparison of budget and actual results at frequent intervals. As soon as unfavorable trends are defected immediate action should be taken to remedy them.

h. Continuous Budget Education

As essential condition for the success of budgeting is that it must be able to sustain the interest of these who should the responsibility of putting Budget proposal into effect. This needs continuous "Budge Education" which is concerned with briefing the employees of the under taking on the objectives, potentials and techniques of budgeting as well as making them understand its uses and limitations.

i. A degree of Flexibility

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

2.5.4 Characteristics of Good Budgeting

The characteristics of effective budgeting are as follows:-

a. A Budget is a quantitative expression of a plan of action and aid to coordination and implementation.
b. Budgets may be formulated for the organization as a whole or for any sub-unit.
c. A good system of accounting is also essential to make the budgeting useful.
d. A good budgeting system should involve persons at different levels while preparing the budgets. The subordinated should not fell only imposition on term.
e. Budgets are designed to carry out a variety of functions, planning, evaluating, activities, and implementation plans, communicating, motivating and authorizing actions (Pandey, 1994:21to22).

2.5.5 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:

- Developing meaning forecast and plant especially the sales plan.
- Establishing realistic objectives, policies, procedures and standards of desired performance.
- Applying the budgeting system in a flexible manner.
- Educating all individuals to be involved in the budgeting process and joining their full participation.
- Seeking the support and involvement of all levels of management.

- Maintaining effective follow up procedures and adapting the budgeting system wherever the circumstance changes (Ibid:56).

The following are the limitation of budget system

- The success of the budgetary program is to understand by all and that manager and subordinates put concerned effort for accomplishing the budget goals.
- 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 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.
- 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.
- The purpose of budgeting will be defeated if carelessly budget goals conflict with enterprise objectives.
- Budgeting will be ineffective and expensive, if it is unnecessary detailed and complicated. It should be flexible and rigid in application (Ibid:57).

2.5.6 Advantage of Budget and Budgetary Control

- The reduction is seasonal variation in production brought by the budgets; decrease the cost of production by increasing volume.
- Advance planning interest in the budget is looked upon with favors by credit agencies as indicative of sound management.
- The condition of the main division of a concern makes smoother operation and less internal friction, which results in the achievement of budget goal.

- Efficient operation of the entire unit depends upon all employees working towards a common goal, which is ensured by the budget.
- Establishment of divisional and departmental responsibilities prevents “buck passing” when the budget figures are not achieved.
- Forecast of operations and financial condition sets a goal to shoot for and becomes a basis for dynamic action rather than historical cost system’s postmortems.
- Use of budget figures as measurements; of operating performance and financial position makes possible the adoption of standards cost principle in divisions other than the production division.
- Desired earning on a given investment of a capital sets up a profit point objective, which is the logical basis to be used in working out the estimated sales volume.
- The purchase of stores is based upon predetermined requirements for raw materials and this help to prevent stock shortage as well as excessive purchases. Work- in – process inventories are kept to minimum because of predetermined production requirement. Finished goods inventories are maintained at a level necessary to meet the predetermined schedule of sales.
- The budget serves, as stimuli to meet the predetermined goals for both income and expenses there by achieving desired profits or reduction existing losses.
- The budget of cash expenditures and cash receipts make it possible for the financial management to forecast their needs for the credit and arrange for it in advance.
- The centralization of budgetary control over all divisions and departments helps in carrying out a uniform age of an authoritarian type of business organization.
- The forecast of sales enables the management to workout the economic balance between plant and machinery, storage, warehouse and inventories.
- As goals are set up being attained and achievements or failures are revealed only with reference to these goals, results can be viewed objectively with minimum of personal prejudice.

2.6 Sales Plan

In most cases sales budget is not only the most important but also the most difficult to prepare. It forecasts what the business and can responsibly expect to sell to its customers during the budget period. Including with in its fold both the sales quantities as well as sales revenues, sales budget represent the income side of the planning budget. According to R.M. lynch “All budget planning began with the forecast of sales using the information supplied by sales persons (Lynch, 1990:102).

Sales budget forms the fundamental basis for other functional budgets and it is needed to co-ordinate the production function with expected demand for a particular product. The preparation of sales budget requires forecast of quantities to be sold and also the standard price at which these quantities may be sold. The sales plan is the foundation for periodic planning in the firm because particularly all other enterprises. Planning is built on it. The primary source of cash is sales. The capital additions needed the amount of expenses to be planned the manpower requirement the production level and other important operational aspects depend on the volume of sales. Therefore the sales plan must be realistic(Gupta,1986: 537).

“The sales planning provides (I) basic management decision about marketing (ii) it is an organized approach for developing on comprehensive sales plan. If the sales plan is not realistic most if not all of the other parts of the overall profit plan also are not realistic”
(Welch, 1992:171).

In fact, sales budget defines the quantitative and values of expected sales in total as well as product wise and area wise during definite future period. Sales budget forms the fundamental basis for other functional budgets and it is needed to coordinate the production function with expected demand for a particular product. The preparation of sales budget requires forecasts of quantities to be sold and also the standard prices at which these quantities may be sold.

Sales plan is the first plan or budget to be prepared. It is an estimate of the goods that will be sold. All plans are dependent upon sales plan so it is the corner stone of profit plan. A sales budget is a forecast of what the company can expect to sales during a budget period, it is a forecast of total sales expressed and incorporated in quantities and money. All operational activities are directly related with the sales plan. So, it is known as a backbone of the enterprises.

Sales plan is the starting point in the preparation of profit planning & control. 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 (Holms, 1970:687).

Sales budget is the starting point for the development of profit plan. According to R.M. lynch, "All budget planning begins with the forecast of sales using the information supplied by the sales persons (Richard, 1999:152).

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).

The sales plan has three district parts:

i. The Planned volume of sales at the planned sales price per unit for each product.
ii. The sales promotional plan.
iii. The sales expenses plan .

The primary purposes of sales plan or budget are:

i. To reduce uncertainly about future revenues.

ii. To incorporate management judgment and decisions into the planning process.
iii. To provide necessary information for developing other elements of a comprehensive profit plan and
iv. To facilitate management control of sales activities

2.6.1 Levels of Sales Plan

There are the following levels of sales plan.

a) Strategic Sales Plan

Strategic long-term sales plan are usually development as annual amounts. The long-term sales plan uses broad groupings of products with separate consideration of major and new products services long- term sales plan usually involve in depth analysis of future market potential which may be built up from a basis foundation such as production changes state of the economy, industry projections and finally company objectives, long-term managerial strategies would affect such areas as long-term pricing policy, development of new products and innovations of present products, new directions In marketing effects expansion or changes in distribution channels and cost patterns.

b) Short-term Planning

The short-term planning is synonymous with classical budgetary period of one year. The short-range planning is made after a freeze is taken on the consideration of possible alternative course of action. Such courses are outlines for medium range plan, which does not concern implementation; its aim is weeding out a plethora of possibilities, which are for the most part long on promises and short on feasible, tangible results. According to Harold and Cyril the short-range planning is selected to confirm to fiscal quarters or years. Because of the practical needed for conforming plans to according periods and the some what arbitrary limitation of the long range to there to five years is usually base as has been indicated on the certainty over long period makes planning of questionable value. Short-range planning is limited time dimension usually it covers one year time period. The management uses it as a substantial part of long range and medium range plan.

2.6.2 Developing a Comprehensive Sales Plan

Glen. Ronald and Paul have mentioned the following steps in developing a comprehensive sales plan.

Step 1: Develops management guidelines specific to sales planning process and planning responsibilities.

Step 2: Prepare sales forecasts consistent with specified forecasting guidelines including assumptions.

Step 3: Assemble all the other relevant data.

i. Manufacturing capacity
ii. Sources of raw materials and supplies or goods fore resale.
iii. Availability of key people and a labour force.
    a) Capital availability
    b) Availability of alternatives distribution channels

Step 4: Develop the strategic and tactical sales plan.

There are various participate approaches widely used in the process of developing sales plan.

i) Judgmental Approaches:

   a) Sales force composite (maximum participation)
   b) Sales division supervisors (participation)
   c) Executive opinion/decision (Participation limited to top management)

ii) Statistical Approaches [technical specialists plus limited participation]: -

   a) Economic rhythm approach

b) Cyclical sequence approach

c) Special historical analogy

iii) Specific purpose methods/ approaches

a) Industry analysis

b) Product line analysis

c) End-use analysis

iv) Combination of methods

Step 5: - Secure managerial commitments to attain -1 goal in the comprehensive sales plan

2.6.3 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 we define situations and recognize problems and opportunities. In planning we develop our objectives in practical detail, and we correspondingly develop schemes of action o 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 quality 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 is sales planning is that sales forecasts are conditional (Welsch, et all, 1990:172).

2.6.4 Method of Projecting Sales

There are various method, some are:

i) Judgmental Approaches:

a) Sales force composite (maximum participation)
b) Sales division supervisors composite (participation limit to management)
c) Executive opinion/decision and Participation.(limited management)

ii) Statistical Approaches [technical specialists plus limited participation]:-

a) Economic rhythm approach
b) Cyclical sequence approach
c) Special historical analogy
d) Cross-cut method

iii) Specific purpose methods

a) Industry analysis
b) Product line analysis
c) End-use analysis

iv) Combination of methods

2.6.5 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 programme and organization fro sales effort and a host of other efficient and aggressive effects to maximize sales potentials at minimum costs.

2.6.5.1 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.

i) Estimation of demand curve that is the extent to which sales volume varies at the different offering prices.
ii) 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.

2.6.5.2 Selling and Distribution Expenses Budget

Distribution expenses affect the potential profit of the firm. It is a significant portion of total expenses; distribution expenses include all costs related to selling, distribution and delivery of products to customers.

The two primary aspects of planning expenses are as follows.

i) Planning and co-ordination
ii) Control of distribution expenses

Top marketing executives has the direct responsibility for planning the optimum economic balance between (I) sales budget (ii) the advertisement budget and (iii) the distribution expenses budget sales advertisement and distribution expenses are there separate problems in PPC.

Distribution expenses include home office expenses and field expenses. For planning and controlling purpose, they must be planned by responsibility centre. Distribution expenses in not product costs and is not allocated to special products. Therefore a separate distribution expenses plan should be developed for each responsibility centre in distribution function.

2.6.5.3 Administrative Expenses Budget

All those expenses other than manufacturing overhead and distribution expenses are administrative expenses. This budget covers the expenses incurred in forming policies, direction the organization and controlling the business operations. In other words, the budget provides on estimate of the expenses of central office and of management remuneration. The budget can be prepared with the help of past experience and anticipated change. Budget may be prepared for each administration department so that responsibility for increasing such expenses may be fixed and related to the different executives.

2.6.5.4 Analysis of Budget Variance

The deviation between planned result and actual result is called variance. Performance reports such variances and then the next step comes to analyze such variances to identify the underlying causes behind it, for managerial planning and control process (lynch 1990:198). A basic feature of performance reports is the reporting of variances between actual results and planned or budgeted goals. If a variance is significant a careful management study should be made to determine the underlying causes. The underlying causes, rather than the actual results should lead to remedies through appropriate corrective action by management (Glen,1999:230).

Variance analysis involves a mathematical analysis to two sets of data in order to gain insight into the underlying causes of a variance. Variance analysis has wide application in financial reporting. Variances are analyzed in the following areas:

i) Raw material variances

ii) Labour variances
iii) Overhead variances
iv) Sales variances
v) Profit variances

There is numerous ways to investigate variance to determine the underlying causes. Some are the following:

i) Conferences with responsibility centre managers and supervisor and other employees in the particular responsibility centre involved.
ii) Analysis of the work situation including the flow of work, co-ordination of activities, effectiveness of supervision and other prevailing circumstances.
iii) Direct observation
iv) On the spot investigations by line managers.
v) Investigations by staff groups.
vi) Internal audits
vii) Special studies
viii) Variance analysis

Following are the basic steps in analyzing variances

i) Setting standards
ii) Analyzing variances
iii) Take corrective action.

Variance should be broadly grouped under two categories, favorable and unfavorable variance further should be classified as controlled and controllable. If unfavorable variances are raised due to controllable causes, then related centre managers are accounted for responsibility.

Variance can be either plus or minus depending upon whether actual results are greater or less than standard results. Since standard result is a measurement of what a particular result ought to have be, any deviation form it can be interpreted either good or bad, favorable or unfavorable to the attainment of the organizations profit goals. Since various can reflect clearly and correctly the causes for deviations of actual from standard performance. The major purpose of variance analysis is to enable management to measure performance against predetermined norms to seek out the causes for the standard results and to institute corrective action (Williamson,1990 : 201).

2.7 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 enterprises. Sales budgeting are the most important part of all types of manufacturing and non-manufacturing business enterprises. Without sales budget other plan cannot be prepared. Some dissertations are reviewed here made on the topic profit planning and sales budgeting.

Ojha,(1995), has conducted a thesis on “Profit Planning in public enterprises in Nepal, A comparative study of Royal Drugs Limited (RDL) and herbs production and processing company (HPPC)". This research of Ojha is to highlight the applicability and effectiveness of profit planning in Nepalese public enterprises. In this research, Ojha has pointed out various findings and recommendations, his major findings were, In adequate authority and responsibility to planning department, Lack of entrepreneurship and commercial concepts in overall operating of HPPC, Unrealistic sales forecasting, Lengthy bureaucratic process leading delays in decision making and planning in HPPC, Inadequate planning of profit due to lack of planning experts in both RDL and HPPC, They have not followed a system of periodical performance reports, Failure in achievement due to inadequate evaluation of internal and external variables. He has provided some major recommendations to improve the profit planning system of these enterprises, which are, Identification and evaluation of external and internal variable is must to know the company's strength and weakness, To eliminate red-tapism, unnecessary, formalities should be corrected and avoided delays in decision making and functioning, System of periodic performance report should be strictly followed, Qualified and trained manpower of budgeting and planning should be hired, communications of management policy flexibility in implementation or planning and control program, effective supervision, cost reduction program are the basic step for effective operation for these enterprises, price cost volume relationship should be taken into consideration while developing sales plan and pricing strategies.

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

His major findings are that , 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 market as well as Indian Market, achievements and analysis of CVP and Flexible Budgeting shows that HPPCL has been suffering with various internal and external problems in the process of formulating and implement ting profit plan. He has recommended various suggestions to improve the profit planning system of HPPCL, he recommends that the profit planning system should be systematic with a clear objective. Executive should be well versed with business knowledge, Profit planning manual should be communicated from top level to lower level. The company should hire trained and qualified manpower of budgeting and planning and present manpower should be developed. Marketing specialist should be appointed to develop effective marketing policies for sales expansion and for availability and regular supply of raw material. The company should develop sales strategy in domestic and international market.

Chalise, (2001), has studied "Profit Planning in Nepal". He has carried out a study, to examine the practices and effectiveness of profit planning in NLL, to analyze the various functional; plan formulated and implemented in NLL, to evaluated the variance between targets and actual of NLL, to evaluate the profit planning process applied in NLL with conceptual perspective and to point out feasible suggestion and recommendation to make betterment of Nepalese manufacturing enterprises with speed reference to NLL. His major findings are, the company has no planning division. It has no skilled and expert planners as well, NLL has been suffering from many internal and external factors in formulating and implementing plans. However, it has no proper practice of environment scanning,the company has no proper of segregating cost into fixed, variable, semi-variable and manufacturing cost,the company has no practice of sales forecasting. It does not prepare sales and production plans. Sales and production are made on ad-hoc basis. Sales are depending upon production rather than on sales plan. Which is delivered after sales forecasting, in NLL various costs are not diagnosed as controllable and non-controllable expenses. So no effective programs can be launched to reduce the controllable expenses. The company has been suffering from excessive fixed costs and non-manufacturing expenses. But the company has not any effective cost reduction program and NLL has EOQ inventory policy. The finished goods inventory level of the company has been fluctuating from year to year. On the basis of his findings, he has recommended that, there is no profit planning in NLL, no special plans division. All profits are made without proper planning. So no effect no of profit planning appeared in NLL. If a systematic planning is made the company can earn more profit. Therefore, for better performance company should prepare strategic long range and tactical short-range profit plans. Trained and qualified manpower of profit planning should be hired and present manpower should be trained to develop and implement the plans effectively, NLL has no practice of preparing long range as well as short-range sales plan. They have policy of trying to sell all products that they are produced in factory. Therefore for better performance NLL should consider about the product line to improve its profit. The company should appoint reliable agents and dealers to improve its sales performance programs to improve the employee productivity should be making effective and in NLL there is no practice of preparing either long-range or short-range production plan. The company has tried to prepare short-range production plan since fiscal year 2051/52. Production budget is prepared on arbitrary system. Therefore for better performance NLL should consider about the product line to improve its profit. The company should appoint reliable agents and dealers to improve its sales performance programs to improve the employee productivity should be making effective.

Paudel,(2002), has conducted on research on sales budgeting and effectiveness of Manufacturing Public Enterprises. The main objective of this study is to analyze the present sales planning system of RDL. His main findings are, 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. On the basis of his findings he has recommended that the RDL needs higher sales to reduce to reduce the decreasing trend of loss. For the possibilities are, offer new medicinal product, discount of price incentive to wholesaler, increase number of dealer etc, they should make production target significant, by applying past achievement production, for uniformity in sales in all quarter and month. They should increase aggressive sales effort for off-season and weak quarter and make effective channel of distribution and they should consider about better utilization of available labor, material, energy and other expenses to increase productivity. After modifying suggested thing, automatically RDL gets better productivity.

Mishra,(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. To highlight the profit planning and control system adapted by various department of Nepal Lever Limited. His major findings are, the top-level executive set up specific goals and strategy for the organization and the management is totally governed by the Hindustan Lever

Limited, the organization is licensed to produce 10 verities of product but it is only producing & products at present, the company has no proper practice of segregation of cost into fixed, variable, controllable and non-controllable 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 co-ordination 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 countries; very less portion of Nepalese raw material is consumed by the organization.

Bhattarai,(2005), has tried to investigate the sales budget of Manufacturing Public Enterprises. The fundamental objective of the study is to highlight and appraise the current practice of sales planning and its effectiveness in manufacturing company. Bhattarai concluded his research with some findings, and recommendations. His major findings are, actual sales are very below than the budgets sales, sales forecasting is not based on realistic ground. HPPCL only use the sales force composite method in sales forecasting but it has not practice of using statistical techniques in sales forecasting, lack of proper management to supply the herbs and other herbal products in international market, there is no cost classification system in the company. The costs are not segregated into fixed and variable in systematic manner, there is a serious lack of management expertise, which has let to formulation of un-realistic, haphazard plans. The various are unfavorable and very high. He has recommended various suggestions improve the Budgeting system in HPPCL, which are, HPPCL should launch appropriate marketing strategy and programs to increase the sales volume in international market. Such as advertising, Product exhibition and experiment and search of new market, for the effective implementation of budgetary system worksheet or manuals should be communicated to all the level of management, cost-volume profit relationship should be considered while formulating profit plan, especially in determining sales volume selling price profit, HPPCL should have the competitive pricing policy according to the market situation to gain the high market share, environment of entrepreneurship and commercial concept should be developed in the overall operation of the HPPCL, HPPCL should formulate and prepare profit planning and control calendar.

Bhattarai,(2006), has also studied "Sales Budget in Manufacturing Enterprises". The basic objective of the present study is to highlight the Sales Budget in the manufacturing enterprises established under foreign investment.Main findings of Bhattarai are, no practice in sales budget with statistical tools ,budgeted sales always higher than actual sales, NLL can meet its sales goals as specified in annual program because of the correlation between budgeted and actual sales shows a positive relation, The company has no proper practice of segregating costs into fixed, variable, semi-variable etc, The company is able to occupy 60% market of tooth paste, 50% of toilet soap, 80% of detergent powder, 45% of fairness cream and 30% of shampoo of the total market, authorities and responsibilities are not clearly defined among various departmental working management. Role conflict and lack of co-ordination among them is paramount, Application of profit is not realistic. Every thing is prepared on ad-hoc manner. Bhattarai has provided some major recommendations to improve process of sales budgeting of NLL are, NLL must practice classification of cost according to departments and products, to be practice about participate management, marketing specialists should be appointed to develop effective marketing policy for sales expansion, the company should have in depth analysis of the company’s strength and weakness. It should try to overcome its weakness by using the strength; NLL should be used feedback mechanism to control overall activities, NLL should be allocated certain amount for promotional research and development about sales, NLL should formulate and prepare profit planning and control calendar.

Sitaula,(2009) has conducted on research on "Sales planning and its impact on profitability" A case study of Unilever Nepal Limited. The main objective are, to analyze the sales budget prepared by UNL, to evaluate the deviation between budgeted and actual sales, to make comparison of sales with profit of Unilever Nepal Limited, to provide the appropriate suggestions and recommendations for improvement of planning system of UNL. His finding are, UNL has not practice of systematic and scientific sales planning and is not at all practicing profit planning, Company does not prepare strategies and policies for long term, UNL has not the practice of using statistical tools in sales forecasting, Production cost in UNL was not segmented on products and departments, UNL was unable to maintain a proper co-ordination, among various departments, The company has ignored the environmental factors and its has also not adequately considered controllable and non-controllable variable affecting the company, UNL has no in depth analysis at the strength and weakness of UNL and did not discharge the corporate social responsibility and failed to make public interest expenditure on the sales related promotional activity, UNL has high cost of local raw materials, lack of participatory management, lack of autonomy and tough competition in local market.

2.8 Research Gap

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

It would be a significant step on knowing about the sales budgets of Nepal Lever Limited and its contribution in Nepalese economy. The study attempts to analyze the sales budgeting system of the manufacturing working industry. This study is very new in the finding.

CHAPTER - III

RESEARCH METHODOLOGY

General

This chapter refers to the overall research method composing the theoretical aspect to the collection and analysis of data. This study covers quantitative methodology in a greater extent and also was the descriptive part based on both technical aspect and logical aspect; on the basis of historical data performs a well- designed quantitative research is descriptive, analytical as well as exploratory in nature tools. This research is descriptive analytical as well as exploratory in nature. For this purpose data has been managed in proper form for interpretation and explanations whenever necessary. Details research methods are described in following headings.

3.1 Research Design

Research design means the definite procedure and techniques, which guides the study and profound ways for research viability. Research design is the main part of the thesis or any research work. Research design is the plan, structure and strategy of investigations conceived so as to obtain answers to research question and to control variances. The research design opted for the study is basically descriptive one. Permanent data and information required for the study are collected, evaluated and analyzed systematically to arrive at a certain conclusion. The main objectives of the study are to analyze the degree of application of sales planning concept in BNTL. For that purpose of the research this study is designed under descriptive and quantitative method.

3.2 Period Covered

The present study covers the time period of five years for the purpose of trend analysis i.e. F/Y 2060/061 to 2064/065.

3.3 Data Collection Procedure

Analysis is specially based upon primary data to fulfill the objectives of the study. Some data are taken from government office and conversation and interview with employees of the company. The research study has followed basically a case study of sales budget of BNTL to evaluate the budgeting system of sales. The necessary data for the purpose is taken from:

- Annual accounting report of BNTL
- Magazine newspaper, booklets, documents
- Published books, journal relating to BNTL
- Government report, bulletin and other unpublished statement of BNTL
- Previous studies made in this field.
- Websites
- Other relevant data available in thus subject area.

3.4 Method of Analysis and Presentation

Methods of analysis are applied as simple as possible. Result are presented in tabular form based on which clear interpretations are given Detail calculation, which can not be shown in the body part of the report, are presented in appendices at the end of this study. To make this study simpler and easily understandable chart diagrams and graphs have been used. And finally summary, conclusions and recommendation are presented.

3.5 Tools Used

To analyze the selected data some financial and statistical tools are used. For the collected data's are managed, analyzed and presented in proper table and formats. Those tables and formats are interpreted and explained wherever necessary. The financial and statistical tools are used for variance analysis, correlation, regression, percentage, graphs, diagram, charts, tables etc have been used as percent required.

3.6 Research Variables

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

CHAPTER– IV

DATA PRESENTATION AND ANALYSIS

4.1 Introduction

There are so many plans for the application of profit plan; one of them is a sales plan. Sales plan is the first step 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 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 various functional budgets and the actual performance in manufacturing enterprises.

A comprehensive sales plan includes both strategic and tactical sales plan. Both sales plans must be prepared in comprehensive profit plan. Strategic sales plan is known as long-range sales plan. Usually it is 5 to 10 years strategic sales plans. It is to be developed as annual amount. It requires depth analysis of future market potentials, which may build up from a basic foundation such as population changes, state of economy, industry projection and company objectives.

The effects of long-range term strategic are also brought to bear on the long-range sales plans. They would effect in such area as pricing, development of new product line, innovation of product, expansion of distribution channel, cost patterns. Similarly a tactical sales plan is to be developed for short-term period in a company for future 12 months detailed by months and quarters. So it is also called short-range sales plan. Tactical sales plans includes detailed plan for each major products and from grouping of minor products. Short-term sales plans are usually developed in terms of physical units or jobs and in sales quantity or value.

For planning and controlling purposes, short-term sales plan must be developed by sales responsibility. Because short-term profit plan provides major considerations for planning and controlling purposes, it is also necessary for completing other components of profit plan.

4.2 Sales plan of BNTL

BNTL is one of the manufacturing and processing company, which produces and sales different types of soft drinks in the market. Sales budget of BNTL is prepared on the basis of sales forecast.

Sales Manager of BNTL is directly responsible for the preparation of sales budget but sales personnel have also participate in this process. The planning of sales is based on.

- Last year data
- External environment
- Potential of market
- Competitor's strategy

Based on above the process of planning is

- Data collection
- Data screening
- Executive meeting
- Data analysis
- Plan formulation

Top-level management determines the selling price. There exit two tier middlemen between Company and Consumer. In other words, product passes through two channel of distribution.

Usually company operates trade scheme to customer through distributor for achieve sales plan. On bill discount to selected customer, ROI (Return on Investment) to selected distributors, display scheme and so many other attractive promotional activities have been done for sales target.

4.2.1 Difference Between Budgeted Sales and Actual Sales

Table: 4.1

Budgeted & Actual Sales

(in Rs. '000')

Fiscal Year	**Budgeted sales (in Rs. '000')**	**Actual sales (in Rs. '000')**	**Achievement %**
2060/061	558527	431969	77.34%
2061/062	518363	401320	77.42%
2062/063	481584	354095	73.53%
2063/2064	424914	484987	114.14%
2064/065	504215	475109	94.22%

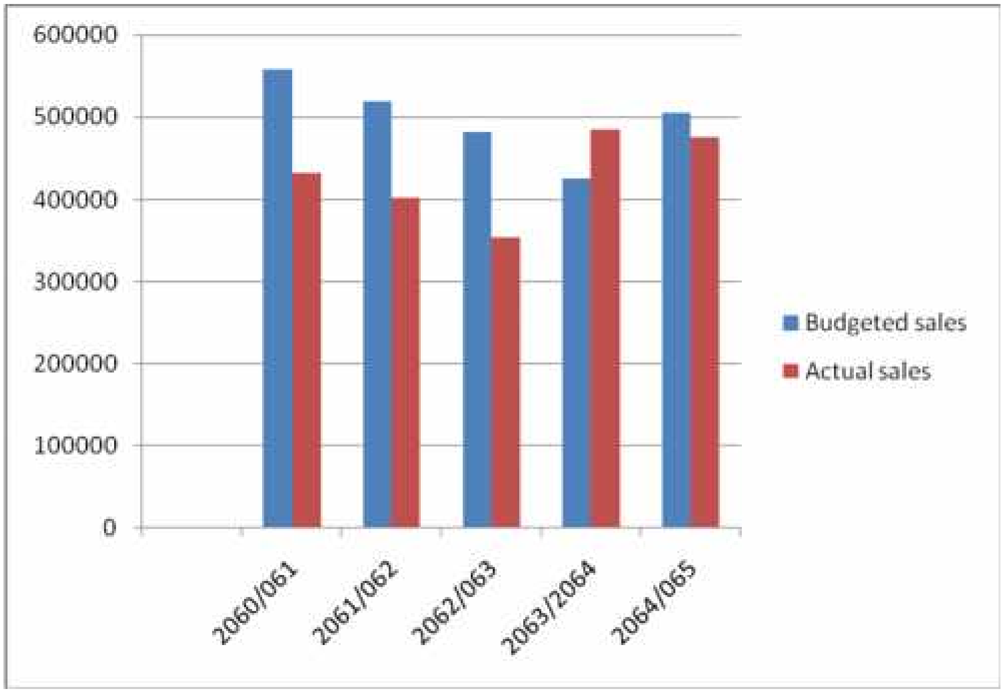
Sources: Annual Report and sales department of Bottlers Nepal (Terai

The table shows the sales target and sales achievement at the period of F/Y 2060/061 to 2064/65. From the table its shows that sales achievement is always less than the sales target from fiscal year 060/061 to 062/063. In 2060/61 actual sales is77.34% of sales target. Actual sales trend is in Fluctuating trend. In fiscal year 063/064 actual sales is 114.14% of targeted sale .It is because of political piece in country, which lays smooth operation of company and smooth delivery in market. Based upon the achievement trend, it becomes clear those targets of BNTL are very optimistic.

The analysis of above table shows that there is no systematic sales plan and performance of budget and planning section of BNTL is poor. Budgets are prepared without consideration of market condition or challenge that may arise in market only prepared based on historical data. BNTL has affected by external environment such as political situations. So, its target & achievement are different. By BNTL 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 diagram.

Figure: 4.1

Actual Sales and Budgeted Sales



To find out the correlation between the budgeted and actual sales, Karl Pearson's coefficient of correlation 'r' is determined. For the purpose of correlation of 'r' budgeted sales (x) are assumed to be independent variable. The correlation between 'X' and 'Y' variables should be positive. To know the significances of 'r" is the calculated below.

Table: 4.2

Budgeted & Actual Sales

(Rs in '000)

Fiscal Year	**Budgeted sales (in Rs. '000')**	**Actual sales (in Rs. '000')**	**U=X-x**	**V=Y-y**	**U^2**	**V^2**	**UV**
2060/061	558527	431969	61006.4	2473	3721780840	6115729	150868827.2
2061/062	518363	401320	20842.4	-28176	434405637.8	793886976	-587255462.4
2062/063	481584	354095	-15936.6	-75401	253975219.6	5685310801	1201635577
2063/2064	424914	484987	-72606.6	55491	5271718364	3079251081	4029012841
2064/065	504215	475109	6694.4	45613	44814991.36	2080545769	305351667.2
N=5	∑X=2487603	∑Y=2147480	∑U=0	∑V=0	$\sum U^2$= 9726695053	$\sum V^2$= 3449079555	∑UV= 5099613450

Source: Accounting Reports

I) For Budgeted Sales

Mean ($\bar{X}$) = $\frac{\sum X}{N} = \frac{2487603}{5}$ = 497520.6

Standard Deviation ($\exists_x$) = $\frac{\sqrt{\sum U^2}}{N}$|X|$\frac{\sqrt{9726695053}}{5}$|||X|NNKI ΞΞΣΣ

Coefficient of variation (CVx) = $\upsilon x \times \frac{100}{X}\% = \frac{44105.9}{497520.6}$ | 100% = 8.86%

II) For Actual Sales

Mean ($\bar{Y}$) = $\frac{\sum Y}{N} = \frac{2147480}{5}$ = 429496

Standard Deviation ($\exists_y$) = = $\frac{\sqrt{\sum V^2}}{N}$|X|$\frac{3449079555}{5}$ |X|KKΓNΞHΠ

Coefficient of variation (CVy) = $\upsilon y \times \frac{100}{Y}\% = \frac{11745.77}{429496} \times 100\% = 2.73\%$

Calculation of correlation coefficient

$r_{(xy)} = \frac{\sum UV}{\sqrt{\sum U^2}} \times \sqrt{\sum V^2} = \frac{5099613450}{\sqrt{9726695053} \times \sqrt{3449079555}}$ X 0.8804

To calculate value of ‘r’ is 0.8804 the value of ‘r’ shows that there is positive correlation between actual and budgeted sales. Increase in budgeted sales will also increase in actual sales or vice versa.

Calculation of Probable Error

PE = 0.6745 × (1 - r^2 / N)

= 0.6745 × (1 – $(0.8804)^2$ / 5

= 0.61318643 × 0.100576= 0.0616

The calculated value of probable error is 0.0616 considering probable error PE. It is found that the value of r is more than PE i.e.; 0.84562 Ψ0.0616. So, it can be concluded that the calculated value of r is significant and actual sales will go in the same direction of budgeted sales.

Table 4.3

Statistical Value

Statistical Tools	Budgeted Sales	Actual Sales
Mean	497520.6	429496
S.D.(∃)	ΝΝΚΙ ΞΗΣΣ	ΚΚΙΓΝΞΗΠΙ
C.V.	8.86%	2.73%
r	0.8804	
PE	0.0616	

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 budgeted and actual sales and forecast the possible actual sales with given budgeted sales.

Then assumed that, budgeted sales is denoted by ‘X’ an independent and actual sales is denoted by ‘Y’ a dependent variable.

The regression line Y on X

$Y - \bar{Y}$	=	$r \times \exists_y / \exists_x (X - \bar{X})$
Y – 429496	=	0.8804 × NNKI ΞΗΣΣ/ KKΓΝΞΗΗΓ × (X – 497520.6)
Y – 429496	=	1.4784 × (X – 497520.6)
Y – 429496	=	1.4784 X – 735566.91
Y	=	1.4784 X – 306070.91
Y	=	1.4784 X – 306070.91

The regression shows that positive relationship between budgeted sales and actual sales. It is clear that an actual sale is increasing trend and actual sales will increase by 1.4784 in one unit in the budgeted sales.

Another statistical tool called Least Square Method can be used to analyze the trend of 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.

Regression equation Y on X $y = a + bx$ ------------ (I)

Where "a" and "b" are constraints to be determined to find the position of the line completely. The parameter 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 parameter "a" and "b" of equation (i) can be obtained by solving the following two equations (fulfilling the techniques of least square)

$\phi y \;\; = na + b\phi x$ ------------------- (II)

$\phi xy = a\phi x + b\phi x^2$ ------------------- (III)

Let the Straight Line Trend be represented by the equation (I) for NLL

Table 4.4

Fitting of Trend Line by Least Square Method

(Rs in '000)

F/Y (X)	Actual Sales (Y)	x=X-2062	x^2	xy
2060/61	431969	-2	4	-863938
2061/62	401320	-1	1	-401320
2062/63	354095	0	0	0
2063/64	484987	1	1	484987
2064/65	475109	2	4	950218
N=5	Y=6035207	x=0	x^2=10	Xy=169947

Since, $\phi x = 0$

So, $a = \frac{\Sigma Y}{n} = \frac{6035207}{5} = 1207041.4$

and $b = \frac{\Sigma XY}{\Sigma x^2} = \frac{169947}{10} = 16994.7$

Substituting the values of a and b in (I), the required straight line trend is

Y = 1207041.4 + 16994.7 x

When X = 2064, x = (X – 2062) = (2064 – 2062) = 2

So That, y (for 2064) = 1207041.4 + 2 $\times$ 16994.7 = 1241030.8

Estimated Sales for 2064/65 = 1241030.8 Thousands

BNTL has mainly focused in sales volume so the company has not any sales plan about value. Sales department always running for volume. But company plans a budget for promotional activities.

4.2.2 Time Series Analysis

Since the factors is a relevant factor attending sales of any company time series analysis will show a clear forecast for the future actual sales achievement without considering any other factor. Least square method is a suitable statistical tool that can be applied to analyze the trend of actual sales and predict the possible future sales for a given period. A straight line trend method shows the relationship between time or year and actual sales of the relevant year. For applying least square method, it is assumed that the sales are constantly changing i.e. increase or decrease with the change in time. In order to fit the straight line trend, the time is considered as independent and sales is considered as dependent factor upon the time period. Then the straight line trend of actual sales Y upon time is expressed as

$$Y_c = a+bX$$

Table 4.5

Time Series Spreadsheet of Actual Sales Achievement

Fiscal year	**Say years**	**Actual Sales (In Rs. '000') (Y)**	**Deviation from say year 3(x)**	**X^2**	**XY**
2060/061	1	431969	-2	4	-863938
2061/062	2	401320	-1	1	-401320
2062/063	3	354095	0	0	0
2063/064	4	484987	1	1	484987
2064/064	5	475109	2	4	950218
	N=6	Y=2147480	X X3	X^2 =10	*XY* X169947

Taking 2062/063 as Assume year

We have,

Equations of trend line $Y_c = a+bx$

Since $\sum x$= 3, N=6, $\sum xy$= 169947, $\sum x^2$=10

a = $\frac{\Sigma XY}{\Sigma x^2}$ = $\frac{214780}{5}$ = 429496

b = $\frac{\Sigma XY}{\Sigma x^2}$ = $\frac{169947}{10}$ = Rs. 16994.7

Thus,

The equation of trend line is

$Y_c = a+bx$

$y_c = 429496 + 16994.7X$

Based on the time series line, actual sales for the coming fiscal year 2065\066 can be predicted as below.

2065/066= X= 6-3 = 3

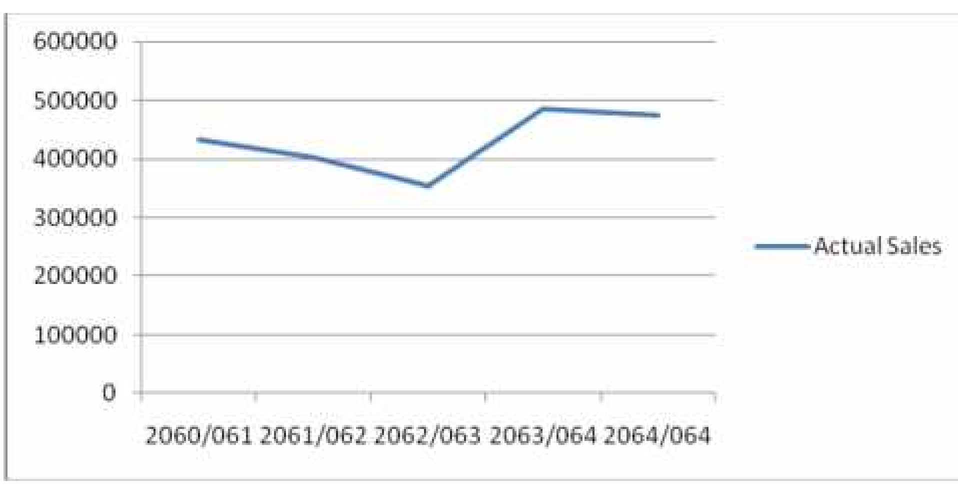
$Y_c = 429496+16994.7 \times 3$

= Rs 480480.10 (in Rs 'ooo')

Trend line of actual sales can be presented as below:

Figure 4.2

Actual Sales Trend Line



From the above straight line trend time series indicates that actual sales have a negative relationship with the time factor. It shows a negative trend of actual sales achievement. Actual sales achievement is in decreasing trend which shows a poor managerial efficiency of the Bottlers Nepal (Terai) Ltd. It indicates that analysis of post performance is made to prepare its future budget and plans.

4.3 Tactical Sales Budget and Achievement

Short term budget is concerned for a period of less then one year for nay specific product or all. It is based on long term budget and policies laid down by management. It includes details for each major product group. Bottlers Nepal (Terai) Ltd developed short term budget in Rs detailed by the time period covered.

Since short term budget is the part of long term budget, effective implementation of long term budget depends upon the accomplishment of short term budget and policies. So while developing short term budget it is necessary to use participatory budgeting technique so that every one responsible for revenue generation should be made responsible for achievement of sales budget and a realistic sales budget can be made.

Tactical sales plan of Bottlers Nepal (Terai) Ltd detailed by mouth is given below for fiscal year 2063/064.

Table 4.6

Sales Budget and Achievement

Detailed by Month and Quarter

(In Rs '000')

Month	**Budgeted Sales**	**Acutal Sales**	**% Achievement**
Sharawan	52164	56586.23	108.48%
Bhadra	45318	48412.33	106.83%
Asoj	42741	52197.51	122.13%
Total 1st Quarter	140223	157196	112.10%
Kartik	31756	30961.65	97.50%
Mansir	16935	14257.23	84.19%
Poush	12046	8129.12	67.48%
Total 2nd Quarter	60737	53348	87.83%
Magh	11248	8098.35	72%
Falgun	19996	19125.03	95.64%
Chaitra	31243	56224.62	170.41%
Total 3rd Quarter	62487	80448	128.74%
Baishak	58551	68312.52	116.67%
Jestha	51228	62486.02	121.98%
Ashad	51688	63196.46	122.27%
Total 4th Quarter	161467	193995	120%
Total	424914	484987	114.13%

Sources: Sales department of Bottler (Terai) Ltd. Chitwan

The above tactical sales plan shows that first and fourth quarter is season for soft drinks so that in that quarter higher actual sales and also company achieve higher percentage of achievement on budgeted sales. Second and third quarter is off season for soft drink in that time lower actual sales and percentage of achievement also on budgeted sales is low.

In second quarter it has lower achievement compared to rest quarter where it has achievement 87.83%. But, in third quarter the highest achievement of about 128.74%.

But overall performance is satisfactory because it has overall achievement of only 114.13%. Even though the company should try hard work to increase is sales during its second quarter.

The monthly analysis shows that tactical sales achievement in most of the months crossed a line above 100% during the year. In month of Chairtra, achievement 170.41% on budgeted sales which higher achievement during the period, in the month of Poush lowest achievement is 67.48% on budgeted sales. And other remaining months Kartik, Mansir, Poush, Magh and Falgun has sales achievement below 100%. It shows that tactical sales plan achievement in those months are not satisfactory.

4.3.1 Variance of Budget and Actual Sales

Variance analysis is the determination of causes of difference between budgeted and actual and it is use to make future analysis of effect on operation and profitability either variance may be favorable or unfavorable. For the betterment of planning and controlling practice, it is necessary to analyze variance i.e. deviations from plan and achievement to determine the underlying causes for managerial planning and control purpose. The following table shows that variance of short term tactical sales budget and actual achievement for the fiscal year 2063/064.

Table 4.7

Variance analysis of Tactical Sales Budget and Achievement

(in Rs. '000')

Months	Budgeted Sales	Actual Sales	Variance	% of Variance	Remark
Shrawan	52164	56586.23	4422.26	8.48%	Favourable
Bhadra	45318	48412.33	3094.23	6.83%	Favourable
Asoj	42741	52197.51	9456.51	22.12%	Favourable
Total of 1st Quarter	140223	157196	16973	12.13%	Favourable
Kartik	31756	30961.65	-794.35	-2.50%	Unfavourable
Mansir	16935	14257.23	-2677.77	-18.81%	Unfavourable
Poush	12046	8129.12	-3916.88	-32.52%	Unfavourable
Total of 2nd Quarter	60737	53348	-7389	-12.17%	Unfavourable
Magh	11248	8098.35	-3149.65	-18%	Unfavourable
Falgun	19996	19125.03	-870.97	-4.36%	Unfavourable
Chaitra	31243	56224.62	24981.62	70.41%	Favourable
Total of 3rd Quarter	62487	80448	17961	28.74%	Favourable
Baishakh	58551	68312.52	9761.52	16.67%	Favourable
Jestha	51228	62486.02	11258.46	21.98%	Favourable
Ashad	51688	63196.46	11508.46	22.27%	Favourable
Total of 4th Quarter	161467	193995	32528	20%	Favourable
Grand Total	424914	484987	60073	14.13%	Favourable

Source: Annual Report of Bottlers Nepal (Terai) Ltd.

The above variance analysis shows that there is positive achievement in the most of months over its budget. For variance analysis a tolerance limit of 5% to 10% can be fixed. But, in the above variance analysis, except the months of Mansir, Poush, and Magh there is more then 10% negative variance. This variance is not tolerable from the view point of managerial control. The company is unable to achieve its planned level of sales since there is unfavorable variance in those months.

4.4. Production and its Relationship with Sales of Bottlers Nepal (Terai) Ltd.

Production of goods is necessary for sales. In the absence of production, no organization can meet the market demand. There is no matter if the budgeted production is not achieved but it is most important that production should meet sales. As production depends upon sales, production should be done as per sales requirement. Therefore, it is essential to analyze the relationship between sales and production. Here post actual sales are analyzed with actual production cost. The following table presents the actual sales and actual production of Bottlers Nepal (Terai) Ltd from fiscal year 2058/059 to 2063/064

Table 4.8

Actual Sales and Actual Production

(in Rs '000')

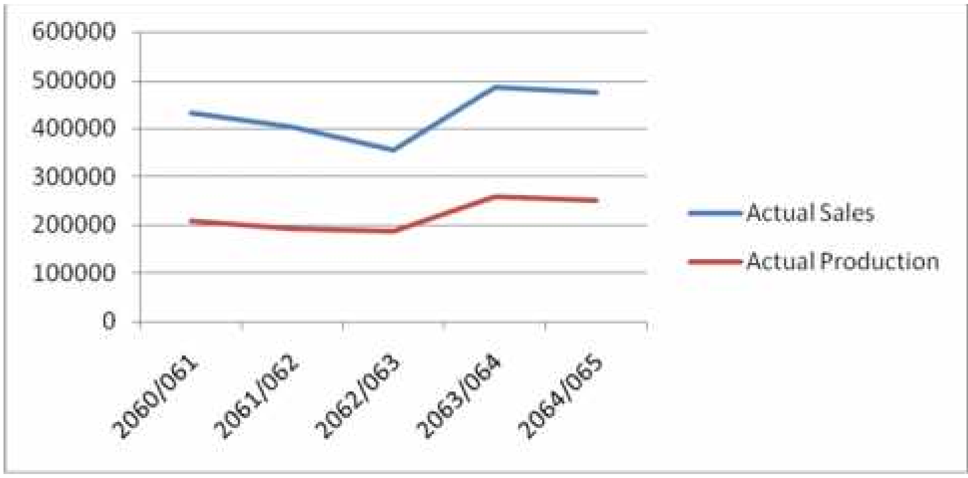
Fiscal Year	**Actual Sales**	**Increase or Decrease**	**Actual Production**	**Increase or Decrease**
2060/2061	431967	-	207989	-
2061/2062	401320	-7.10%	191961	-7.70%
6062/2063	354095	-11.77%	187716	-2.21%
2063/2064	484987	36.97%	259928	38.47%
2064/2065	475109	2.03%	250803	-3.51%
Total	2147478	-	1098397	-

Source: - Annual report of Bottlers Nepal (Terai) Ltd.

The above table no. 4.7 revels that actual production cost is lower then actual sales. Trend line can be used which can draw a clear picture of the relationship between actual sales and actual production cost as below:

Figure 4.3

Actual Sales and Actual Production



The above trend line shows that actual sales is in decreasing trend. The same is the case in production cost. In fiscal year 2062/063 sales decreased by 11.77% but production cost decreased by only 2.21%. The statistical tools such as Mean, Standard deviation, Coefficient of variation, Correlation coefficient are applied in order to find out the nature of variability of data. So, the results are shows here under.

Table 4.9

Actual Sales & Actual Production

(Rs in '000)

Fiscal Year	Actual sales (X) (in Rs. '000')	Actual Production (Y)	U=X-x	V=Y-y	U^2	V^2	UV
2060/061	431969	207989	2473	-11690.4	6115729	136665452.2	-28910359.2
2061/062	401320	191961	-28176	-27718.4	793886976	768309698.6	780993638.4
2062/063	354095	187716	-75401	-31963	5685310801	1021633369	-2410042163
2063/2064	484987	259928	55491	40248.6	3079251081	1619949802	2233435063
2064/065	475109	250803	45613	31123.6	2080545769	968678477	1419640767
N=5	∑X =2147480	Y =1098397	∑U=0	∑V=0	$\sum U^2$ =3449079555	$\sum V^2$= 4515236799	∑UV= 2021216946

Source: Accounting Reports

I) **For Actual Sales**

Mean ($\bar{X}$) = $\frac{\Sigma X}{N}$ = 2147480 = 429496

Standard Deviation ($\exists_x$) = $\frac{\sqrt{\Sigma U^2}}{N}$|X|$\frac{\sqrt{3449079555}}{5}$ X|KKTNEHITI

Coefficient of variation (CVx) = $\upsilon x \times \frac{100}{X} \%$ = $\frac{11745}{429496}$ | 100% = 2.73%

Mean ($\bar{Y}$) = $\frac{\Sigma Y}{N}$ = $\frac{1098397}{5}$ = 219679.4

Standard Deviation ($\exists_y$) = = $\frac{\sqrt{\Sigma V^2}}{N}$|X||$\frac{\sqrt{4515236799}}{5}$ |X|KMNMΣHKI |

coefficient of variation (CVy) = $\upsilon y \times \frac{100}{Y} \%$ = $\frac{13439.10}{21439.10}$ | 100% = 6.11%

Calculation of correlation coefficient

$r_{(xy)}$ = $\frac{\Sigma UV}{\sqrt{\Sigma U^2}} \times \sqrt{\Sigma V^2}$ = $\frac{2021216946}{\sqrt{3449079555} \times \sqrt{4515236799}}$ X 0.5121

To calculate value of ‘r’ is 0.5121 the value of ‘r’ shows that there is positive correlation between actual sales and Actual production. Increase in Actual production will also increase in actual sales or vice versa.

Calculation of Probable Error

PE = 0.6745 (1 - r^2 / N)

= 0.6745 (1 – $(0.5121)^2$ / 5 = 0.22254

The calculated value of probable error is 0.22254 considering probable error PE. It is found that the value of r is more than PE i.e.; 0.5121 Ψ0.0616. So, it can be concluded that the calculated value of r is significant and actual sales will go in the same direction of Actual production.

Table: 4.10

Statistical value

Statistical Measure	Actual Sales	Actual Production
Mean (In Rs '000')	429496	219679.4
Standard Deviation (In Rs '000')	[illegible]	[illegible]
Coefficient of Variation	2.73%	6.11%

Source: Table 4.9

Since the coefficient of variation of actual production is higher then of actual sales. It can be stated that the nature of production is more variable then actual sales.

There should be positive correlation between actual sales and actual production cost. The production cost should be change into same direction as actual sales change. If sales increase, the production should be increased to meet the demand. The correlation coefficient denoted by **r** applied to find out the relationship between actual sales and actual production. This test is carried on with a view to examine whether there is positive correlation between actual sales and actual production or not. For this purpose actual sales is denoted by X and actual production is denoted by Y and it is also assumed that X and Y are independent and dependent variable respectively. There is positive correlation between actual production and actual sales.

The above calculated result shows that the positive correlation between actual sales and actual production cost and also represents prefect correlation between them.

4.5 Expenses Budget or Plan

Planning expenses is better allocation of resources or utilities. It means allocations of expenses should be made in such a manner that maximize benefit can be achieved the cost. Expense is directly related with profitability, with out the proper management of cost, firms cannot achieve targeted profit. That why expenses planning and controlling is necessary for achievement of organization goals effectively. Control of expenses helps management to reduce n on value added activities. Expenses related to all the direct and indirect costs.

4.5.1 Identification of Cost Variability

Another important aspect of management in comprehensive profit plan is identification of cost is variable or fixed. For the effective movement of cost, behavior of cost should be known. Variable costs are can be controllable in short term but fixed can not be, it needs long term planning to control, classification of cost provides value addition in the management process. But Bottlers Nepal (Terai) Ltd has not classified its cost systematically and it has no well defined cost classification and control mechanism. There is rough practice o classifying the expanses into and variable cost. From the past several years it has classified it cost as below in lump sum basis

Table 4.11
Identification of Cost Variability

Particulars	Cost classification
Consumption of Raw Material	Variable Cost
Production Expenses	Variable Cost
Administrative Expenses	Fixed Cost
Selling and Distribution Expenses	Fixed Cost
Depreciation	Fixed Cost

Source: Bottlers Nepal (Terai) Ltd.

From the above table it is clear that Bottlers Nepal (Terai) Ltd assumes al the manufacturing cost as variable cost and all the other operating expense as fixed. But Bottlers Nepal (Terai) Ltd has not mentioned any clear cut boundaries about cost classification as fixed and variable cost since last six years. This will not allow proper control over cost of the company and distinction between controllable and non-controllable cost.

4.5.2 Expenses Trend

Bottlers Nepal (Tetai) Ltd defined it expenses as manufacturing which is completely related with production. Administrative and distribution expenses which are completed related with other operating activities and depreciation for the fixed assets which may be used for both production purpose and non- production purpose. It has not classified its controllable and non -controllable. So its control over expenses seems unfavorable. The past trend o six year expenses of Bottlers Nepal (Tarai) Ltd. are given below.

Table: 4.12

Past Expenses Trend

(in Rs ‘000’)

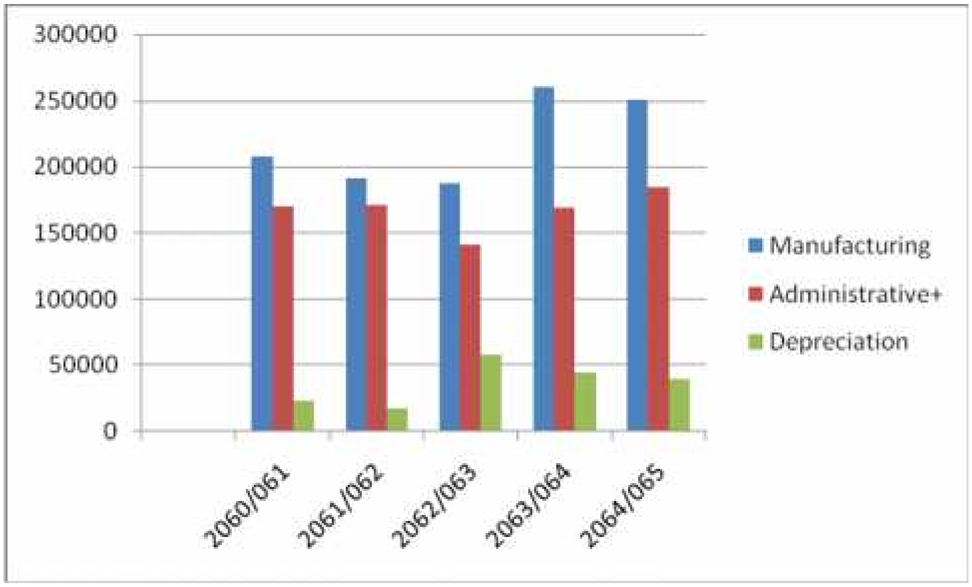
Fiscal Year	Manufacturing Expenses	Administrative+ Distribution Expenses	Depreciation	Total
2060/061	207989	170217	22932	401198
2061/062	191961	171065	17567	380593
2062/063	187716	141507	58072	387295
2063/064	259928	169058	44046	473032
2064/065	250803	185073	39752	475628

Source: Annual Reports of Bottlers Nepal (Terai) Ltd.

Above data can be presented in diagram as below to view a clear analysis o expenses trend of Bottlers Nepal (Terai) Ltd in the past six years.

Figure : 4.4

Past Expenses Trend



Above figure shows that in each and every year manufacturing expenses is higher then administrative and distribution expenses. Depreciations have a little constant movement in first four year but in fiscal year 2062/063 it increase highly. In this year company bought containers Rs 180391 (in Rs '000') and also additions during the year which is main cause of increasing depreciation during the year. Up to fiscal year 2059/060 total cost is increasing trend but thereafter it is continuously decreasing, however in last fiscal year it increased and that some happen in manufacturing expenses also. It can be seem, from fiscal year 2058/059 to 2063/064 (Table 4.1) actual sales is decreased heavily but total expenses has not been decreased compared to decrease in sales. So it is necessary for the management to control over the cost which are unnecessarily incurring without any benefit.

4.6 Sales and Profitability of Bottlers Nepal (Terai) Ltd.

Simply profit is excess of revenue over the cost. Earning of maximum p0rofit is the ultimate goal of almost all business undertaking. The most important factor influencing the earning of profit is the coat. Therefore to maximize the profit only possible by measuring the revenue or reducing the costs by but cutting down the costs rather to increase the efficiency costs. Therefore, earning high profit highly depends on the sales turnover.

4.6.1 Comparison of Actual Sales with Operating Profit (loss) of Bottlers Nepal (Terai) Ltd.

To earn maximum profit with optimum utilization of resource is the main objective of any organization. The actual sales and operating profit (loss) of Bottlers Nepal (Terai) Ltd for last six years are tabulated here under.

Table: 4.13

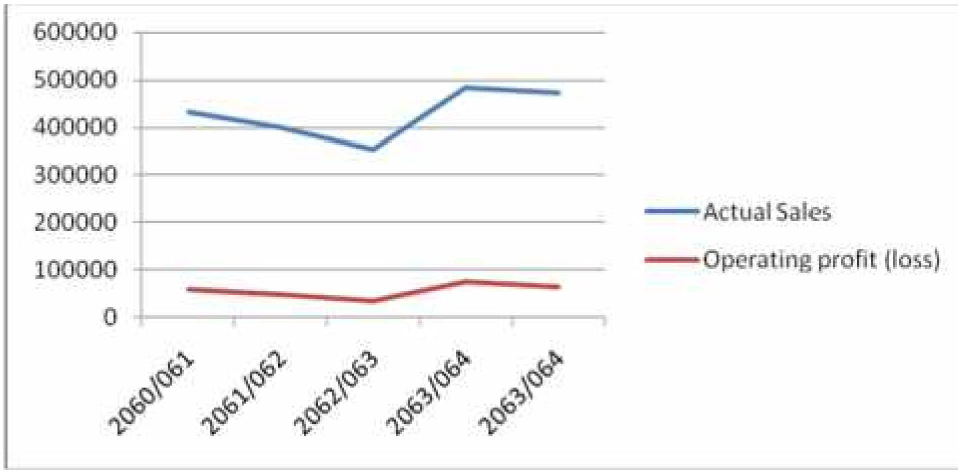
Actual Sales and Operating Profit (Loss)

Fiscal year	Actual Sales	Increase or Decrease from Last Year	% Change in Sales	Operating Profit (Loss)	Increase or Decrease from Last Year	% Change in Operation Profit
2060/061	431969		-	57626	-	-
2061/062	401320	(30649)	-7.09%	46434	(11191)	-19.42%
2062/063	354095	(47225)	-11.76%	32687	(13747)	-29.61%
2063/064	484987	130892	36.96%	74298	41611	127.30%
2063/064	475109	(9878)	-2.036%	64305	(9993)	13.44%
Total	2147480					

Source: Annual Report of Bottlers Nepal (Terai) Ltd.

Figure: 4.5

Actual Sales and Operating Profit



From the above table 4.11 and figure 4.7, it is clear the sale of Bottlers Nepal (Terai) Ltd is decreasing each fiscal year except fiscal year 2063/064. In the study period, fiscal year 2063/064 BN (T) Ltd has highest sales i.e. Rs 484987 thousands and lowest sales in fiscal year 2062/ 063 Rs 354045 thousands. In fiscal year 2063/064 sales increased by 36.96% and operating profit increased by 127.30%. In above figure we can conclude that operating profit has a higher degree of variability then. Therefore in conclusion, it can be said that relationship between sales and operating profit of BN (T) Ltd is positive.

Coefficient of correlation can be applied in order to analyze the relationship between actual sales and operating profit. There should be positive correlation between these two variables. Moreover, the operating profit should increase as the actual sales increase. To examine whether, or not the operating profit will change in the same direction of change in actual sales.

Correlation coefficient between actual sales and operating profit is $r = 0.9427$ (From Appendix - 2).

The above result depicts that there is highly positive degree of correlation between actual sales and operating profit of BN (T) Ltd. In other words, there is negative correlation between actual sales and operating loss. Therefore and increase in sales will increase operating profit of BN (T) Ltd. So, BN (T) Ltd hard worked to increase the sales which result to increase the operating profit.

4.6.2 Comparison of Actual Sales with Net Profit (Loss)

From the above different analysis it is clear that. There is no consistency in sales achievement. Since a sale is unrealistic, it creates negative impact on whole operation of the business as well as profitability. Profit is depends on sales, therefore actual sales and net profit (loss) of BN(T) Ltd for last six years are tabulated hereunder.

Table: 4.14

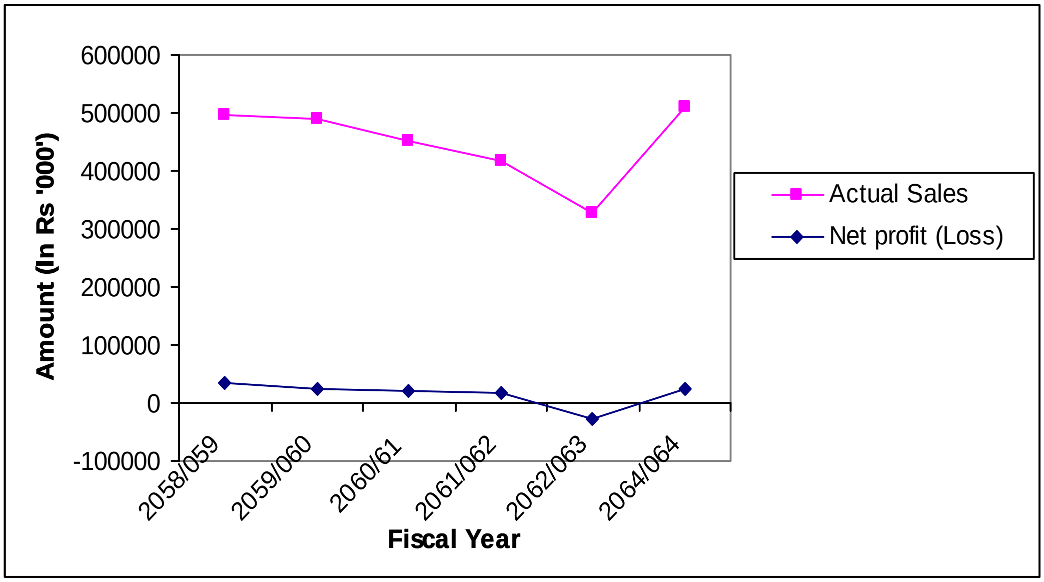
Actual Sales and Net Profit (Loss)

Fiscal Year	Actual Sales	Increase or Decrease from last year	% Change in Sales	Net Profit (loss)	Increase or Decrease from last year	% Net Profit
2058/059	461490	(71455)	-13.40%	34141	(17120)	-30.43%
2059/060	465439	3949	0.86%	25359	(13782)	-35.21%
2060/061	431969	(39470)	-7.19%	19546	(5813)	-22.92%
2061/062	401320	(30649)	-7.09%	16278	(3268)	-16.72%
2062/063	354095	(47225)	-11.76%	(26015)	(42293)	-259.82%
2063/064	484987	130892	36.96%	24801	50816	195.33%

Source: Annual Report of Bottlers Nepal (Terai) Ltd.

Figure: 4.6

Actual Sales and Net Profit



From the above table 4.12 and figure 4.8, it is clear that the sale of BN (T) Ltd is decreasing in each fiscal year. However, it is bitter to say that BN (T) Ltd has suffered by huge loss in fiscal year 2062/063. This is 259.82% negative deviation from last year. In the study period fiscal year 2059/060 and 2063/064 the actual sales is increased and rest years it always in decreasing trend. That is same happen in profit also. But, percentage of decreased always higher in profit. The lowest deviation is profit is -16.72% in fiscal year 2061/062 and highest deviation is -259.82% in fiscal year 2062/063. But is the same fiscal year deviation of sales is -7.09% and -11.76% respectively. This may be due to increase in costs like interest and others which cannot be managed properly.

This depicts that BN (T) Ltd is not being able to manage its available resources properly which constantly encourage to increase the costs. For the proper management of costs and sales profit planning and control seems to be must.

Coefficient of correlation can be applied in order to analyze the relationship between actual sales and net profit. There should be positive correlation between these two variables. To examine whether or not the net profit will change in the direction change in actual sales, independent variable is denoted be 'X' and net profit, dependent variable is denoted by 'Y' with a view to compute the value of correlation coefficient **'r'**.r = **-**0.3941

The above result depicts that there is negative degree correlation between actual sales and net profit of BN (T) Ltd. In other words there is positive correlation between actual sales and net loss. Therefore, an increase in sales will decrease the net profit of the company. This may be because of inability to cut down the unnecessary cost.

So, BN (T) Ltd needs to try hard to bring the positive correlation between the sales and net profit which results to increase the net profit with an increase in actual sales. This is only possible, if the net profit trend increase positively. Profit can be increase positively when the management manages its fixed costs. Therefore, budgeting techniques need to be applied to get the fruitful result. Once the relationship between variables is examined, it is now necessary to test significance of '**r**'. It can be computed but the help of computation o Probable Error (P.E).

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

= 0.6745| $\frac{1-(-0.3941)^2}{\sqrt{6}}$

= 0.2326

Again, 6P.E. = 6 |I HAMAO|

||||||||||||||||||||X| KHVΣΞΞ|

Hence we have probable error of '**r**' is 0.2326 i.e. r < 6× P.E. i.e. 1.3955 then it means that there is highly insignificant i.e. negative relationship between actual sales and net profit. In other word, the above calculated correlation coefficient between the actual sales and net profit of the company is very much unrealizable. It means increase in sales has no relationship with the net profit. So, BN (T) Ltd needs to work hard to make it reliable.

4.7 Profit and Loss Trend of Bottlers Nepal (Terai) Ltd

Profit of any organization shows the operating result for any specific time period. This is the "Scoreboard" of the organizational performance. The main objectives of preparing profit and loss account are to see the operating position of an organization. Generally, in profit making organization the profit and loss account are prepared which shows profit and loss during any period. Below is the table which shows the historical profit and loss situation of Bottlers Nepal (Terai) Ltd.

Table: 4.15

Profit & Loss Trend

Fiscal Year	Profit & Loss
2058/059	39141
2059/060	25359
2060/061	19546
2061/062	16278
2062/063	(26015)
2063/064	24801

The above table shows the net profit and loss pattern of BN (T) Ltd. The profit trend of BN(T) Ltd has fluctuations over the period of 6 years and it always in decreasing trend. It has earned highest profit in fiscal year 2058/059 but in the fiscal year 2062/063 company suffer from loss of Rs 26015. Increase in administration and distribution expenses and on the one hands decrease in sales throughout the country on the other hand is to a huge extent responsible for this negative trend.

Statistical tool least method is used to analyzed and examine the trend of net profit to ore cast the possible future profit for a given time. It will show the relationship between time and actual profit of the relevant year. This method, it is assumed that profit is consistently changed with the change in time.

To fit the straight line trend the time factor is considered as independent factor and net profit is considered dependent factor after upon time.

Then, the straight line trend of net profit in Rs upon time is presented as follows:-

Table: 4.16

Fitting Straight Line Trend by Least Square

Fiscal Year	Say Years	Net Profit(Loss)(Y)	Deviation from Say Years 3 (X)	X^2	XY
2058/059	1	39141	-2	4	-78282
2059/060	2	25359	-1	1	-25359
2060/061	3	19546	0	0	0
2061/062	4	16278	1	1	16278
2062/063	5	(26015)	2	4	-52030
2063/064	6	24801	3	9	74401
	N=6	Y =99110	X =3	X^2 =19	XY = -64992

Source: Annual Report of Bottlers Nepal (Terai) Ltd.

Assume the base year as 2060/061

We have,

Equation Trend Line, Yc=a+bx

Since, X =3, N=6, XY = -64992, X^2 =19

$$a=\frac{Y}{N}=\frac{99110}{6}=16518.33$$

$$b = \frac{XY}{X^2} = \frac{Z64992}{19} = -3420.63$$

Thus, The Equation Trend Line is

Yc =16518.33 - 3420.63X

This trend line is negative which denotes the profit will be decreased by Rs 3420.63 every year if the trend of past continues.

Based on trend line equation we can forecast for the coming fiscal year 2064/065 can be presented as bellowed.

2064/065 = X = 7-3 = 4

Y_c = 16861.33-3420.63 x 4

= 3178.81

For 2065/066 = X = 8-3 = 5

Y_c = 16861.33-3420.63 x5

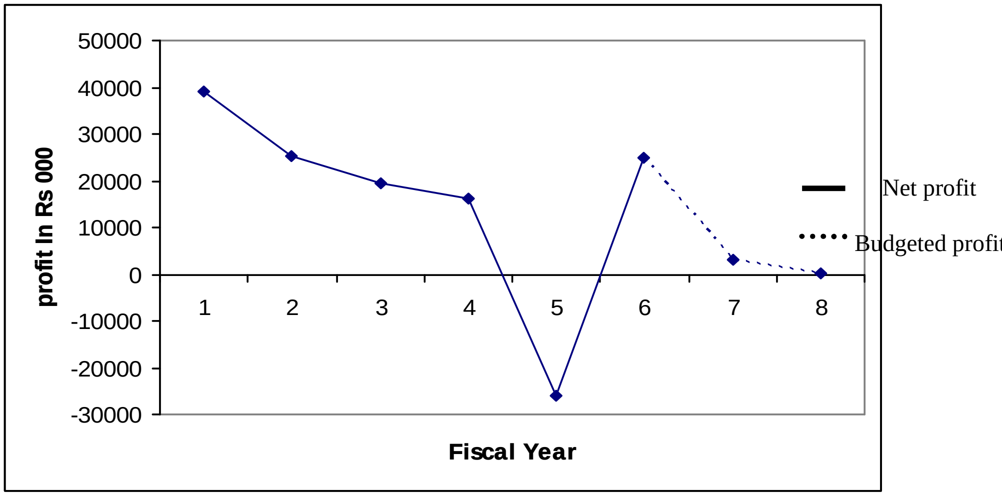
= -241.82

We can say that the profit of the overall organization is not satisfactory. If the organization continues previous trend it will be loss Rs 3178.81 profit and 241.82 (loss) in the fiscal year 2064/065 and 2065/066 respectively.

We can present above actual net profit with expected two year profit more effectively by following trend line

Figure – 4.7

Straight Line Trend



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 the 15 employee of Bottlers Nepal(Tarai) Ltd. Out of them only 11 respondents returned back the questionnaire fully answered which is 73.33% of total questionnaire distributed, and they are kept in analysis. Analyses of primary data are collected as follows.

- Plant staffs of BNTL provide information about production. Some data are based on chatting.
- Sales executive of BNTL provides sales planning and actual sales.
- Accounting information is taken from Finance Department of BNTL.
- Company profiles are based on 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.

1. Preparation of Budget

To know about the preparation of budget of BNTL a question was asked “ Which level of management is responsible for budget preparation in your organization?”. Answers provided by respondent are presented below:

Answer	No of respondent	%
High level	11	100
Low level	0	0
Total	**11**	**100**

Source: opinion survey.

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

2. Production Policy

To know about the production policy of BNTL an another question was asked “What Production Policy has been adopted in your organization?” the answer provided by respondent are presented below

Answer	No of Respondent	%
Stable	2	18.18
Flexible	3	27.27
Seasonal	6	54.55
Total	**11**	**100**

Source: Opinion survey.

Above table shows that the 54.55% of the respondent thinks that BNTL has the seasonal production policy so we can conclude that there is seasonal production policy in BNTL.

3. Sales Forecasting

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

Answers	No of Respondents	%
Sales manager	11	100
Sales officer	0	0
Marketing manager	0	0
Marketing officer	0	0
Total	**11**	**100**

Source: Opinion Survey

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

4. Methods of Sales Forecasting

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

Answers	No of respondent	%
Survey method	8	72.72
Market studies and Experimentation	2	18.18
Statistical method	1	9.10
Total	**11**	**100**

Source: Opinion Survey.

Above table shows that 72.72% of respondents are in favor of survey method”. So we can conclude that BNTL use the survey method for sales forecasting.

5. Preparation of Sales Budget

Another question was asked “On what Basis Sales Budget is Prepared?” answers provided by respondents are presented below

Answers	No of Respondent	%
By product basis	11	100
By time period basis	0	0
By Territories basis	0	0
Total	**11**	**100**

Source: opinion survey.

Above table shows that 100% of respondent are in favor of by product basis, so we can conclude that BNTL prepares its sales budget in “By product basis”.

6. Pricing Method

To know the pricing method adopted by BNTL a question was asked “What pricing method has been accepted by your organization?” the answers provided by respondents are presented below:

Answers	No of Respondents	%
Cost plus	5	45.45
Geographical	0	0
Market oriented	6	54.55
Total	**11**	**100**

Source: Opinion Survey

In above table 54.55% of respondents are in favor of answer Market oriented so we can conclude that BNTL have accepted the marketing oriented pricing method.

7. Promotional Tools

To know about the promotional tool by BNTL a question was asked "What promotional tools are usually used? Answers provided by respondents are presented below:

Answers	No of Respondents	%
Consumer promotion	7	63.64
Trade promotion	2	18.18
Sales force promotion	2	18.18
Total	**11**	**100**

Source: Opinion Survey.

In the above table 63.64% of respondents answered consumer promotion is the promotional tools used by BNTL. So conclusion can be drawn that BNTL is using consumer promotion as the promotional tool.

8. Promotional Medias

Another question was asked "What promotional Medias are usually used?" the answers provided by respondents are presented below

Answers	No of Respondents	%
Print media	3	27.27
Visual Media	5	45.45
Audio Media	1	9.09
Audio Visual	2	18.19
Total	**11**	**100**

Source: Opinion Survey

In the above table 45.45% of respondents provided answer in visual media so we can conclude that BNTL is using visual media as its promotional media.

9. Competition Market

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

Answers	No of respondents	%
National market	0	0
International market	0	0
Both	11	100
Total	**11**	**100**

Source: Opinion Survey

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

10. Main Market of BNTL

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

Answers	No of Respondents	%
National market	2	18.18
International market	3	27.27
Local	6	54.54
All of them	0	0
Total	**11**	**100**

Source: Opinion survey.

In the above table 54.54% of respondents think that local market is the main market of BNTL. So we can conclude that local market is the main market for BNTL.

11. Sales

To know the term of sales of BNTL a question was asked "Sales of your company are in:" answers provided by respondents are presented below:

Answers	**No of Respondents**	**%**
Credit	0	0
Cash	0	0
Both	11	100
Total	**11**	**100**

Source: Opinion Survey.

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

4.10 Major Findings

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

- Actual sales are below than budgeted sales.
- The correlation between budgeted 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.
- Organizational goals and policy are set up by the top executive level in accordance with plan and policies of the BN (T) L.
- With special reference to sales planning, it can be said that BN (T)L has practices of preparing various functional budgets in the process of preparing comprehensive profit plan.

- Actual sales always below the budgeted sales and actual sales and budged sales are decreasing year by year. The time series analysis indicates that it will go on decreasing in the following years.
- The budgeted and actual sale has 14.98% and 10.24% respectively. Therefore, budgeted sales quite variable then actual sales.
- There is positive correlation between budgeted and actual sales.
- Coefficient of determination is only 13.42% that indicates, actual sales only 13.42% explain variance up to 32.52% which is beyond acceptable tolerance by the budgeted sales and 86.58% depends upon other factors.
- Tactical sales achievement rate detailed by each month and quarter is satisfactory. It has negative or unfavourable limit.
- There is cost classification system in the company. The costs are segregated into fixed and variable cost only. This is not allowing proper control over the cost of the company.
- The C.V. of actual sales is less then production cost . Therefore production cost is more variable then sales.
- Total cost of production and overhead expenses increased which is un-necessary incurring with any benefit.
- There is positive correlation between actual sales and operating profit.
- Net profit earned by the BN(T)L is in fluctuating trend.
- Correlation between actual sales and net profit is negative i.e. -0.3941 which shows inability to cut down the unnecessary cost.
- Time series analysis of net profit shows it will go on increasing net loss in the following year too.
- BNTL makes it sale in both credit and in cash.

CHAPTER - V

SUMMERY, CONCLUSION & RECOMMENDATION

5.1 Summary

Nepal is a developing country. Nepal is dependent upon the agriculture sector. Nepal has mixed economy where private sector and public sector have been working side by side. In Nepal, most of the organizations were established with objectives of creating employment opportunities, mobilization of natural sources and earning reasonable profit necessary for the development of the country. But they have no clear-cut vision. Many more company is suffering from serious problem of under utilization of their capacity.

In the context of Nepal industrialization is in its infancy industrial sectors have contributed in the economy not more than 10% and more than 78% people still depending on agriculture for the livelihood.

Geographically, the country is divided in three regions, mountain, and hill and terai accommodation 7.3, 44.3, and 48.4 % of population respectively. Based on area of districts, these regions constitute 35%, 43% and 23% of the total land area. There are five development regions and 75 administrative districts. Districts are further divided into smaller units, called village development committee (VDC) and municipality. Currently there are 3915 VDC's and 58 Municipalities in the country, each VDC's composed of 9 wards, municipality ward range from 9 to 35. Kathmandu is the capital city of Nepal.

Sales' budgeting is the most necessary part of profit planning and control for every business organization. It provides the basic management decision about marketing. It an organized approach for developing a compressive sales plan. If the sales Budget are not realistic most of other parts of profit plan are not realistic. Therefore, the management believes that if realistic sales plan can not be developed there is little justification for profit planning and control. Despite of these views of the particular management, such a conclusion may be on implicit admission incompetence.

Sales planning and forecasting are often confused. Although they are related they have distinctly different purposes. A forecast is not plan; rather it is a statement and a quantified assessment of future condition of the 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 the development of sales plan. The management of a company may accept, modify or reject the forecast. In contract sales plan in corporate management decision there are based on the forecast, other inputs, management judgment about such related item as sales volume, price, sales efforts production and financing.

BNTL is a manufacturer of Soft Drink product in Nepal. It produces such soft drink, which have growing highly demand in domestic and international market. BNTL covers 65% of the Nepalese market compared with other brands of the similar products. This company is large scale enterprises established with a motive to serve Nepalese consumer by producing various soft drinks.

5.2 Conclusions

After analyzing in detail the present practice of sales planning in BNTL, the following concludes can be drawn.

a) There is not complete and comprehensive budgeting system. BNTL doesn't prepare long-term strategic budget, but prepare short-term profit plan only in terms of budget for each year.
b) There is no planning for purchasing materials and sales of goods.
c) Lack of skilled planner & budgeting experts. Budgets are prepared on traditional basis.
d) It is no research & development work for improving factory productivity, capacity utilization and cost control.
e) The plan are prepared from top level, low involvement of lower level and later communicated to subordinate level.

f) Basically, Co. prepares sales budget based on previous sales trend. No analyzed about external and internal environment.

g) Company has not analyzed strength, weakness opportunity and threats (SWOT). The following SWOT of the company.

Opportunity / Strength

a) BNTL produces best quality Soft drink, which have covered nearly 65% of Nepalese market.

b) Different varieties are available in different pack and quantity

c) Co. uses electricity for plant operation. Monthly Co pays average 10 lakh for electricity consume.

d) Creation of employment opportunity, around 360 people are employed and more than 25 thousand people are engage in this business indirectly.

e) Company pays large amount to Govt. for Tax.

f) Despite of different difficulties situation, company has achieve a satisfactory sales target meet.

2) Weakness / Threats:

a) High production and selling cost.

b) Market competition is high from other brands of similar product. Market is leading by competitor's brand.

c) The large amount goes for Govt. revenue as Tax, same for interest against financial loan.

d) Strike is major problem for proper distribution.

e) Lack of autonomy.

f) Lack of Participatory management & Poor in staff management.

g) BNTL has no systematic forecasting for sales Budget.

h) The main reason for low capacity utilization is due to unavailability of right material of right quantity at right place & at right time & machine is old.

i) There is significant correlation between sales target and sales achievement. It indicates that increased in targeted sales will also increase achievement sales.

j) BNTL has not formulated competitive sales strategies. Adequate authority to decide and create new ideas to formulate various plans is not available.

k) There is no fair system of reward and punishment to employees on the basis of their effort.

l) The Co. has not developed the alternative way to earn profit.

m) The Co. has not developed performance evaluation system.

5.3 Recommendations

Based on the major findings of the study of sales planning of BNTL some suggestions have been recommending in this part. It seems necessary to develop, implement and improvement process of sales budgeting in the manufacturing enterprise from very beginning to the end. It is hoped that these recommendations will prove be useful for the management if it is brought into effects.

a) BNTL should have major program to achieve set up objectives by taking full advantage of the latest techniques.
b) The management of the company needs to increase production and sales volume for the utilization of available capacity.
c) The company should develop long-term strategic plan.
d) The Co. should clearly state its objectives and should have in depth analysis of the company's strength and weakness.
e) Sales budget should be prepared on the systematic approach. Sales forecasting should be made after analyzing all the variables that affected the market of the company.

f) Trained and qualified manpower for budgeting and planning should be hired and present manpower should be trained to develop and implement the profit plan effectively.
g) The company should identify duties and responsibilities clearly for employees. All the departments should be assigned full authority and should be made accountability to decide and create new ideas to formulate various policies.
h) Alternative supply sources of raw materials should be developed to increase capacity utilization.
i) Company should maintain proper co-ordination between production & market demand.
j) Operating as well as non-operating expenses should be controlled to increase the net profit of BNTL.
k) Co. should analyze its overhead in a well classified as well as scientific way. It consist production, administrative, selling and distribution overheads systematically.
l) Performance reports should be strictly followed to make conscious towards poor performance and to take corrective action timely.
m) Effective programs should be initiated to improve the productivity of labor, employee morale should be increased and incentive plan should be started to motivated employee.
n) Reward and punishment system should be effective and based on work performance. So internal evaluation must be followed.
o) Selling and distribution expenses should be fixed in terms of sales revenue and marketing programs introduced and implemented.
p) The company for the convenience of consumers should introduce plastic and paper pouches packages.
q) The Co. should launch various new products to fulfill the consumer demand.

r) The Co. should launch different types of training and orientation programs within and outside the country for all levels of employees, which help in bringing gaps between motivation and morale.
s) Efforts should be made to avoid the idle working time. Strict supervision is necessary to watch and control the wastage of working hour of the employees.
t) Co. should adopt more effective advertising system to communicate the significance of products because advertising plays most important role in the marketing.
u) Co. should adopt new marketing concept such as pre sales & post sales service and societal marketing.
v) Company lacks the adequate expenses on sales related research and development. It is recommended that certain amount of profit should be allocated in the sales promotional research and development.

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Appendix-1

Dear Sir,

This questionnaire is concerned with the research on “Sales Planning of Bottlers Nepal(Tarai)ltd”. It would be very much appreciated if you could spare some of your valuable time for filling the questionnaire.

Researcher
Anjana Dangol
Shankar Dev Campus

Name of respondent: …………………………………………….
Post: …………………………………………………………
Address: ……………………………………………………….

Questionnaire

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 Budget 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

Calculation of correlation co-efficient between Actual sales and Operating profit on Bottlers Nepa

(Terai) Ltd (In Rs. '000')

Fiscal Year	Actual Sales(X)	Operating Profit(Y)	U=X-431969	V=Y-57625	U^2	V^2
2058/059	461490	77690	29521	20074	871489441	4029654
2059/060	465439	61502	33470	3877	1120240900	1503112
2060/061	431969	57626	0	0	0	0
2061/062	401320	46434	-30649	-11191	939361201	1252384
2062/063	354095	32687	-77874	-24938	6064359876	6219038
2063/064	484987	74298	53018	16672	2810908324	2779555
N=6			$\sum U$ =7486	$\sum V$ =4494	$\sum U^2$ =11806359742	$\sum V^2$ =144 4514

Now we have,

$$r = \frac{N\sum UV - \sum U \times \sum V}{\sqrt{N\sum U^2 - (\sum U)^2} \times \sqrt{N\sum V^2 - (\sum V)^2}}$$

$$= \frac{6 \times 3891298611 - (7486) \times (4494)}{\sqrt{6 \times 11806359742 - (7486)^2} \times \sqrt{6 \times 1443094514 - (4494)^2}}$$

=0.9427

Appendix- 3

Computation of Correlation co-efficient between Actual Sales and Net Profit (In Rs. '000')

ear	Actual Sales(X)	Net Profit (Y)	U=X-431969	V=Y-19546	U^2	V^2	U
59	461490	39141	29521	19595	871489441	383964025	5784
60	465439	25359	33470	5813	1120240900	33790696	1945
61	431969	19546	0	0	0	0	
62	401320	16278	-30649	-3268	939361201	10679824	1001
63	354095	(26015)	-77874	-45561	6064359876	2075804721	-3548
64	484987	24801	53018	9255	2810908324	85655025	4906
			U X7486	V = -14166	U^2 =11806359742	V^2 =2589984564	=-218

Now we have,

$$r = \frac{N \quad UV \,\mathrm{Z} \quad U \,|\, \quad V}{\sqrt{N \quad U^2\, \mathrm{Z}(\quad U)^2} \,|\, \sqrt{N \quad V^2\, \mathrm{Z}(\quad V)^2}}$$

$$= \frac{6 \,|\, \mathrm{Z}21841449687\ \mathrm{Z}(7486) \,|\, (\mathrm{Z}14166)}{\sqrt{6 \,|\, 11806359942\ \mathrm{Z}(7486)^2} \,|\, \sqrt{6 \,|\, 2589984564\ \mathrm{Z}(\mathrm{Z}14166)^2}}$$

= - 0.3941