

Chapter - I

1. Introduction

1.1 General Background

Nepal is a small country with 147181 Sq. Km. and 231, 51,423 population (CBS 2003 Report). It lies between 80° 04' to 88° 12' E and 26° 22' to 30° 27' N on the globe that extends from east to west for about 885 km and from North to South 145 to 248km. The total land mass in Nepal is about 14.75 mill ha. Of this total area the agriculture land commands only cultivated area of 4.01 miles ha. (27.02%) and grazing land of 1.70 mill ha. (11.5%). The forest land includes forest area of 5.61 mills ha. (38.0%) and shrubs 0.69 mill ha. (4.7%). The rest of the land which includes rock, ice, lake, rivers, abandoned land, urban areas etc. is about 2.73 mills ha. (18.6%). The country is landlocked and bordered by India in the east, west, & south and China in the north.

Nepal is an agricultural country. Agriculture is the backbone of Nepalese economy, means of livelihood for majority of the population and the main sources of GDP, income and employment generation. It therefore rightly deserves the topmost priority because the economy is still mired in the initial stage of its development where the income generated through industrial sector as well as internal market expansion from non agriculture sector depends uupon the development of agriculture sector. To break its cycle of underdevelopment, it is time that market oriented approach and commercialiation process are initiated in agriculture sector. Given the agricultural diversity, only 21% of the land is receiving irrigation facility, only a fourth of productive essentials being used in production and only a third of the potential productivity of the agriculture has at present but that can be raised through the use of state of the art and technology.¹

¹ Nepal Govt, Ministry of Finance, Economic Survey Fiscal Year 2063/2064, p.44

Agriculture is a major economic activity of Nepal. More than 80% of the total population is dependent upon agricultural sector for their livelihood. It is estimated that not more than 21% of the total area of Nepal is worth cultivating. Out of the total cultivated land of Nepal, nearly 65% or nearly 1.7 million hectares land is still deprived of the irrigation facility. The Terai region which is known as the store of food grains constitutes merely 43% of the total cultivatable land. The rest lies in other mountainous region. The disproportionate distribution of the land has abstracted the maximum utilization of this sector. Despite the fact there is the predominance of small farmers, each of them possesses merely 0.15% hectares land on an average.²

The census of 2003 counted 7.3, 44.3 & 48.4% of the total population in the mountain, hill and Terai regions respectively. For the year 2001 population of Nepal is computed 2, 31, 51, 423 the sex composition being 1, 15, 63,921 men and 1, 15, 87,502 women. Population density for the year 2002 is estimated to be 156 persons per square kilometers.³

Nepal is one of the least developed countries of the world. Among 22.7 million population of the country, 85.80% of people live in rural areas. Estimated per capita GDP for the year 2008/2009 is US\$ 237. Population which is growing at the rate of 2.25% per annum has produced a broad base, increased dependency. Percent of unemployed population is 5.1 of the population of 10 years and above. Literacy rate for the year 2001 is 53.7% which is however increasing but still much lower to upgrade the pace of development by making optimum use of human resource.⁴

Almost 40% of the population is below absolute poverty line and over 80% are dependant on agriculture sector because of which it has been given top pivotal for any attempt to increase incomes and improve living standards in the country.

² Nepal Govt, MOPE, *State of the Environment of Nepal*. 2000 p. 47

³ CBS, *Statiscal Pocket Book* 2000, p.5

⁴ Ibid. p. 53

The performance of the Nepalese economy is basically dependent upon the performance of its agriculture sector because of which it has been given top priority in the planned effort to develop the country.

Livestock plays very crucial role in agriculture for transportation means, cultivation, threshing, crushing of crops and so on. Livestock has been proved as the essential source of income and it has significant influence on GDP in the form of milk, meat, wool and power. Share of GDP from livestock in various countries is 30% in Nepal, 13% in Bangladesh, 30% in Pakistan, and 26% in India. This fact indicates the significant role in the economic development of the respective countries.

Over 75% of the world's food and agriculture is produced through fewer than 25 domestic plant and animal species. Pressure to increase global food production, productivity and sustainability is intense and increasing.

The contribution of domesticated animal ranges from 30-40% of the total value of global food and agriculture production. The share of Nepalese livestock to the national agricultural GDP is around 31% accounting food, fiber, power, fertilizer, fuel, transportation, income & security.⁵

Livestock is an indispensable part of the subsistence farming system of the country. Roughly 75% of the cultivated land is ploughed by draught animals and fertilized with compost. In FY 2003/2004 the population of cattle, goats and buffaloes, sheep and pig was 19.66 million. The fodder shortage in the country is 33%. This indirectly had an adverse impact on hill farming. Livestock rising is an important agricultural enterprise of the poor families. About 2/3 of the livestock of the country own less than 1 hectare of land and women contributes significantly in livestock rising. Thus growth in livestock sector is favorable to participation of women. The agricultural GDP of the country from livestock contribution is 31% which comes to 53% from hills, 38% from the Terai and 9% from the mountains. Milk is the most important livestock commodity with meat next; much of

⁵ Ministry of Finance, Dept of Livestock Services and Animal Breeding Division NARC, Farm Animal Genetic Resources Management & Utilization Policy & Strategy. Final Report (Lalitpur: 1997) 1.

which is a by product of the milk sub sector, poultry in 3rd importance. Buffaloes are twice important as cattle and together represents out of 3 quarters of the live stock sectors (CBS: 1991/1992). Animal feeding and marketing of the livestock products are the main constraints for increasing livestock productivity in the country.⁶

Milk and the associated meat production are by far the most important priority items. Initially growth efforts will focus almost exclusively on milk animals, with an emphasis on animal nutrition feed supplies, veterinary services and marketing. The third priority is to expand poultry production, which has already shown rapid growth by goats as the fourth priority.

The livestock sector is growing slowly because the growth of per capita income is stagnant, one consequence being the current surplus of milk. The demand for livestock products is highly elastic with respect to per capita income. Thus as income growth accelerate under the plan, there will after a modest an explosive growth in the demand for livestock products.

Under the Agriculture Prospective Plan (APP) the growth rate of livestock sector will increase from 2.9% at the base period (1995/1996) of the plan to 6.1% at the end of plan period (2014/2015). The share of livestock sector to AGDP will increase from 31% to 33% during the same period. Livestock are more dominant in the hills and mountains than in the Terai and the plan envisages to somewhat higher growth rate in the hills and mountains. As a consequence the per capita livestock GDP at the end of APP plan in the hills and mountains will reach twice as high as in the Terai.

The objectives of livestock under the APP require an immense effort by the private sector and strong complementary public sector activities. Roads will be the most important public sector investment for the development of the livestock sector. This type of the growth plays even more important role in reducing poverty and enabling women to participate in the force.

⁶ Mathema, Bijaya Ratna & Joshi, Dr. Durga Dutta, Livestock and Livestock Insurance in Nepal. (Kathmandu: 2001) 15.

The livestock industry is important to the country of Nepal. Large No. of Peoples are involved in producing, marketing, distributing, processing and retailing livestock and livestock products.

There are nearly 750 livestock market, numerous no. of livestock slaughter places, processing industries. Livestock related business, are scattered all over the country.

Goats in Nepal are considered to be one of the most important livestock spices. They are primarily reared for meat production although their imporatance on milk, manure, and fiber production and power cannot be ignored. Goat meat in accepted in almost all communities and is the most expensive meat in Nepal. They have been reared in the climate extremes from the Himalayan foothills to the Terai region. The goat production of the country is in the increasing trend, average increase per annum being two percent. Recent figures of goat population are 6.97 million. The contribution of goat in total national meat production is 19.4% and next to buffalo. Goats alone share 10.2% in terms of meat of the National livestock GDP. Then in the national context, they have high economic and social value.⁷

Buffalo is also a very important spice in Nepal. Recent figure of the total buffalo production is 3.70 million. They are kept in only in hills and Terai region. The contribution of buffalo in total meat production is 64% and in milk production is 69%. Buffalo are primarily reared for meat and milk purpose both.⁸ It contributes 52.9% in the livestock GDP (Milk 32.7%, Meat 14.4%, Hides 0.3% and Transport 5.8%).

Most of the indigenous buffalo destined for meat production in Nepal are older females no longer required for milk production or older draught animal which are post their prime. All these, like the older buffaloes imported specifically for slaughter from India, one promoted to livestock

⁷ Dr. Chuvaneshor Sharma, "Goat Production System in Nepal," Free Market Monthly Magazine 12 Mar. 2005: 16.

⁸ CBS. Stastical Year Book of Nepal (Kathnmandu: 2000)_94.

markets on their way to consume in Pokhara and Kathmandu, for example; must of the buffalo are parroted by lorry and so because of access problems during the monsoon season, sales trend to decline during June and July. At the same time, draught animal in particular, will also be rquired for various work on the land, so livestock owners may be less inclined to sell the animals they have.

The major source of goats in the transition zone between the hill and Terai, from where they tend to move southwards; to market in the eastern Terai in particular. These animals are moved in small groups on the roof over relatively short distances, on busses, and trucks for longer journeys. Imports also are made from India (by road) and from Tibet (on the hoof). Imports from India escalate during August to December leading up to Nepalese festival of Dashain when many animals are required for religious sacrifices.

Table no - 1
Estimated Livestock Population

Livestock Type	In number				
	2002/2003	2003/2004	2005/2005	2005/2006	2006/2007
Animal	18144814	18386205	18603856	18847760	19061014
Cattle	7048336	7030698	7023166	6982660	6978690
Buffalo	3388660	3470600	3525952	3624020	3700864
Sheep	869142	855159	857913	850170	840141
Goat	6080060	6204616	6325144	6478380	6606858
Pig	758616	825132	877681	912530	934461

Source: Statistical Year Book, 2003, CBS, p. 94.

Data about population of buffalo and goats are given separately. The trend of buffalo and goats population has been increased from 2002/2003 to 2006/2007 by 1.33, 1.18, 1.31 and 1.13 percent respectively.

Table no- 2
Estimated Meat Production

Meat Production	In metric ton				
	2002/2003	2003/2004	2004/2005	2005/2006	2006/2007
Buffalo	117350	185034	121769	124848	127495
Mutton	2903	119562	2860	2856	2823
Goat	35640	2873	36930	37769	38584
Pig	13090	36235	14646	15239	15594
Chicken	11400	13924	12659	13259	14118
Duck	292	12146	296	287	181
Total	180675	369774	189760	194248	198895

Source: Statistical Year Book, 2003, CBS,

The buffalo meat production has been decreased in 2004/2005 and in rest of the years in increased. The goat production also decreased in 2004/2005 and in rest of the year. It has increased. The rate of increase in buffalo production is 2.22% on an average and increase in rate of goat is 1.55% from the year 2002/2003 to 2006/2007 respectively. The rate of increase in buffalo meat production is on an average 7.0375% and meat production of goat is 38.56% from the year 2002/2003 to 2006/2007 respectively.

Table no - 3
Livestock Import and Export Status 2063/2064⁹

In Rs. 000

Country	Import	%	Export	%
India	1215983	73	805069	74
Tibet	120162	7	37576	3
Overseas	337679	20	248358	23
Total	1673524	100	1091003	100

Source: Livestock Market Bulletin 2008

The above table shows the high deficit of Rs. 582521000 between export and import. India is in first position in export & import by 74% and 73% respectively. Overseas countries are in second position with 23% & 20% and Tibet in third position with 3% and 7% rate respectively. In total, import was 1,67,35,24,000 and export was of Rs. 1,09,10,03,000 in 2063/2064.

People got involved in co-operative spirit from the very beginning of the development of human civilisation. Co-operative refers to work together for common benefits. It has been accepted as a mechanism for collection of the scattered small saving and investing them in productive sector for the benefit of the member of weaker section of the society. Started from UK (Rochdale: Consumer Store, 1894), it scattered to all over the world in different shapes and types in the form of a popular movement. The motto behind co-operatives each for all and all for each' and it in a system for self help through mutual help (Dahal: 1989).

⁹ HMG of Nepal, Ministry of Agriculture & Co-operative, Dept of Livestock Services. Livestock market promotion directory, Livestock Market bulletin, vol. 10. Special Market bulletin. (Lalitpur: July 2008) 1.

The co-operative organization initially was set up by people coming together on the basis of need felt by them. The business rules formulated by the Rochdale pioneers are known as today in principles of co-operative today. Though co-operative movement is, essentially, a voluntary movement which grows out of the needs and aspiration of people.

Co-operative movement in Nepal has completed five decades with a large institutional framework, large no. of members and staff, vast area of operation and active state participation. Co-operative (previously Sajha) got guardianship of His Majesty the King, constitutional recognition, good provision on developmental plans, and formation of separate ministry, high level committees, commission and national federation.¹⁰

Nepal Chaupaya Kharid Bikri Sahakari Sanstha Limited is one of the co-operative organizations. It is situated in Kathmandu Municipality ward no. 14 Kalanki. It was established in 2053 under the co-operative Act 2048 to perform goat and buffalo purchasing and selling related function only. It provides lands and security to goat and buffalo till they are sold out from there. But now a days, buffalo market is shifted to Balambu VDC ward no. 3, Balambu since last five years and he-goat market is located in Balkhu, Kalanki.

The development of an integrated market system is very important for the overall development of the economy as well as for the development of the agriculture setor. An efficient marketing system, which insures timely supply of inputs and marketing of output, is vital for support of production programmes. Lack of an efficient transportation network to integrate different parts of the Kingdom is still the major hurdle to the development of an efficient market system in the country.

In Nepal almost five year plans have given agriculture top priority. Yet, there has no significant improvement and increment in our agricultural condition because there are many barriers among which some are

¹⁰ Pokharel, Dr. Bihari Binod, "State initiatives in management of co-operative society in Nepal," Sahakari Sambat, (Lalitpur: National Co-operative Development Board. Pulchowk. 2061) 24.

removable and some are not. If such barriers could be removed our farmers as well as nation would be benefited. Therefore it is necessary to adopt the managerial budgeting for each sector of livestock marketing. It is the one scientific tool and techniques for all round growth in economic condition.

Some people say that comprehensive profit palnning and control is applicable only to large organization. Profit planning and control can be adapted to any organizations (profit or non-profit, service or manufacturing) regardiess of size, special circumstances or condition. In order to gain a depth of understanding of the concept of comprehensive profit planning and control one must recognize that it is not a separate technique, which can be thought of and operated independently of the total management process.

The comperehensive profit planning and control is defined as a systematic and formalized approach for performing significant phases of the management planning and control functions. Specifically it involves:

1. The development and application of broad and long range objective for the enterprise.
2. The specification of enterprise goals.
3. A long range profit plan developed in broad terms.
4. a short range profit plan detailed by assigned responsibilities (division, products, projects etc.)
5. A system of periodic performance reports detailed by assigned responsibilities and
6. Follow up procedures. This definition recognizes as the critical success factor in the long run destiny of the enterprise and implicit in the concept op profit planning and control are realism, flexibility and continuing attention to the planning and control function of management.

The concept of profit planning and control rest firmly upon the planning and control theory that is the primary success factor in enterprises is the components of management to plan and to control enterprises activities. The notion says that a management earns its bread and butter only if it can plan and control in ways that determine the long range destiny of the enterprises.

A profit plan is a financial and narrative expression of the expected result from the planning decisions. It is called the profit plan or the budget because it explicitly states the goals in terms of time and expected financial results (return on investment, profit and cost) for each major segment of the entity. The essence of planning and control rests upon some fundamental or philosophical view of the real role of management in an endeavor. In among with some these views, profit planning and control rests upon the conviction that management can plan and control the long range activities of the firm by making a continuing stream of well conceived decisions.

The profit planning and control requires a responsibilities accounting system, that, one tailored to organizational responsibilities. Within this primary accounting structure, secondary classifications of costs, revenues, and other relevant financial data may be used to meet the needs of the enterprises. Then the accounting system is established on a responsibility basis, the historical data provided become especially useful for planning and control purposes.

A profit planning and control program hepls the management perform its planning function by developing a strategic (long range) profit plan and tactical short range profit plan. Both of these plans include monetary expected action (i.e. goals) for assets, liabilities, profits and return on investement. The foundations for the strategic profit plan of the enterprises are developed by top management. The tactical (short range) profit plan can actually be veiwed as the first year of the strategic profit plan. A profit planning and control programs helps management perform it control function by providing realistic goals and standards that are implemented

and are then compared with actual results to measure performance under PPC. This performance measurement extends from the top to the lowest organizational level in the enterprises.

1.2 Statement of the Problems

Agriculture is the predominant economic activity in Nepal. Over 80% of the total population still depend upon the agricultural for subsistence living.¹¹ There is no doubt that Nepal is an agricultural country. Economic prosperity depends upon a sustainable economic development. For the attainment of accelerated economic development in the country agriculture is equally as important as industrialization, and other primary sector. Agricultural sector creates vast employment opportunities and economic integration. As long as this sector can not be expanded on a promotional basis, proper development of the economy cannot be possible.

In developing country like Nepal agriculture is a main source of income. It produces the required goods in the country; increases export items, creates opportunities for employment, increases government revenue and contributes significantly in the national development as well as assists in the country's economic development.

Though livestock is an integral part of agriculture, significantly it influences the industrialization process too. Industrialization is not possible without capital formation i.e. Investment, employment and income generation where as people in most of the developing countries are entrapped in a vicious circle of poverty. Low saving capacity has compelled them for low capital formation that ultimately cut down investment and employment in the economy. So to create favorable conditions for the striking of this circle, an overall development policy in agriculture is most necessary. Integration of crop with livestock activities and agriculture at the individual level with the help of govt. Programs supported by extension and credit would raise family's employment potential to a considerable extent side by side raising the family's income

¹¹ CBS. Statistical Pocket Book. (Kathmandu:2000) 3.

level and breaking the near stagnation situation in the agriculture sector. Side by side, agriculture is an effective base for industrialization. It is not possible to produce a growing volume of manufactures unless agricultural production is growing simultaneously. Industrial and agrarian revolutions always go together and that why is economies with agriculture stagnation do not show industrial development.

Overall development of country is primarily based on agricultural and livestock sector. About three million people's food, shelter and employment is based on livestock sector. As a member of WTO, Nepal needs to increase production and quality of livestock product and the internal and external market system should have to open by developing market management system as professional. Especially absence of physical infrastructure, lack of market information, less public awareness and high production cost etc. are the main causes for lack of proper price for livestock product. And there is no effective government institution to support and improve the livestock product and market.

Market agents are active in both large and small market procuring live animals. Where established markets are not present, traders actively visit village to purchase livestock. The traders provide a valuable service to the overall functioning of the market. The success of a market day is direct function of the no. of private traders in the market on a given day.

The facilities at livestock markets are minimal so that livestock are under stress during the long market day. Weight loss is high from poor handling of animal. The infrastructure is poor for holding, selling, loading and transporting livestock efficiently. Price information for livestock is limited, and because producers bring only one or two head to the market for sale, they find themselves in the position of either taking the best price offered or returning home. Transaction costs are high including weight loss and loss of time in the market. Fees are collected by municipalities, VDCs and DDCs while animals are in transit and traders/buyers report significant amount of unofficial fees while animals are in transit.

The present study will try to analyzed and examine the profit planning aspect of livestock marketing of he-goat and he-buffalos of traders of Nepal Chjaupaya Kharid Bikri Sahakari Sanstha Limited (NCKBSSL) Kalanki in Kathmandu valley. From the point of livestock marketing, specially he-goat and he-buffalo, profit planning is most important tool for building economic strength to the small traders as well as the nation.

In developing country like Nepal managerial budgeting or profit planning must be applied to help the growth of GDP. A systematic and tactical profit plan in the livestock marketing is most necessary for improving and increasing agricultural production.

There are many problems which the traders have to face during the selling and distribution process. Most of the traders have little knowledge and techniques about modern marketing system. The traders are facing different problem relating to the profit planning. The profit planning system has not been so much familiar and practiced. Traders are not familiar to prepare the planned income statement, cost volume profit analysis, systematic direct labor cost budget, balance sheet, cash flow statement and ratio analysis due to backward position of traders as well as agriculture sector.

The present study analyzes and examines the practice of profit planning in livestock marketing of he-goat and buffalo by Nepal Chaupaya Kharid Bikri Sahakari Sanstha Limited (NCKBSSL) Kalanki, Kathmandu valley. Further more the study will try to answer the following research questions:

-) To what extent is the process of profit planning followed by NCKBSSL Kalanki about 2 livestock animal's he-goat and he-buffalos?
-) What are the major problem faced by the traders in developing and implementing profit plans?
-) What steps should be taken to improve the profit planning system in livestock marketing sector?

1.3 Objectives of the Study

The main objective of the study is to examine how far the profit planning system in the livestock marketing especially he-goat and buffalo by NCKBSSL of Kalanki have been effective. The other objectives of this study are as follow:

1. To analyze how traders make a profit plan for the purpose of benefiting and generating more profit from purchasing and selling of he-goat and buffalo.
2. To judge the comparative profitability of he-goat and buffalo trading on the basic of type of livestock and periods of the year.
3. To know the details about cost of goods sold, selling and distribution cost and other costs of 2 livestocks.
4. To find out major problems of traders especially during the purchasing and selling transaction period.
5. To recommend suggestions to the concerned people and organization based on the findings of the study.

1.4 Singificance of the Study

Livestock markets can be described as 'engines for economic development'. Many ancillary activities take place besides the exchange of livestock. These markets are a social affair with food and drink vendors active. Buffaloes, goat, poultry and pig were slaughtered and consumed during the market day. Private individuals sell straw and bundles of green grass at some of the market.

The major buffalo markets in Nepal are located in the Terai and there are the places where Indian and Nepalese buffaloes mix and flow into the marketing system.¹²

In Nepal, the major sources of goats are the hills and Terai areas. Goats are concentrated in the transition areas between the hills and Terai which are forested. The majority of the goats are sold for cash in local markets to the trader visiting the village.¹³

For Nepal to have an efficient livestock marketing system requires improved co-ordination among all the participants in the marketing system. Livestock producers, market agents, processor, wholesalers and retailers will need to provide products to meet consumer demand for animal products. Effective market co-ordination is required for better livestock management practices so as to produce better quality products that are price competitive in the market place. In turn the marketing system needs to ensure that the products and their added values are not lost or diminished in the market channels. High animal mortality, weight loss and spoilage are resulting in an increase in marketing cost and reduce the price that is paid to producers. Increased transaction cost at each stage in the market channel results in higher consumers prices and lower producer prices.

The present research is in a micro level study of he-goat and buffalo marketing in NCKBSSL Kalanki, Kathmandu Metropolitan City of Kathmandu district. It will be helpful for improvement and betterment of the existing condition of traders who are facing different problems. This study helps to understand the present living standards of traders and environmental condition. This study is also important for the future researchers who want to study the livestock marketing system in Nepal.

¹² Ministry of Agriculture, Dept. of Livestock Services, Livestock Marketing in Nepal. (Lalitpur: 1999) 9.

¹³ Ministry of Agriculture, Dept. of Livestock Services, Livestock Marketing in Nepal. (Lalitpur: 1999) 1

1.5 Limitations of the Study

Each research study suffers from its own limitations. This study also has some limitations within which the research report has been prepared. These include.

-) It covers a 5 year of time from 2060-2064 B.S.
-) It is concerned only with profit planning aspect of he goat and buffalo.
-) It is concerned with sales planning, cost volume-profit analysis, cost of purchase, selling and distribution expenses budget and their income statement.
-) It has covered only a small area in Kathmandu valley that the sample size, data and information collected may not fully represent the whole he-goat and he-buffalo marketing inNepal.
-) On account of the unavailability of relevant and upto date information the study will be suggestive rather than prescriptive.
-) The validity of the data largely depends on the response of the traders thar are collected within short period on the basis of their past and present experiences.

1.6 Plan of the Study

The study has been devided into the following five chapters:

1. Introduction: It includes the general background, statement of the problem, objectives, significance, limitations and plan of the study.
2. Review of Literature: It includes the academic study of Profit planning and control, brief introduction of Livestock market, marketing pattern, market price determination and brief overview of co-operatives and co-operation. These are collected from different academic books, periodicals, report papers and other magazines.

3. **Research Methodology:** It includes the introduction, research design, nature and sources of data, methods of data collection and analysis and statistical and financial tools used.
4. **Data Presentation and Analysis:** It includes the sales and purchase trends in amount and number, cost of goods sold, selling and distribution expenses, and other cost, direct labor cost, income statement, break even analysis and CVP analysis of he-goat and buffalo trading for 5 years. It also includes the major findings of the study.
5. **Summary, conclusion and recommendations:** It includes the summary, conclusion and recommendations of the study.

CHAPTER - II

2. REVIEW OF LITERATURE

2.1 Introduction

Simply profit is the excess of income over cost of production. But the term 'profit' is very controversial. Usually profit doesn't just happen, profit are managed. When a management plans its profit performance is known as profit planning. An economist will say that profit is the reward for as entrepreneurship for risk taking. A labour leader might say that it is a measure of how efficienntly labour has procded and that it provides a base for negotiating a wage increase. An investor will view it as a gauge of the return on his/her money. An internal revenue agent might regard it as the base for determining income taxes. The accountant will define it simply as the excess of a firm's revenue over the expense of producing revenue in a given fiscal period¹⁴.

Profit planning is a cast of overall planning process of an organization. It is for future operation in such a way to maximize the profits or to maintain a specified level of profit. A comprehensive profit planning is also known as broad budgeting schedule developed in financial satement. Profit planning deals with the development of strategic and tactical profit plan. It is an important approach to facilitate for effective performance of management process like as planning, organizing, staffing, controlling etc. A profit plan is a detail expression of the expected result from the planning decision.¹⁵

As mentioned above profit planning may be adopted in livestock marketing sector. There are many more reason and significance about when if any persons or firm adopted these view. Livestock market planning is an effective way to determine a more profitable and efficient

¹⁴ Dinanath Shrestha, "A case study of Sana Hastakala Lalitpur and Bhaktapur craft printers (BCP) Bhaktapur," Facutly of Management, Nepal Commerce Campus, T.U 2004: 22.

¹⁵ Shankar Prasad Pandey, "A study on profit planning of Lumbini Sugar Mills Ltd.," Faculty of Management, Nepal Commerce Campus, T.U. 2005: 31.

way combining and allocating the farmer's resources. Each trader must need to make a trade when he decides, what to trade, how much to trade and how to combine the limited resources to meet the trade performance.

Nepal is an agrarian country. 81% of total population depend on agricultural activities and the contribution of agriculture on GDP is about 40% . The agriculture sector contributes more than one half of the household income. Many plans and programs were formed and many operational modalities were experimented. Yet the achievements are not being at satisfactory level.

As Livestock is an important component of agriculture, it provides cash income, a source of security, draught power and dung for manuring. Substantial amount of income is generated by selling live animals and livestock product like meat, and milk. It is also considered as a high quality food.

Traditionally livestock raising and farming system both were integrated in Nepal. It is indispensable part of the Nepalese economy. The contribution of Livestock to the national economy has been estimated to be 31% of total agricultural output and 15% of National GDP.

Kathmandu district is the main center and largest business center and only village persons are engaged in agricultural activities; Balambu is predominately a farming village and only a few persons are engaged in non agricultural activities. Most method of farming is changing from traditional to modern ones by not all farmers but some of farmers. The livestock farming is not there as professionally. Only 2-5 Livestock tamed in each family.

Kalanki is an urban area, none of the person tamed livestock and done works in the farmland. All the Livestock traders are from outside Kathmandu valley and most of them are Indians. But their trading is not

so much systematic. They are trading in a simple way like retailers and wholesalers.

There are so many factors in the Livestock trading such as capital, labour, land, management and other inputs. Management is one of the most important factors not only in the Livestock trading but also in every profession of human live. If the management is weak, the trading volume will be less yield, may not be satisfactory. Only the good and competent manager can arrange the situation and can use the appropriate technology in the trading as well as other jobs.

2.2 Brief Introduction of Buffalo Animal.

The indigenous type of buffalo in Nepal is believed to be derived from Indian water buffalo with an influence from swamp buffalo in the same area. It has long slightly curved horns, usually gray black, rarely brown, although there are differences identified between Mountain, Hills, and Terai types. There are also crossbreeds with Murrah from India as a result of direct importation from India and the upgrading program implemented by Dept of Agriculture Development (DAD) using both natural service and artificial insemination. Murrah crossbreeds are more common in the mid hills and the Terai particularly where access to milk market is good.

The production systems of buffaloes are very similar to the production systems for cattle discussed above except that there are very few buffalo in the high Mountains (4%) relative to the middle Mountain (54%) and Terai (42%).

Female buffalo calves receive more care than males. Female calves share milk with the owner and give access to 1-2 teats 2-3 months and 1 tent thereafter. Male buffalo calves are neglected and or die are weaned very early and slaughtered for meat sold to buyers from India. Except in few areas like those of ethnic groups Newar, Gurung, Magar, Rai and Limbu. Male calves in the hill are seldom grown out and specifically

fattened for meat. However in the Terai where free grazing is available e.g. around Janakpur in the central region, male calves are allowed to graze until the market age for meat.

Buffaloes are kept mainly for milk; milk products e.g. manure (fertilizer and fuel) meat and hides. They are also used for draught in the Terai for ploughing and pulling carts but in the Terai as in the mid-hills, cattle are more important than buffaloes for draught. On the Terai buffaloes and cattle are used for threshing by trampling, although beating paddy sheaves by hand is more common.

Buffalo milk is sold to private urban buyers, private dairies and to dairy development corporation collection centers. Ghee is sold to India. Buffaloes are sold for slaughter in district urban centers to the Raw Hide Collection and Development Corporation Hetauda.

Male buffaloes are used for draught purposes and sold in the location where they are raised. Late pregnancy early calving female buffaloes have a wider market area.

2.3 Brief Introduction of Goat Animals

There are 4 main indigenous breed types of goats making up the goat population of Nepal viz. Chyangra (6%), Sinhal (35%), Khari (50%) and Terai type crossed with Jamnapari and Barberi (9%). The 4 breed types correspond to altitude and agro ecological zones. The chyangra goats are found together with the Bhanglung sheep in the trans Himalaya and High Mountains above 2500 m. Sinhal goats are found together with Barwal sheep both in the high mountains and in the mid-hills, about 500-2500 m above. Khari goats are found in the lower mid-hills about 300-1500 m. Terai type goats crossed with the Indian Jamnapari and Barberi breeds are found in the Terai below 300m. There are also crossbreeds in the mid-hills. There are crossbreeds of Sinhal and Khari goats mainly with imported Jamnapari and Barberi breeds.

The crossbred goats are found on government farms and in private locks in their immediate vicinity.

The Terai crossbred goats, (Jamnapri and Barberi cross indigenous) are stationary flock i.e. they graze during the day and are housed at night. The goats' house flocks are raised slate urban markets eg. Kahmandu, Pokhara. Male goats are sold entire at 2-6 month old breeding or castrated and sold at is month old for slaughter. Around Janakpur for example the males are sold off twice per years in Feb.-March and Oct.-November.

Lactating goats are given supplementary rice huska, rice, bran, maize and salt. Goats are not milked or shorn.

Goats are kept mainly for manure, meat, hair and as pack animals. The relative importance of these products differ between the agro-ecological zones. Goats and sheep as pack animals are important in the west high mountains eg. Jumla district. The government's breeding programs have been directed towards increasing the annual yield of meat. The entire ethnic group eats goat meat.

Castrated male goats are generally sold for slaughter once per year in time for the annual Dashain festival market. They are sold to collectors who accumulate flocks of sheep and trek them to major urban markets eg. Kathmandu, Pokhara.

The fine hair (pashmina Cashmere) from Chyangra goats which are surplus to domestic requirements is sold to collectors. The coarse hair from Chyangra and sinhal is used domestically, skins are sold to collectors.

2.4 Meat Market in Kathmandu Valley

The Kathmandu valley is a rough ellipse measuring about 15½ miles along it east-west axis and 12 miles at its greatest width, with a base area of some 218 square miles. The valley is about 4400 feet above sea level

and ringed by hills that range from 1000 to 4000 feet above level of the valley, visible on the horizon to the north of the valley in clear weather are the ranges of the high Himalayas. The valley is the bed of an ancient lake, its alluvial soil contains deposits of clays with high phosphate content which were traditionally dug and used as fertilizer. Now it is drained by a network of rivers that almost dry during the dry months, swell during the rains and join in the main courses of Bagmati River which drains the valley at its south western boundary. The climate is usually temperate and it is rare that temperature dip a degree or 2 below freezing. The summers first warm and dry then more and more humid until the onset of the monsoon rains.¹⁶

Valley farmland, such as those around Bhaktapur, is in the flat lands at the base of the hills and on terraces on the hill flanks. The fields are irrigated after the rainy season through a system of connecting those are periodically unblocked to allow water to flow from collection basin in the hills. Various crops Rice, Wheat, and variety of vegetables are successively raised in those fields during the course of the year.

The Kathmandu valley, particularly the city of Kathmandu is now center for national government and administration. Light, industry, tourism and a multitude of commercial activities are created there. It is estimated that about 5% of Nepal live in the Kathmandu valley, some 1,645,091 peoples according to 2001 census. They live in the three major valley cities of Kathmandu, Lalitpur, and Bhaktapur a large no. of secondary towns and villages and scattered hamlets and farms. Most of the country's ethnic groups are represented in the valley. Census data in 2001 suggested that about half of the valley population were Newar.

2.4.1 Kathmandu District

Nepal has been divided into 75 districts, 14 zones and 5 development region on the basis of administration point of view. Among them,

¹⁶ Rober, L. Levy with collaboration of Kedar Raj Rajopadhyaya. MESCOSM Hindism and organization of a traditional Newar city in Nepal. (New Delhi: Motilal Banarasidas Publisher Pvt. Ltd. 1993) 34.

Kathmandu district lies in district of Bagmati zone's 8 districts and lie in central development region. It is Bordered by Bhaktapur and Kavrepalanchok in East, Dhading and Nuwakot district in West, Lalitpur and Makawanpur in south and Nuwakot and Sindhupalchok district in the North. Kathmandu is situated at the elevation of 1262 meter to 2032 meter from sea level. Kathmandu district is located on 27°26' to 28°49' N latitude and 85°10' to 85°32' E longitude with sub tropical to temperate climate and average maximum and minimum temperature is 34° and -2 centigrade. The average rainfall of Kathmandu district is 1764.4 ml. The total population of the district is 10, 81,845 living in 2, 35,387 households. Thus its average household size is 4.6 persons and sex ratio is 87 male per 100 females. The population density of Kathmandu district in 2001 was 2739 person per square km. and proportion of economically active population was 51.26% in 2001.¹⁷

The economic status of the people of Kathmandu is relatively better Kathmandu is the nation's main business center and largest market. The city's economics output is worth more than 170 billion per year. Trade accounts for 42% of its business, job/service comes next in importance with 33%. Kathmandu is a major manufacturer and exporter of garments and woolen carpets. Other money making sectors are contribution 8% transport 4% and others 13% respectively.

Tourism is a key component of the district's economy, thanks to the plentiful sights-seeing and shopping opportunities available here. Kathmandu is Nepal's tourist gate way with almost 90% of the foreign visting arriving by air at the Trivuban International Airport. The capital also occupies the hub of the national transport system, with road connection to vairous parts of the country. The domestic air network also radiates out from capital. Major international airlines touch down here. There are direct air links to all neighboring countries and East Asia, the Middle East and Europe.

¹⁷ DDC Office, Katyhmandu, Kathmandu Bikash Sandesh. 1 Falgun. (Kathmandu:2064) 2-7

Kathmandu has been a trading city from time immemorial. Because of its in between position on the ancient trade route between India and Tibet, commerce has always been important in the lives of inhabitants. Until now not so long ago, Kathmandu's merchants used to travel in mule caravans across the Himalaya to run business in Lhasa of China pursuing an institutionalized tradition going back to centuries. Farming, metal casting, wood carving, painting, weaving and pottery were other popular traditional occupations.

Kathmandu's ancient and refined culture has been inspired by the congerence of Hindu and Buddhist devotion of its inhabitants. The traditional customs, festivals, are and literature are all religious in character. Kathmandu's location on a key Asia trade route has exposed it to varied influences from ancient times, and they have further enriched local artistic traditions.

High level craftsmansip can be seen in the exquisite artworks that ornament the ancient temples, palaces, building and domestic houses. Local artisan as excelled in wood carving, stone carving, metal casting, weaving, pottery and other crafts. Example of fine wood carving can be seen on the ornate windows of old building and on the roof structs of temple. Street side image of gods and goddess and sunken water spouts illustrate the level of skill in stone carving.

Indeed Kathmandu possesses one of the greatest concentrations of architectural treasures in the world. There are not only 100 of temples, stupas and open shrines, but also 106 monastic courtyards (known as baha or bahi) which are cente of art.

Most of the remarkable cultural wealth is located in the city core. These artistic edifices are intimately linked with the daily life of the people. They provide places for worship and are the setting for a roster of annual festivals (133 in a year). UNESCO had listed four of the temple complexes on World Heritage sites. They are the Hanuman Dhoka Durbar Square, Swayambhu, Pashupati Nath and Bouddha.

Table no- 4
Livestock Population of Kathmandu District¹⁸

In numbers

S.N.	Name	Developed	Local	Total
1.	Cow	20,409	5,708	26,117
2.	Buffalo	12,601	5,429	18,030
3.	Sheep	2,215	5,237	7,452
4.	Goat	20,509	31,925	52,434
5.	Pig	1,750	6,490	8,240
6.	Chicken Broiler	7,63,777	–	7,63,777
7.	Layers	2,58,150	17,028	2,75,178
			Total	11,51,228

Source: District Livestock Service Office, Annual Report 2063/64. (Kathmandu: 2064)

There are total livestock population is 11, 51,228, where no. of buffalo population is 18030 and no. of goat population is 52,434.

¹⁸ District Livestock Service Office, Annual Report 2063/64. (Kathmandu: 2064) 5.

Table no - 5
Livestock Market Center in Kathmandu District¹⁹

In numbers

S.N.	Market place	Commodity	Sales
1.	Thankot bazaar	Buffalo	10
2.	Thankot checkpost	Buffalo	12
3.	Tinkune	Buffalo	12
4.	Gothataar	Buffalo	10
5.	Jorpati	Buffalo	7
6.	Satungal	He-buffalo	25
7.	Chabahil	He-buffalo	30
8.	Naya Paati	He-buffalo	10
9.	Jaisi Dewal	He-buffalo	40
10.	Kirtipur	He-buffalo	10
11.	Nanglebhare	Goat/he-goat	15
12.	Tukucha pool	Goat/he-goat	400
13.	Kuleshor balkhu (Kalanki)	buffalo/he-buffalo	10
Total			1441

Source : District Livestock Service Office, Annual Report 2063/64. (Kathmandu: 2064)

¹⁹ District Livestock Service Office, Annual Report 2063/64. (Kathmandu:2064) 6.

In Kathmandu there are 14 livestock market centers 1441 livestock are sold consisting 850 buffalo and 591 goats respectively in 2060/061.

In Kathmandu district 5276.96 metric ton meats are produced and consumed in 2060/061.

2.4.2 Lalitpur District

Lalitpur district is one of the 75 districts of Nepal. It lies on the Bagmati zone and lies in the central development region. Bordered by Kavrepalanchok in East, Kathmandu in West, Bhaktapur in North and Makawanpur in South. Lalitpur district is situated at the elevation of 457 to 2831 meter from the sea level. Lalitpur district is located on 27°.22' to 28°.50' N latitude and 85°.14' to 85°.26' E longitude with subtropical to temperate climate and average maximum and minimum temperature is 23.6° to 10.7° respectively. The average relative humidity is 50 to 80%. The total population of the district is 3, 37,785 (1, 65,330 male & 1, 72,455 female) living in 68,992 households. Thus its average house hold size is 4.90. It contains 1.46% of the total population of Nepal. In Lalitpur district 1, 62,992 no. of population live in urban area and 1, 73,636 no. of population live in villages of 41 VDCs. The population density of Lalitpur in 2001 was 877 people per square kilometer and the proposition of economically active population was 55.37% in 2001 (CBS: 2001). There is one of the sub Metropolitan cities called Lalitpur sub metorpolitan city in the district. Educational status of this district is very good. According to population census 2001, the literacy rate is 70.8% in which 60.3% female and 80.8% male are literate. Similarly, there are 29 pre-primary, 200 primary (inc. private boarding), 99 lower secondary (inc. private boarding), 155 secondary (Inc private boarding) and so many colleges and campuses. Transport facilities are also provided all over the areas of the district except hilly region. It has 464 k.m. road including 120 km. raw road and 114 km. concrete roads but there is no

airport. Telecommunication and television facilities are also very good. There are 35490 telephones lines in this district, 10 postal offices, 36 additional post offices (in total 46) in here. In Lalitpur district health condition is also very good, there are 4 hospitals having 282 beds. There are 3 primary health posts, 9 health posts, 29 sub health posts, 2 aurvedic hospitals, 1 Unani homeopathic, 1 nursing home, 1 T.B. units. Most of people of Lalitpur district are involved in business (wholesale and retail) at first, agriculture in second and production sector is third. So that economic stauts of the people of this district is relatively better.

Table no - 6
Population of Livestock in Lalitpur District²⁰

In numbers

S.N.	Animal	Developed	Local	Dual purpose	Total
1	Cow	3,838	5,375		9,213
2	Buffalo	17,939	8,522		26,461
3	Goat	4,292	31,941		36,233
4	Sheep	1,809	7,88		2,597
5	Pig	146	3,02,500		2,02,646
6	Chicken	1,14,500	26,621	12837	1,53,958
Total					5,31,108

Source: District Livestock Service Office, Annual Report 2063/064. (Lalitpur: 2064)

In Lalitpur district the no. of livestock population is 531108 in which the no. of population of buffalo is 26461 and the no. of population of goat is 26233 respectively.

²⁰ District Livestock Service Office, Annual Report 2063/64. (Lalitpur: 2064) 9

Table no - 7
Livestock Market Center in Lalitpur²¹

In numbers

S.N.	Market	Average Daily sales		
		Buffalo	He-Bufferalo	Goat/he-goat
1	Satdobato	10	15	30
2	Chapagaun	10	–	20
3	Gotikhel	20	–	10
4	Mamata bazaar	–	–	50
	Total	40	15	110

Source: District Livestock Service Office, Annual Report 2063/64. (Lalitpur: 2064)

There are 4 livestock markets in Lalitpur district where 165 livestock are sold daily (on average) 1,632 m.t. and 456 m.t. meats are produced and consumed in year 2063/064 of buffalo/he buffalo and goat/he-goat respectively.²²

2.4.3 Bhaktapur District

Bhaktapur district, one of the 75 districts of Nepal is also known as the smallest district of Nepal. Bhaktapur district lies in Bagmati zone and central development region. Bordered by Kavreplanchok in East, Kathmandu and Lalitpur in West, Kathmandu in North and Lalitpur and Kavrepalanchok in South. Bhaktapur district is situated at the elevation of 1,331 meter from sea level. It has only 13 km. distance from Kathmandu. This district is located on 26° 37' to 27° 88' N latitude with temperate climate and average max and

²¹ District Livestock Service Office, Annual Report 2063/64. (Lalitpur: 2064) 9.

²² District Livestock Service Office, Annual Report 2063/64. (Lalitpur: 2064) 9

min. temperature of 32° c and -2° c. Its total area is 13,846 square k.m. The total population of the district is 2, 25,501 living in 41,253 households. The population density of Bhaktapur district in 2002 was 1,895 people per sq. km. There are 16 VDCs. 1 sub metropolitan city, 1 municipality. The sub metropolitan city is called Bhaktapur sub metropolitan city and the municipality is called Madhyapur Thimi municipality in the district. According to population census 2001, 1, 56,019 (69.20%) males and 1, 10,656 (49.09%) female are literate. Similarly, there are 140 primary, 52 lower secondary (inc. private boarding), 84 secondary (inc. private boarding), 6 higher secondary and 9 campuses in Bhaktapur district. There are 82 km road facilities. Its human development index is 0.393 (HDI: 1996). Telecommunication and Television facilities are also available. There are 8,868 telephone lines in Bhaktapur. The postal service is also good, where 1 district post office, 7 regional post offices. 14 sub post offices operate in Bhaktapur district. Drinking water facility is available 70% of the population. Agriculture is the main occupation of the Bhaktapur district as it is of the country. The land and climate of the district is suitable for the agriculture. Its main crops are Rice, Maize, Wheat and Kodo, and cash crops are Ginger, Potato, Cucumber, Pumpkin, Tomato etc. The livestock, Cow, Buffalo, Goat, Sheep, Pig, Chicken, and Rabbit are kept in Bhaktapur district.

Table no - 8
Livestock Population in 2064 of Bhaktapur District²³

In number

S.N.	Animal	No.
1	Cow	9,833
2.	Buffalo	8,281
3.	Goat	8,785
4.	Sheep	1,519
5.	Pig	523
6.	Chicken	5,66,200
7.	Rabbit	51
Total		5,91,592

Source: Bhaktapur Livestock Service Office, Annual Progress Report 2063/64. (Bhaktapur: 2064)

There are 5, 91,592 no. of livestock population where 8,282 buffalo and 8,785 goat are respectively.

There are 2 livestock market Toumadhi livestock market and Hanumanghat Bazaar. In Toumadhi market local chicken and he-goat/goat are sold and in Hanumanghat market, only he-buffalo/buffalo are sold.²⁴

In Bhaktapur, 16,550 kg meat is produced & consumed per day on an average. There are 120 meat shops in the Bhaktapur district.²⁵

²³ Bhaktapur Livestock Service Office, Annual Progress Report 2063/64. (Bhaktapur: 2064) 14.

²⁴ Marjan, Dr. Prem Raj, Personal Interview. 19 June, 2005.

²⁵ Bhaktapur Livestock Service Office, Annual Progress Report 2063/64. (Bhaktapur: 2064) 14.

2.5 Supply Points:

2.5.1 Kanalki

Kanalki lies in one of the the ward no. of Kathmandu metropolitan city out of 35. It is ward no. 14 boarderd by Bagmati in east, Tinthana VDC in west, ward no. 13 and Karkhushi in north and Kirtipur municipality in south. Its area in 418.2 hector and population is 33873 (17706 male and 16167 female) living in 6,461 households. It's all area is covered by business and residential area. It has 80.3 km road including 13.92 km. pitch road, 9.20 km. gravel roads and 7.72 km raw roads.²⁶

In ward no. 14, 80% electricity, 30% drinking water. 40% telephone and 75% toilet facilities are available respectively. The education status is also better. There are 4 pre-primary, 7 primaries (inc. private boarding), 4 lower secondary (inc. private boarding), 19 secondary (inc. private boarding) and 2 campuses (inc. private) in ward no. 14.²⁷

The health condition is also better. There are 3 nursing homes and 2 health center and so many clinics in ward no. 14, Kalanki.²⁸

There is 1 livestock market. There are 100 of traders and 22 meat shops in ward no. 14 Kalanki. The livestock market is called Nepal Chaupaya Kharid Bikri Sahakari Sanstha (NCKBSSL) Ltd., which is located in the river side of Balkhu Khola. Its land area is 10 Ropani where it has 150-200 of he-goats keeping capacity. Those goats/he-goats are supplied in Kathmandu valley area and imported mainly from India and collected from different district of Nepal nominaliy. About 100 goats/he-goats are sold daily.

²⁶ District Livestock Sefvice Office, Annual Report 2063/64. (Kathmandu:2064) 6

²⁷ Kathmandu Metropolitan City, Kathmandu Valley Mapping Program. Ward Profile, (Kathmandu: 2058) 14 - 1

²⁸ Kathmandu Metropolitan City, Kathmandu Valley Mapping Program. Ward Profile, (Kathmandu: 2058) 14 - 2

2.5.2 Balambu VDC

Balambu is one of the famous village development committee of Kathmandu district. It is situated in the north east part and 5 km far from the Kathmandu metropolitan city. It is bordered by Naikap and Satungal VDC in East, Dahachok and Thankot Mahadevsthan VDC in West, Ramkot VDC in North and Matatirtha and Thankot VDC in South. Land is the most important natural resource where more than 80% of population is engaged in agriculture only a few are engaged in non agricultural activities.

Total population of Balambu is 5,164 out of which more than 50% is female. Total house of this VDC are 1124 and average size of the family is 7% person. The major cast living in this VDC are Newar, Brahmin, Chhetri, Tamang, Magar etc.

Balambu VDC is one of the beautiful VDC among 57 VDCs of Kathmandu district. People from different tribes have different type of lifestyle nevertheless. The lifestyle of the Newars has great influence on others. Till now there is an existence of joint family system in this VDC. where father is the chief of the family. As far the costume of inhabitants of this VDC is concerned, the male wear Daura Suruwal, Coat and Nepali cap while the females wear blouse and sari. Nepali is a common language among the people.

Around 80% the people are invloved in agriculture and rest of the population engage in business, service and so on. Because of the presence of relatively fertile land. All type of crops are availabel in this VDC. The main crops cultivated in Balambu are rice, wheat, maize, mustard etc. Vegetables like radish, cauliflower, brinjal, peas etc are also grown here.

The education status is better where 60% of the people are literate. There are 1 (govt.) primary school, 1 lower secondary school (private boarding) and 2 secondary schools (inc. private) in Balambu

VDC. There is 1 sub health post and 4 private clinics and 1 additional post office in Balambu VDC.

The road facility is about 10km roads in Balambu VDC. There is 25 public drinking water tap and no provision of drinking water supply from govt. and 60% toilet facility is available.

There are 6 meat shops and one he-buffalo livestock market where about 100 traders trade. This market is located in ward no. 3 (ka) and covers 30 Ropani land area. One branch of Nepal Chaupaya Kharid Bikri Sahakari Sanstha Limited Kalanki operates here and he-buffalo are supplied in Kathmandu valley that are imported mostly from India and collected from different districts of Nepal though nominal in number. Now a days about 150-200 buffalos and 20-25 he-goats are sold daily.

2.6 Introduction to Market Price Determination

The interaction of buyers and sellers establishes market. It is important to distinguish between a market place and a market. The market is a physical facility where buyers and sellers can come together. A market-the interaction between buyers and sellers of a good or service can occur to any no. of locations or simple over the telephone. Frequently a regional market is composed of numerous smaller interrelated markets. No buyer or seller can influence the price in the market by his or her actions. Both buyers and sellers are price takers. The only decision the buyers & sellers make is whether or not to trade at a given price. The shopper at a typical supermarket is an example of a buyer so insignificant relative to the total size of the market that alone his actions can not influence price levels.

The interaction of demand and supply is fundamental to process of price determination and market clearing. So long as a perfectly competitive market is allowed to operate with no external controls and to regulation

on trading, the market price will adjust so as to clear the market of goods by the quantity demanded with the quantity supplied.

"The schedule of quantities that buyers are willing to purchase at a specified series of prices in a given market at a given time" is defined as demand. The most important factors of this definition are that demand is relationship between quantities and prices. It shows how much buyers are willing to purchase at various prices whether or not those prices are actually observed in the market.

The schedules of quantities that sellers are willing to offer at a specified series of prices in a given market at a given time, is called supply. Notice that this definition is identical to that of demand except that supply is relationship between prices and quantities that sellers are willing to offer. As the case with demand it is important to distinguish between supply and quantity supplied.

Thus the direction of causality for price determination in a free, competitive market will always be. **Exhibit-1.**

The direction of causality will never be reversed. As shown in exhibit-1 market are the dog and price is the tail just as always follows the dog, price always follow the market. And just as the tail never pushes the dog, product price changes never cause change in the supply or demand and of that product.

2.7 Asian Experience with Livestock Development

Experience in Asia indicates that economic development is accompanied by a significant change in consumption patterns which

affect individual farming. Household's growth of income and urbanization has resulted in rising demand for animal products. When economic growth has been sustained over a period of time the rate of growth in consumption of animal products has outstripped the rate of population growth. Income elasticities of demand for animal products in Asia are high by world standards and are higher than for staple cereal crops. The patterns that have developed are relatively consistent in their sequence but are influenced by cultural factors which affect the rate of change. It is also significant that increased consumption of animal protein has been in the form of dairy product, non-ruminant meat and imports. Animal products from those sources have been able to respond rapidly to growing demand. By comparison, the contribution of large ruminants to meat consumption has tended to remain constant or decline. This pattern applies especially in Southeast Asia but is also evident in neighboring India and Pakistan. For example in Korea the contribution of Livestock to GDP went from 5.4% in 1961 to 15.4% in 1973 and in Taiwan the share of Livestock in total agricultural production went from 18% in the 1952-56 the share of crops declined from 66.5% to 47.6%. It is significant to note that there tends to be a correlation between rising incomes, the level of education and the standard of transport and communication infrastructure.

2.8 The Livestock Sector

Livestock population in relation to arable land and animals per person are large by Asian standards with approximately 6.2 million cattle, 3.1 million buffaloes, 5.4 million goats, 0.9 million sheep, 0.6 million pigs, 13.5 million fowl and 0.4 million ducks. The immense biological diversity of Nepal also sustains a wide range of wildlife including a no. of endangered species and in place wildlife and livestock compete for use of the same land. Livestock are an integral part of agricultural production system, being kept principally for their manure. For croplands and providing almost all of the draft power used in

cultivation. This contribution together with production of food (meat, milk and eggs), fiber, hides/skins and transportation amounts to about 15% of GDP (30% of AGDP). The majority of farmed animals are owned by smallholders, who are scattered throughout Nepal wherever arable land can be found. Almost all rural households keeps several types of Livestock, the numbers and type depend upon factors such as size of landholding, level of wealth, ethnic group, agro-ecological zone and access to markets.

Most Livestock products are consumed on the farmer's family or on the immediate community, so that accurate estimates of animal production enters the formal processing or marketing chain. Meat production is predominantly from buffaloes and goats (slaughter of cattle is prohibited by law and religious custom) although poultry is becoming increasingly common in urban areas. Consumption of meat, variously estimated at between 4.0 and 8.1 kg. per year is low by Asian Standards. Live animals are important for religious sacrifice, especially during the major Hindu festival of Dashain.

Domestic trade in live animals and livestock food products is focused on the major urban centers of the Kathmandu valley and the Terai where purchasing power is greatest. External trade involving live animal, and to a lesser extent livestock products, is dominated by India. The exception is the production of hand knotted carpets from wool which has become Nepal's most significant single export, with earnings derived in the main from Europe. Lack of product standards and grading, poor quality control and lack of internationally competitive processing facilities are the major problems relating to this field.

2.9 Institutional Support

Govt policies are supportive of livestock development but services, through wide spread, have had limited impact at field level, mainly because of a lack of resources. District Agricultural Development Office provides services and materials in animal health, breed

improvement, animal nutrition, extensive and training nationwide. These activities are supported usually on a geographical basis through donor assisted special purpose project such as the ADB financed second livestock development project and those integrated rural development projects which includes a livestock development components. The activities of other govt. gencies such as the Dept of forestry which is responsible for the management of public forest and rangelands, also, impinge on the management and development of the livestock sector. There are many non-govt institutions whose activities affect livestock and rural development.

Commercial private enterprise is confined mainly in trading of the animal and animal products and agro-processing which includes dairy processing, slaughter and sale of meat, tanning of hides and skins and weaving and export of hand knotted carpets. Private sector investment has most obvious in areas where there are strong linkages between prevention and the market place, such as in the development of urban oriented commercial poultry industry.

2.10 Livestock Development Activities

Sustainable govt. investment has been made in livestock development. Over the past 20 years the total value of bilateral and multilateral assistance for project with a livestock component is in excess of US 247 million while approximately 15 directly related livestock project have a combined value of US 50 million. The major investments have been made under two ADB assisted project, the 1st and 2nd livestock development project, which together amounted to US \$ 32 million. Through these investments govt. has established a country wide network of facilities and staff (Including livestock centres and sub centres, veterinary clinic, livestock farms, and farmer training centers). It is notable that almost all major investment in the sector has been donor funded and public sector operated (especially dairy processing,

animal health support facilities, farmer training, research and extension).

The impact of this government investment has been variable. Effects to improve animal health services have been successful in localized areas. Breed improvement programs based on distribution of improved animal and artificial insemination have not been linked to supporting program aimed at improved animal health and husbandry. A large proportion of livestock research has been of little relevance to farmers since insufficient attention has been paid to farmers problems in the design of research programmes. Nevertheless, in other areas numbers of major successes have been achieved.

Some NGO's have had considerable impact in mobilizing farmers and improving their livestock. Farmers have demonstrated their willingness and ability to seize commercial opportunities when these become available.

2.11 Ownership of the Livestock Markets

Most of the markets were owned by the municipality town development committee or village development committee. There are few markets that are owned by private individuals. If the ownership was by the VDC a contractor was chosen to operate the market. A tender process was used to select the individuals and establish a set annual fee. The annual fees, for the markets visited, range from Nrs. 74000 to Nrs. 257,000. One animal can be sold several times during the course of the market day resulting in multiple fees to the contractor from one animal.²⁹

In most markets water and shade for livestock and traders is limited or non-existent. During the hot season, animals could go for long periods without watering. During the monsoon season traders complained that

²⁹ Ministry of agriculture, Dept. of Livestock, Livestock Marketing in Nepal, (Lalitpur: Oct 1999) 8.

markets are too muddy.³⁰ Many ancillary activities take place besides the exchange of livestock.

2.12 Marketing Patterns and Flows

A. Buffalo

Eastern Zone

There are more organized markets located in the eastern zone because of the concentration of buffalo on both sides of the boarder, the buffalo markets are, Damak, Belbari, Dhulabari(Jhapa), Dohomana (Morang), Madhuban (Sunsari), Bangamakti and Badebarsain (Saptari). Buffalo are transported to Hetauda, Kathmandu and Pokhara from eastern zone and to Naxalbari in India.

There are many entry points along the boarder side into the eastern zone. Buffaloes are primarily transported by trucks. Most of the buffaloes transported are males because of the harassment received for shipping female buffaloes for slaughter. The major season for the supply of meat buffaloes in the eastern markets is from December to May before the onset of the monsoon in June.

Central Zone

The key markets for buffalo in this zone are Jitpur, Sakhuwa, and Barthwa. Buffaloes in these markets are traded from both Nepal & India. The volume of buffalo entering this zone is 2nd in volume to the western zone.

Large no. of buffalos are going both to the east (Kakarvitta) and to west from this market. Buffaloes are destined for Jitpur, Kathmandu, Pokhara and Narayangrah in the west. In Jitpur the

³⁰ Ibid p. 9

animals would be sold and may again move to Kathmandu, Hetauda, Banepa and Pokhara.

Western Zone

These key markets in this zone are Jamunia and Parasi in Nawalparasi district and Ramumapur near Nepalgunj and Jhapuwabagiya near Gularia in Bardiya district. In Kapilvastu there are three markets. Bahadurgunj and Sivapur next. There is one holding ground for buffaloes going to Kathmandu at the junction of the highway leading to Nepalgunj.

Kathmandu.

There are many buffalo holding markets area in KTM valley (Balambu, Dhumbarahi, Satbdobato, Kirtipur, Swoyambhu, Thimi, Bhaktapur, Kankeswori, Boudha, Dallu and Thankot). Most buffaloes transported to Kalanki market from Jamunia in the western zone arrive on a Wednesday, and the no. of trucks average 12 to 13. From Nepalgunj 3 to 4 trucks arrive on Monday and Friday. The number of large buffaloes per truck ranges forms 18 to 20 head. The animals stay for 3 to 4 days and then are slaughtered. The fees to enter these holding grounds average Nr. 35/ head for large animals and Nrs. 25/ head for buffalo calves.

B. Goats

Eastern Zone

In this zone the key goat markets for goats are Bailbas (Sunsari), Belbari, Dhulabari, Sanischare, Damak (Jhapa), Dohoman (Mornag) and Lahan Siraha. Lahan market is one of the most important in terms of volume and importance of supply to Kathmandu and Pokhara.

Animals are bought to these markets by producers or by traders who have purchased animals in the village or from producers traveling to the market. While in the market goats may be sold several times on a given market day. It is estimated that Lahan supplies 600-700 goats per week to other markets.

In the mid-hills districts like Ilam, goats are transported by bus to market in the Terai. From these markets goats move either west to urban centers in the Terai, like to Janakpur or to larger urban centres such as Kathmandu and Pokhara. Goats also flow east to Kakarvitta and to India. A primary destination in India for goats is Siliguri. Goats from Lahan are reported to move east to Siliguri and west to Birgunj and Kathmandu.

Central Zone

In the central zone, the key goat markets are Thori (Parsa), Sakhuwa, Dhanusha Lalbandi, Hariwan (Sarlahi) and Kalaiya (Bara). The main sources of these goats are from the transition area north of east-west highway where there are pockets of goats and from India.

Large no. of goats move from Sarlahi market to Kathmandu and Pokhara, but also to the east to Kakarvitta and into India. It was reported that the Kalaiya market is reported to transport 50 goats each week into Kathmandu valley.

Goat originality in sitamadhi, India are transported through market in Sarlahi district to Kathmandu. The estimate is 300 to 400 goats per week to Kathmandu.

Western Zone

So a, largest volume of goats from India enter the western zone. The volume is over 3 times the amount in the other 2 zones combined. These goats do not enter Terai market but rather are

trucked directly to market in the hill district, particularly Kathmandu.

The western zone does not have large, organized goats market of the no. and size in the east are and central zone. Goats are typically bought by traders in the district in the western zone. Traders travel in their selected areas among the district and transit though Butwal either north to Tansen, Syangja and Pokhara or east to Kathmandu valley. Large herds of goats were seen in Dang district where the drier climate and available grazing areas are suitable to goats. It was reported that 100-150 goats per week from Dang district are taken by traders to Butwal, Tansen, Syangja and Pokhara. During Dashain festival period the number can increase five fold.

The Major entry points for Indian goats are reported to be through Bhairahawa and Nepalgunj. The sources of these goats are from several large markets in India. The kalpi market is 200 km from Nepalgunj and to be the largest goat market in India with over 20,000 goats on a market day. Bareilly in U.P. and Jashnagar in Rajasthan are also important sources of goats. There is a recognized goat production belt in India west of Lucknow, which supplies Jamunapari goats to Nepal.

The major flow of Indian goats to the western zone is during July to October including the period of the Dashain festival.

Northern Zone

The northern zone comprises the district bordering or near Tibet. These districts consume larger amount of sheep than goats Tibetan goats are highly regarded by the Nepalese for their unique taste of the meat.

Tibetan goats and sheep are mainly trekked into Nepal during the month of August to December. This period conveniently coincides with the Dashain festival season. The market period can be

shortened if early snows occur in the mountain passes between Tibet and Nepal.

A second reported entry point is near Gyala Bhanjyang crossing point in the northeast corner of Gorkha district. Animals are trekked into Lamjung district and consumed within the district. The final destination point was started to be Besisahar.

In Mustang district there are two entry points reported. One entry is at the crossing point of Parheka Bhanjyang and next is to be reported Chunphula Bhanjyang to the area known as Lomanthang. There are reported to be 10-15 major traders in Mustang Primarily of Thakali caste.

Another entry point reported is from the west. Several thousand Chyangra (Kashmire) goats move each year across the Tibet-Nepal boarder into Mugu district.

Another heavy concentration of these goats mingle with Nepalese goats and move into the western part of Baglung district and move southeast to Tamghas in Gulmi and finally to Tansen. Tansen seems the southerly most destinations for Tibetan livestock.

The final reported entry point of Tibetan goats & sheep are in the Darchula district in the far western development region. Animals are trekked south on traditional trek routes.

Pokhara and Kathmandu Valley

Two major terminal markets for goats are Pokhara & Kathmandu valley. It is reported that Pokhara receives 2 trucks of goats per week for an estimated total of 350 goats. The goats arrive at 7 holding areas on the main road into the city. The majority of these goats are from India via Nepalgunj with fewer goats arriving during the monsoon season. The main sources of goats into this market were reported from Lahan (Sarlahi), Sakhuwa (Dhanusha),

Hariwon (Sarlahi) and Katari (Udayapur) and from India through Nepalgunj (Banke), Krishnanagar (Kapilvastu) and Bhairahawa (Rupandehi). Most animals arrive by bus from the Nepal markets and by double decker trucks from India. Surket and Lamahi in Dang district in the western zone are sources of goats to Pokhara.

In Kathmandu valley there are two goat markets; the largest is at Balkhu and is operated by a private co-operative is called Nepal Chaupaya Kharid Bikri Sahakari Sangstha Ltd. The land is owned by a separate private individual. There are limited shade facilities for animals. Some new shades are used to hold animals overnight. During Dashain there will be 1000 goats in the holding area and 300-400 head are sold daily.

The composition of goat is 70-75% from India and 25-30% from Nepal. 80% are castrated males, 17% intact males and 2-3% females. Indian goats (Jamunapari and Barberi) have a live-weight of 25-40 kg compared to the Terai and hill goats of Nepalese origin that are slightly smaller in size and weight. Most of the intact male goats in the market are for religious sacrifice and are of a younger age (6-12 months).

2.13 An Overview of Co-operation & Co-operatives

Co-operation is one of the "economic miracles of the last century."³¹ It is a form of economic organization based on certain higher values. It is a voluntary and democratic association of human beings, based on equality (of control and opportunity) and equity (distribution) and mutuality for the promotion of their common interests as producers or consumers. It directly serves its members' interests, by meeting their needs, but does not earn profit for itself as an independent economic unit at their cost. Nor it is meant for earning profit from rendering services to others. It is just organized for the benefits of its members. It

³¹ O. R. Krishna Swami, Fundamentals of co-operatives (New Delhi: S. Chand & Company Ltd. Ramnagar 110055, 1978) 121.

is their organization, therefore the co-operative business is different from other concerns which are owned and run for the personal profits of their owners by rendering service to others.

Co-operation serves as an organizational instrument for the economically weaker producers- farmers, artisans or workers and consumers for strengthening themselves and protecting themselves against the exploitation by the stranger. When those economically weak persons are individually, they are exploited by the stranger eg. farmers are exploited by money lenders and merchants, workers by employers and consumers by traders. Co-operation helps these weaker persons to escape from such exploitation by enabling them to become their own lenders or merchants or employers or traders. It helps them to gain advantages of large scale operation while maintaining their independence. Co-operation thus provides for their own needs more economically and honourably.

When such persons with common needs aim at satisfying those needs through co-operation, they not only improve their economic conditions but also achieve a higher purpose. In working with others for the common goals man's highest qualities are enlisted and developed and in the employment of their qualities the man himself becomes a better man and the quality of the human race is improved. Thus a co-operation raises the people's standard and morally as well.

Co-operation as a form of organization has certain characteristics features which distinguish it from other forms of organization. These features are commonly described as the principles of co-operation. These principles are:

- 1) Voluntary and open membership
- 2) Democratic control
- 3) Limited interest on capital

- 4) Equitable distribution of surplus or patronage dividend
- 5) Co-operative education
- 6) Co-operation among co-operatives.

2.13.1 Membership

Membership in a co-operative is both open & voluntary. Open membership means that anyone who could be benefited by a co-operative is at liberty to gain it. It must be open to all to whom it can be of service. Voluntary membership means Joining without being coerced in anyway. Open membership is possible only when the membership is voluntary.

But there are certain natural and legitimate principles such as the principle of equity and distribution justice.

2.13.2 Democratic Control

Democracy is an important principle. It distinguishes co-operative business most sharply from capitalist business. Member of co-opetatie enjoy equal right of voting "one member one vote" and participation in decisions affecting it, irrespective of variation in the amounts of capital subscribed by them or of business done with it. This system eliminates the opportunity for any one member or small group to obtain control of the society by virtue of his or their shareholder's. That is, control by capital is eliminated and control is vested in members as human beings and not as contributors of capital.

2.13.3 Interest on Capital

Capital is as much necessary for a co-operative undertaking as for any other form of undertakings. But capital should be a servant and never be allowed to become a master. In a capitalistic enterprise, power and net surplus are distributed in proportion to capital and thus capital becomes a source of both power and profit. With these tentacles capital

dominates man and leads to unjust distribution of wealth. Co-operation, with a view to preserving man's dignity and independence has removed these tentacles of capital and treats it as a mere factor or wage earner and remunerates it by paying a fixed interest. The idea evoked by this principle is that capital should not be a source of profit.

2.13.4 Patronage Dividend

Co-operation aims at promoting members interest. So it can not earn profits from members. Hence it is expected to render service to members at the actual cost. But in practice difficulties arise in estimating overhead charges per unit accurately and consequently in calculating the cost price of a unit of goods handled or service rendered. So price is usually fixed by adding (deduction in a marketing co-operation) a margin to direct cost (market price in marketing co-operative) and thus member patron is over charged or under charged as the case may be and a surplus is allowed to accumulate. As this surplus arises out of patronage extended by member patrons, it belong to them and so it is returned to them as patronage dividend in the very same proportion in which they have contributed to it Viz. in proportion to their transactions with co-operative. This is equity or justice hence this method of distribution of surplus is also known as the principle of equity or distribution justice.

This principle is natural corollary to the egalitarian principle of open membership. In an egalitarian institution one member can not be allowed to gain at the expense of others. Therefore surplus is distributed among member patrons in proportion to their contribution to its production.

This principle eliminates profit and preserves the non-profit making character of co-operatives and as a result, co-operative shares do not appreciate in value.

However it is not obligatory to pay dividend out of surplus. Members may choose to use the surplus for the development of their co-operative or for common services. But if they decide to distribute it among themselves it should be distributed in proportion to their transactions with the co-operative.

2.13.5 Co-operative Education

Co-operative education makes possible the effective observation and application of all their principles. Co-operation requires of co-operators acceptance of new ideas, new standards of conduct new outlook and behavior based on higher values of life.

It is necessary to enable the individual to acquire the knowledge, develop the skills and master the social discipline necessary for successful co-operative action.

2.13.6 Co-operatives in Nepal

Nepal is a land of village where about 85% of the country's population resides. Majority of the people in rural areas are poor. So more attention has to be given on the development of rural areas. 65.5% of the country's economically active manpower is engaged in agriculture. The co-operatives societies are considered to be a crucial organizational input for agricultural development and rural upliftment. As such almost 50% co-operatives are of multipurpose type.³²

Co-operative movement in Nepal has completed decades with a large institutional framework and, large no. of members and staffs, vast area of operation and active state participation it has not achieved desired objectives till date.³³ Now it is high time to search for the answer to this situation. Co-operatives (previously sajha) got guardianship of Nepal Government, constitutional recognitions, good provision in

³² Dr. Bihari Binod Pokrel, "State Initiatives in the Management of Co-operative Societies in Nepal." Sahakari Sambat, Rastriya Sahakari Bikas Board, Pulchok Lalitpur, 2061, P. 25.

³³ Ibid P. 27

development plans formation of separate ministry, high level committees and commissions. National federation all could not provide a clear direction in making them financially viable institutions. So we can conclude state partnership and aid alone can not solve all the problems and bring positive results. Standing at this cross road, we must evaluate long co-operative movement in realistic term so that we may become capable to take co-operatives in right direction.

By this government has been actively participating in the development activities of the co-opetative, through the establishment of co-operative department since its inception in 1954. Though performance at co-operatives in Nepal seems not sati sfactoring it has created a 50 years history to this date. It has passed though many up and down to reach to the present stage. Various measures have been taken by government in respect of promotion and encouragement to co-operative movement in Nepal. The role of the government in relation to the co-operative development in Nepal can be broadly grouped under four categories.

- 1) Institutional arrangements
- 2) Legal assistance and protection
- 3) Financial and membership assistance
- 4) Moral support and other facilities

Nepalese co-operatives movement has passed through various changes and experiments. It has been observed that there is state participation in the capital structure of the co-opetative societies either through share subscription or through advancing loans besides imitations in its management aspect. So we have to agree, during all these 50 years of co-opetarives development at paternalistic attitude has been adopted by the state toward the co-operatives. The govt. should play the role of a friend philosopher and guide.³⁴

³⁴ Ibid P. 25

2.13.7 Co-operatives at Present³⁵

Today there are about eight thousand co-operative societies of different types functioning throughout the country which can be seen from the table below:

Type of Society	No.	Run by Woman	Total
Multipurpose	2810	222	3032
Saving & loan	2260	322	1584
Diary	1326	3	1329
Consumer	201	1	202
Others	465	30	495
Total	7064	578	7642

Source: Dept. of co-operatives, 2008.

The no. of societies of all kinds is at an increasing trend but so far the performance is concerned dairy and saving & credit societies are quite successful and popular. Some co-operative financing societies have insulted the movement due to lapse of effective monitoring and control system.

The registrar of the department of co-operatives has been armed with many powers under the co-operative and with objectives of directing and regulating the movement in the right direction.

The govt. has announced its commitment to the development of co-operative movement in Nepal in all of its development plans. In modern time government should nurse the co-operative in the universally

³⁵ Ibid P. 26

accepted sense of the term. But the political interests of those in power have tended to make use of the co-operative to subserve the narrow political self interest.

2.13.8 Policies and Work Plan³⁶

To expand agricultural and livestock markets, the construction of infrastructure like agricultural road, suspension bridges, pulling & gravitating ropeway etc. will be made on the basis of local participation. Agricultural market information system agro will be developed through the local co-operatives. The construction of wholesale market, weekly market and its collection centers and the establishment of cold stores and its management will be promoted.

2.14 Introduction of Profit Planning and Control

PPC is one of the most important management tools used to plan business operation. The effective operation of a business concern resulting into the excess of income over expenditure fully depends upon as to what extent the management follows proper planning and co-ordination.

The term comprehensive profit planning and control is defined as a systematic and formalized approach for performing significant phase of the management planning and control functions. Especially it involves.³⁷

- a) The development and application of broad and long range objective for the enterprise.
- b) The specification of enterprise goal.
- c) A long-range profit plan developed in broad terms.

³⁶ 10th plan 2002-2012 HMG National Planning Commission Nepal P. 144

³⁷ Glen A Welsch, Roanld W Hilton and Paul N Gorden, Budgeting Profit Planning and Control 5th Edition (New Delhi: Prentice Hall of India Pvt. Ltd, 1986) op. cit P. 1

- d) A short-range profit plan detailed by assigned responsibilities (divisions, products, projects etc.)
- e) Systematic periodic performance reports detailed by assigned responsibilities.
- f) Follow-up procedures.

Profit planning is a comprehensive statement of intentions expressed in financial terms for the operation of the firm for both short and long period. It is the plan of the firms' expectation and is used as a basis for measuring the actual performance of managers and their units. A profit plan is of immense value to management. It helps in planning and co-operation if used appropriately but not as a replacement for management.

Change and regulation are bound to occur, it is vital that they should be recognized early and encourage for appropriate adjustments to be made. There is more over, considerable advantages to be gained if changes be made in advance to deal with them. The profit planning system has accordingly found particularly suitable instrument for the practical exercise of this for thought and planning.³⁸

Profit planning represents an overall plan of operations. It covers a definite period of time and formulates the planning decision of management; it consists of three main budgets:

- a) Operating budgets: - It covers revenues and expenses. The main budgets under operating budget are sales budget, purchase budget, production budget, labour budget and other different budgets.
- b) Financial Budget: - It contains the budget, the balance sheet and supporting schedule.

³⁸ Glen A Welsch, Roanld W Hilton and Paul N Gorden, Budgeting Profit Planning and Control 5th Edition (New Delhi: Prentice Hall of India Pvt. Ltd, 1986) 34.

- c) **Appropriation Budget:** - It covers expenditure on advertising and research because of containing different budgets under profit planning and control. We can say, it is a formal expression of the policies, plans, objectives and goals established by management for the concern as a whole for each division.

A budget is a quantitative expression of plan of action relating to the forthcoming period. It represents a written operational plan of management and covers the area of revenue and expenditure for the budget period. It is the standards to be followed during the budget period for attainment of specified organizational objectives. The main objectives of budgeting is to present the future forecasting, numerically expressed in appropriate format so as to attain proper control in profits and on costs. In budgeting all function and activities of the business are carefully interlocked.

The terms 'profit planning' and 'budgeting' are often used interchangeably. In the broadest sense profit planning may refer to the comprehensive model that facilitate management planning process where as budgeting refers to quantitative expression of future course of actions.

It is a modern concept of management planning, a tool designed primarily for industrial enterprises. It involves study of what a business cost and expenses should be and will be at different levels of operations and it includes a study of the result and effect upon profit due to this changing relationship between volume and cost.

Typical profit plans follow the format of the internal accounting reports to operations, inputs, outputs and financial position and in the entity for monthly reporting to the management.

2.14.1 Fundamentals of Profit Planning and Control.

The fundamental concept of profit planning and control includes the underlying activities or tasks that most generally be carried out to attain

maximum usefulness from PPC. These fundamentals have never been fully codified.

The fundamentals are concerned with the effective application of the theory at management process desirable management orientations, activities & approaches are necessary for proficient and sophisticated application of comprehensive profit planning and control process.

An outline of the fundamentals concepts of profit planning and control are as follows:-

- 1) Management process
- 2) Planning process
- 3) Strategic profit plan
- 4) Tactical profit plan
- 5) Control process
- 6) Responsibility accounting system
- 7) Managerial commitments
- 8) Organization adaptation
- 9) Full communication
- 10) Co-ordination
- 11) Realistic expectation
- 12) Flexible application

2.14.2. Management Process

The management of an enterprise requires the continuing performance of certain managerial responsibilities. These responsibilities collectively are often called the function of management. Although their designations vary, they may

be planning, organizing, staffing, leading and controlling for the purpose of profit planning and control. These functions of management collectively constitute the management process because they are concurrently and continuously being performed in managing an enterprise. The management process has sequential linkages and feedback. Exhibit-1 shows the sequential linkages from planning to controlling and the continuous feedback from controlling, organizing, staffing, leading and controlling to planning. To plan-continuous feedback is essential for improving performance and for planning.

Exhibit - 2

Exhibits-1 shows that, planning is the first and starting function of management process. "Planning is a technique where the use of pattern of resource is carried out." It is the process of developing enterprise objectives and selecting a future course of action to accomplish them.

Organizing is the second function of the management process by which employees and their jobs are related to each other to accomplish enterprise objectives. It consists of dividing work among groups and individuals and co-ordinating the individuals' group activities. It also involves establishing management authority.

Staffing is the process of assuring that competent employees are selected, developed and rewarded for accomplishing enterprise objectives. It is the process by which management attempts to obtain

the enterprise's objectives through employees' efforts. It also includes establishing a work climate in which employees are satisfied.

Likewise leading and interpersonal influence is the fourth function of management process and is also called directing. It is the process of motivating individuals (peers, superiors, subordinates) or groups to assist willingly and harmoniously in accomplishing enterprise objectives.

Controlling is the last function of the management process. It measures or evaluates and corrects performance of an enterprise to achieve planned targets.

2.14.3. Planning Process.

Planning is the basic foundation of profit planning & control. Planning is the first and forward process to reduce uncertainty about future. The planning process is based on the conviction that management can plan its objectives, conditions and that state of the enterprise that determines its destiny.³⁹

The development of enterprise objectives in the most fundamental level of decision making in the planning process, Objectives states the desired broad long range future state of the enterprise responsibilities. Objective expresses the desired future state and the end result of entity activities.⁴⁰

The next planning level is known as goals, which represents the broad objectives brought into sharper focus by explicitly specifying time dimensions of attainment, quantitative measurements and subdivision of responsibilities.⁴¹

³⁹ I. M Pandey, Financial Management, 4th edition (Vikas Publishing House Pvt. Ltd., 1992.) 554.

⁴⁰ Ibid, P. 34

⁴¹ Ibid, P. 35

For the attainment of enterprise objectives and specified goals, management must develop strategies. It specifies the 'how'; the detail plan of are to be used in pursuing the goal operationally eg. a company may include expanding the current sales territory reducing the selling price to attract higher volume, increasing the advertising and financing the expansion with debt rather than equity.⁴²

Finally, the most detailed level of planning occurs when management operationlizes the objectives, goals and strategies already established by incorporating them into the profit plan.

2.14.4. Strategic Profit Plan

Strategic profit plan is also known as long range profit plan. A long range profit plan is one that attempts to forecast conditions for a considerable future period. It is broad and it encompasses three or more years in the future. It is closely concerned with the concept of the corporation as a long living institution.

The main purposes of long range planning are:⁴³

- a) To provide a clear picture of how the company is handled.
- b) To keep enterprises in strong position.
- c) For focusing on long term opportunities.
- d) For evaluating management personnel.
- e) To expedite new financing.
- f) For bring attention to new techniques etc.

⁴² Ibid, P. 35

⁴³ Rewanta Dahal 'A Case Study of profit Planning and Control of Manufacturing Public Enterprises in Nepal With Special Refrences to Royal Drugs Limited ', Faculty of Management, Nepal Commerce Campus, T.U. 2001. Page 66&67.

2.14.5. Tactical Profit Plan

Tactical profit plan is also known as short range profit plan. 'It is detailed and encompasses a one year time horizon the upcoming year.'⁴⁴

Management used it as a part of long range & medium range planning. It involves directing the organization activities to achieve overall strategic objectives consistent with the organization mission, purpose and policies. It consists of a detail plan for each product, department, specific period, material labour etc. It is developed in terms of physical units as well as amount.

2.14.6. Control Process

The primary purpose of control is to ensure attainment of the objectives, goals and standards of the enterprise. Comprehensive profit planning and control focuses on performance reporting and evaluation of performance to determine the cause of both high and low performances.

Performance reporting is used as important part of a comprehensive profit planning and control system. Performance reports are usually prepared on a periodic basis (daily, weekly, monthly, and yearly) and follow a standardized format from period to period. Fundamentally, the report actual reports compared with goals and budget plans and they identify problems that require special reports instance these reports are designed to point both efficient and inefficient performance.⁴⁵

Control induces the measurement of performances by using actual remedies provided by the accounting system. This system also provides the historical data for planning. Accounting system must be designed by assigned authority and responsibility.

⁴⁴ Glen A Welsh, Budgeting: Profit Planning and Control opcit P. 34

⁴⁵ Ibid, P. 40

2.14.7 Responsibility Accounting

Most of accounting system must be designed to provide financial information separately for each organization. This is called responsibility accounting. In profit planning, responsibility accounting system is tailored to organizational responsibilities.

The relevant parameter of cost and revenue and other financial data should be utilized for preparing plan. The parameter for planning purpose are not used in accounting system and are not used for costing purpose by comparing it with planning goal which will not be effective. So for evaluation purpose and for accounting purpose each of the responsibility center have to prepare chart used for planning purpose and have to supply it with instruction to respective unit then only the main objective of the responsibility accounting can be fulfilled.⁴⁶

2.14.8 Management Commitment

Management commitment is concerned with the participation of all level managers for effective management in the entity. Especially top level management involves itself to comprehensive profit planning and control program. But now a day's lower level manager and staff are also included in the direct participation on the program. But one should not forget the fact that the ultimate decision should come from the top level management. So it includes managerial support, confidence and participation and performance orientation.

2.14.9 Organizational Adaptation

It is concerned with the organization structure that clearly specific assignments of management authority and responsibility at all organization levels. The purpose of organizational structure and the assignment of authority are to establish a framework within which

⁴⁶ Ibid, P. 35

enterprise objectives may be attained in a co-ordinated and effective way on account of chain. Sometimes indirect relationship of responsibility also plays great role in an organization for easy and effective control.

To increase managerial and operational efficiency, practically all enterprises should be structurally classified into organizational sub units. These sub units are often referred to as decision centers and responsibility centers. A company as a whole is a responsibility center as each division, department and sales district. Responsibility centers are further classified in cost center, revenue center, profit center and investment center. A comprehensive profit planning and control program must be tailored to the organizational sub units and related to the structural characteristics of the enterprise. Generally, the project plans the strategic long range plans tactical short range profit plan are structured first by organizational activities and responsibilities and by product or service lines.

In sum the structure or profit plan must follow organizational subdivisions or responsibilities. Responsibility system must be adapted to specific organizational needs.

2.14.10 Full Communication

Comprehensive profit planning and control rests upon a sound foundation of communication. Fundamentally these are related to the process of developing enterprise objectives, setting goals the development of profit plans and the reporting and follow up activities related to performance for each responsibility center.⁴⁷

⁴⁷ Dahal Rewanta 'A Case Study of profit Planning and Control of Manufacturing Public Enterprises in Nepal With Special References to Royal Drugs Limited ', Faculty of Management, Nepal Commerce Campus, T.U. 2001. Page 38.

2.14.11 Co-ordination

It is viewed as effect that ensures when managerial functions of planning, organizing, staffing, directing and controlling are accomplished. In comprehensive profit planning this effort is directed toward the enterprise objective. It is of the major task of management because it involves reconciliation of differences in effort, timing, policies, and allocation of resources.

2.14.12 Realistic Expectation

Before preparing comprehensive PPC program, management has to take a good care about the level of goals or objectives which are to be determined at near future. For budgeting purpose also, over and under estimation of the budget is one unit to have negative effect on other realistic expectation if needed. Because both where ultimately destroy whole planning of the enterprise.⁴⁸

2.14.13 Flexible Application

Any techniques of management must be flexible or rigid for the best utilization of resources and for the fulfillment of planned objectives. Flexible applications of PPC can be able only to utilize the resources in the most effective way and earn satisfactory return on investment. Unlike budgets which impose rigidity on any activity and puts constraint on the decision making freedom to all managers. This is possible in profit planning because in the course of preparation PPC program all level of manages are involved.⁴⁹

2.14.14 Planning and Budgeting

Planning is the basic management function. The budget is detailed quantitative expression of management's plans for the near term future. The timing and volume of sales indicated by the sales

⁴⁸ Ibid, P. 38

⁴⁹ Ibid, P. 39

forecast will establish the basis for the dedicated planning of production following the production schedule, the detailed plans for material usage and purchased and operating expenses in currency and levels inventory are derived in an appropriated sequence.

The detailed budget schedule provides the basis for the projection of planned result in the form of financial statement and budget of cash flow. The later is not one of the conventional financial statements, but it provides some of most sensitive information lights the patterns of short term cash folws in the business during the period ahead.

Planning and budgeting are the basis of management and are closely interlinked. Comprehensive budgeting includes planning how and when to translate the ultimate objective into action appraising the performance and reporting.

A budget is quantitative expression of a plan of action and aid to co-ordination and implements actions.⁵⁰ It is a written plan for the future. A firm without financial goal may find it difficult to make proper decision. A firm with specific goals is the form of a budget makes much decision ahead of time. Budget may be formulated for the organization as a whole or for any sub unit. A budget helps to motivate employees to do a good job and this is particularly true when employees help in setting up the budget.

2.14.15 Components of Profit Planning

The components of a profit planning control are as follows:

- A. The substantive Plan
 - Broad objectives of the enterprises
 - Specific enterprise goals

⁵⁰ Ram Bahadur Ghale, 'A case study on profit planning and control in Agro lime industry', Faculty of Management, Nepal Commerce Campus Minvawan. 2002 (MBA), Page 4.

- Enterprise strategies
- Executive management planning instructions

B. The Financial Plan

1. Strategic long range profit plan
 - Sales, costs and profit projections
 - Major projects and capital additions
 - Cash flow and financing
 - Personnel requirements

3. Tactical short range (annual) profit plan

a) Operating plan: planned income statement:

1. Sales plan

- Production (or merchandise purchase) plan
- Raw material uses and purchase plan
- Manufacturing expenses plan
- Administrative expenses budget
- Distribution expenses budget
- Appropriation type budget (e.g. research and development, promotion, advertising etc.)

b) Financial position plan

- Financial balance sheet: Assets liabilities, owners' equity & debts.

c) Cash flow plan

2. Variable expenses budget.

3. Supplementary data eg. CVP analysis, ratio analysis and analysis of budget variances).
4. Performance report each month and as needed.
5. Follow up, corrective action and re-planning reports.

The above components are somewhat consistent with the phases of PPC process.

The substantive is covered by the broad objectives, strategies, specific plans and programs of the organization and the concurrent commitment of management to long range accomplishment of these objectives and plans. The substantive plan may be characterized as the 'prose part' of the plan rather than the 'number part' of the plan. It gives the foundation for the financial plan. In contrast the financial plan quantifies the planned financial result of implementing managerial objectives, planned strategies, plans and policies.⁵¹

2.14.16 Budgeting as tool of Profit Planning

Budget as tool of planning and control is closely related to the broader system of planning and control in an organization. Planning involves the specification of the basic objectives that will guide it. In operational terms it involves the step of setting objective, specifying goals, formulating strategies and expressing budgets. A budget is a comprehensive and co-ordinated plan expressed in financial terms, for the operations and resource of an enterprise for some specific period in future.⁵²

Budget is an instrument of profit planning and physical and financial controls. It has long been recognized as the accepted procedure for profit planning. A budget imposes operational standard with

⁵¹ Glen A Welsch, Ronald W Hilton and Paul N Gordon, Budgeting Profit Planning and Control 5th Edition (New Delhi: Prentice Hall of India Pvt. Ltd, 1986) 40.

⁵² M.Y Khan and P.K. Jain, Management Accounting (MC Graw Hills Publishing Co. Ltd. India Pvt. Ltd.,2000) 296

accountability for performance and it must be set with those objectives in view. Therefore the aim of every company should be to prepare its budgets meticulously, systematically and factually and as instrument of management control. But one thing should be noted, 'The budget is an aid to management, not substitute for management.'⁵³

The essential features of a budget are:⁵⁴

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

Basic elements of budgeting are:⁵⁵

- a) Comprehensive and co-ordinate plan
- b) Expressed in financial term.
- c) Plan of the firms for operation & resources.
- d) Future plan for specified period.

2.14.17 Budgeting and Budgetary Control

Budgetary control is a system of controlling costs which includes the preparation of budgets, co-ordinating the departments and establishing the responsibilities, comparing actual performance with that budgeted and acting results to achieve maximum profitability.⁵⁶

⁵³ Richard M. Lynch and Robert W. Williamson, "Accounting Management" P. 148.

⁵⁴ Dahal Rewanta 'A Case Study of profit Planning and Control of Manufacturing Public Enterprises in Nepal With Special References to Royal Drugs Limited ', Faculty of Management, Nepal Commerce Campus, T.U. 2001. Page 51.

⁵⁵ Ibid, P. 51

⁵⁶ Jain and Narayan, (Cost accounting', revised edition) 158.

The term budgeting and budgetary controls are often used interchangeably to refer to a system of managerial control. Budgetary control implies the use of a comprehensive system of budgeting to aid management in carrying out its functions like planning, coordination and control. This budget is converted with policy making while budgetary control results from the implementation of the policy.

The essentials of budgetary control are:⁵⁷

- a) Establishment of budgets for each function and section of the organization.
- b) Continuous comparison of the actual performance with that of the budget so as to know the variations from budget and placing the responsibility of executives for or failure to achieve the desired result as given in the budget.
- c) Taking suitable remedial action to achieve the desired objective if there is variation of the actual performance from the budgeted performance.
- d) Revision of budgets in the light of changed circumstances.

2.14.18 Forecasting

Forecasting is an integral part of the decision making activities of the management. An organization establishes goals and objectives, seeks to predict the environmental factors and selects action that it hopes will result in attainment of goals and objectives. The need for forecasting is increasing as management attempts to decrease its dependence on chance and become more scientific in dealing with its environment. Since each area of organization is related to all others, a good or bad forecast can effect the entire organization.

⁵⁷ Ibid, P. 51

Planning and budgeting is not nearly forecasting although forecasts form the budgeting. Forecasting is the estimate of the future environment within which the company will operate. Budgeting or planning on the other hand involves the determination of what should be done how the goals may be reached and what individual or unit are to assume responsibility and be hold accountable.

Forecasting is indispensable in planning. Forecast is a statement of expected future conditions. Definite statement of what will happen are patently impossible. Expectations depend upon the assumptions that are plausible. The forecast has a better chance of being useful for budgeting. Assumptions and techniques vary with the kind of planning needed.

The short term forecasting is a prediction extending a maximum of 2 years into the future. The short term forecast of general business condition is important in deriving a short term sales forecast that is useful in making internal estimates of company operations, projections covering inventory positions, manufacturing expenses, selling and administrative expenses, gross margin, net earning and the cash position of the enterprises then reflect the most comprehensive internal data. Short run forecasting provides management rationally ordered information and a sounder base for decision making.

2.14.19 Areas of Profit Planning

For the development of sound planning, certain steps an enterprise should take to establish as the foundation.

- a) Top management commitment and understanding.
- b) Identification and evaluation of enterprises' characteristics and environmental factors, controllable and uncontrollable.
- c) Evaluation of organizational structure.

- d) Organization of accounting system in such a way that provided data should be particularly useful for planning.
- e) A policy determination must be made about the time dimensions to be used for profit planning purpose.
- f) A program of budgeting should be developed to inform management at the level about:
 - Purpose of program.
 - The manner in which it will operate, including the basic management policies and guidelines for its administration.
 - The responsibility of each level of management in the program and,
 - Ways in which the program can facilitate the performance of each manager's function.

2.14.20 Development of Profit Plan

Different plan have to be prepared for development of the profit plan. These plans differed from firm to firm as the nature of revenues and expenditure differs. Generally for manufacturing enterprises following plans are prepared:

- a) Sales plan
- b) Production plan
- c) Material usage and purchase plan
- d) Direct labor hour & cost plan
- e) Expenses plan
- f) Capital expenditure plan
- g) Cash flow plan

Development of these plan or budgets in completed with planned income statement and balance sheet. Other relevant on parts such as CVP analysis of budget variances, are integral part of PPC.⁵⁸

2.14.21 Sales Plan

The sales planning is the formation for PPC. It is the 1st plan or budget to be prepared. All other planning is based on it. Sales are the main sources of the revenues. The sales not only generate revenues but also incur selling cost. For this reason a comprehensive sales planning includes both revenues and selling cost components. This budget is a forecast of quantities and value of sales to be achieved in a budget period. Every effort should be made to ensure that its figures are as accurate and can be prepared showing sales under any one or combination of the following heading:

1. Prudent: – If companies produce more than one products then the estimates of sales of each product are presented.
2. Territory: - Under these headings geographical breakup of sales is given i.e. sales area wise or country wise.
3. Types of costumers: - A concern may have different types of customers like government departments, foreign companies and private companies.
4. Salesman: - presenting sales according to salesman may inhibit a relative veiw of sales performance of different representatives.
5. Month, quarter or week: - In order to determine trend it may be necessary to present sales according to month, quarter or week.

⁵⁸ Dahal Rewanta 'A Case Study of profit Planning and Control of Manufacturing Public Enterprises in Nepal With Special Refrences to Royal Drugs Limited ', Faculty of Management, Nepal Commerce Campus, T.U. 2001. Page 52.

2.14.22 Components of Sales Plan

Wlech, Hilton and Gordon have mentioned the following Four components needed for a comprehensive sales plan:

1. Management assumption and policies
2. Marketing plan (sales and service revenues).
3. Advertising and promotion polices.
4. Distribution (selling expenses) plan

2.14.23 Strategic Vs Tactical Sales Plan

A sales plan can be developed of two types in accordance with period. Those are long range or strategies planning for more then one year or less than one year in short or tactical planing.

Preparation of strategic planning is the 1st step of the overall planning. By grouping of products, new products and serviced. Analyses are made for future market potentials in details on the basis of population changes, state of economy, industry protection and company's objectives. Strategic planning affets on long term pricing policy, development of a new product, innovation of present product, new dimension in marketing efforts, expansion or changes in distribution channel and cost pattern.

The tactical sales plan is started only after the preparation of strategic sales plan. It includes a detail plan for each major product. It is developed in terms of physical units as well as in amount.

2.14.24 Material & Purchase Plan/Budget

A. Material Usage Budget

It shows estimated quantity as well as the cost of each type of direct material required for producing the no. of units in production budget.

It specifies quantities of each raw material by time, by product, and by using responsibility. Indirect materials are dealt with under the work overhead budget.

There are two states of preparing materials budget. First quantities of different types of direct material are estimated. 2nd price of each kind of direct material and component is found out to obtain cost of different types of materials and components consumed in production. It is necessary to know unit materials utilization rate for preparing material budget. The unit material rate is multiplied by no. for unit to be produced in order to determine the total unit of material required for estimated production.⁵⁹

The preparation of material budget includes:

- a) Preparation of estimated quantity of different types of raw materials.
- b) Producing or purchasing raw materials in required quantities at the required time.

Factors should be considered:

- Raw materials required for budgeted output.
- The percentage of raw material to total cost of products should be calculated on the basis of previous records on the basis of this percentage a total value of raw materials required for the budgeted output will be ascertained.
- Consideration must be given to the company's stock policy figures related to the anticipated raw material stock to be held at different time should be known.
- Consideration must be given to the time lag between the planning of the purchase of materials and the receipt of materials.

⁵⁹ V.K. Saxena and C.D. Vashist, Advanced Cost and Mgmt Accounting' (Sultan Chand sons & publication India, 2003) 12-13

- The seasonal nature in the availability of raw materials should be considered.

B. Material Purchase Budget

After the consideration of these factors, required units of material are equal to:

Production unit: -	xxx
(x) Required used rate for each product <u>x</u>	
Material usage unit	xxx
(+) Closing stock of material	<u>xxx</u>
Material available for production	xxx
(-) Opening stock of materials	<u>xxx</u>
Estimated required unit of materials***	

C. Materials Purchase Budget

Material Usage Budget only gives an idea of the material requirements of the organizations during the budget period. But purchase budget sets out purchase plan during the budget periods. The level of inventories to be maintained is necessary to know for preparing purchase budget.

Material purchase (quantities and values) is prepared in this way:

Material usage budget (in unit)	xxx
+ Desired closing stock	<u>xxx</u>
Material required for purchased	xxx
- Opening stock	<u>xxx</u>
Purchased quantities	xxx

Price per unit	<u>XX</u>
Material purchase budget	<u>***</u>

The governing points for preparation of purchased budget are:

- a) Opening stock and closing stocks of different types of materials and components. Care should be taken to maintain inventory sufficient enough to avoid hold ups in production.
- b) Orders already placed.
- c) Storage space available
- d) Economic orders quantity
- e) Price to be paid.
- f) Seasonal discounts that can be availed of
- g) Policy of management regarding the material that can be manufactured.

The purchase budget differs from the materials budget in 2 principles. First the budget usually specifies different quantities of each type of raw materials, a difference in quantities is specified due to the effect of planned changes in raw material inventory level: second, the materials budget specifies only quantities. Where as the purchase budget specifies both quantities and rupees cost. The purchase budget is directly concerned with the timing of outcall receipt of raw materials rather than with the timing of usage or purchase orders.

2.14.25 Direct Labor hour and cost Budget

Direct labor is defined as those labor costs directly identifiable with the production of specified unit of finished goods. Labors cost includes all the expenses for employees, those for direct or indirect labours. The labours cost that can be identified to a particular product is known as direct labors cost. Direct labors hour cost budget

generally are developed for (i) direct labors hours budget (ii) direct labors cost budget.

A. Direct Labors Hours Budget

Internal conditions will determine whether it is feasible to relate planned production in a producing department to direct labors hours. Similarly internal factors may indicate the most practical approach to one for planning direct labors hours. Commonly used approaches to use for planning standard labors times are on follows:

- Time and motion study
- Standard cost
- Direct estimates by a supervisor
- Statistical estimates by a staff group.

A standard format of direct labors hour budget is:

Planned production unit	xxx
Standard hour rate	<u>xx</u>
Total standard productive hours***	

B. Direct Labors Cost Budget⁶⁰

For annual profit plan the direct labors budget should be development in terms of both direct labors house and direct labors cost. The budget should be developed budget by responsibilities, by interim period and by product classification by organizational responsibility and by interim period is essential for control purpose, classification by product is essential for estimating the cost of producing each product. The approach that should be used to develop the direct labour budget type of production process involved the availability of

⁶⁰ Rewanta Dahal 'A Case Study of profit Planning and Control of Manufacturing Public Enterprises in Nepal With Special Refrences to Royal Drugs Limited ', Faculty of Management, Nepal Commerce Campus, T.U. 2001. Page 82

standard labor times and the adequacy of the cost accounting records relating to direct labors costs.

Basically, there are three approaches to the development of the direct labors cost budget.

Approach - 1

- a) Estimate the standard direct labors hours for each unit.
- b) Estimate the average wages rates by department or cost center or operation.
- c) Multiply the standard time and wages rate and find the direct labors cost per unit.
- d) Unit labors cost times production units find out the total labors cost for the product.

Direct labors cost budget is prepared at following way.

Direct labors hours plan (as per direct labors budget)	xxx
(x) Labors cost rate per hours (in Rs.)	xx
Direct labors cost budget (in Rs.)	xxx

Approach - 2

Estimate direct ratios of labors cost to some measure of output that can be projected realistically.

Approach - 3

Develop manning table by enumerating manpower requirements for direct labors in each responsibility center.

2.14.26 Expense Budget/Plan

Managers should view expenses planning and controls as necessary to maintain reasonable expense levels to support the objectives and planned programs of the enterprise. Expenses planning should not focus on decreasing expenses, but rather on better utilization of limited resources. Viewed in this light, expenses planning and control may cause either decreased or increased expenditure.

Expense budget represents planned cost of administration, selling and distribution, advertising and promotional. Specially, It includes those costs, which are created after the preparation of production cost budget, where expenses are viewed in relation to change in output. There are 3 distinct expenses:

- a) Fixed expenses
- b) Variable expenses
- c) Semi-variable expenses

a) *Fixed Expenses*

Those expenses that is constant in total, from month to month, regardless of fluctuation in output or volume of work done. Because any expense can change, this receipt must be applied (1) to a realistic or relevant range of output and (2) in relation to given set of conditions. These are time expenses, because they are paid either due to passage of time or holding of fixed facilities.

b) *Variable Expenses*

Variable expenses those expenses that change in total directly with changes in output or volume of work done and cost per unit is not changed ie. direct material, labour etc.

c) ***Semi Variable Expenses***

Semi-variable expenses mean those expenses, which are not fixed and variable. It changes in the same direction as output changes but not in proportion to change in output.

d) ***Selling and Distribution Expenses Budget***

It includes all cost related to selling and distribution and delivery of products to customers. In many companies this cost is significant percentage of total expenses.

Fundamentally, the top of marketing executive has the direct responsibility for planning the optimum economic balance between (1) the sales budget (2) the advertising budget (3) the distribution expenses budget. Therefore profit planning and control view sales, advertising, and distribution expenses as one basic problem rather than as three separate problems. All these expenses must be systematically planned by the responsibility center.

e) ***Administrative Expenses Budget***

It includes those expenses other than manufacturing & distribution. They are incurred in the responsibility center that provide supervision of and service to all function of the enterprise, rather than in the performance of any one function. Because a large portion of administrative expenses are fixed rather than variable, it is common to find administrative expenses "top heavy" when measured by the volume of business done.

Each administrative expenses should be responsible for planning and controlling the expenses. This fundamental of expenses control is especially important for administrative costs because there is often a failure to pinpoint responsibility for general nature.

2.14.27 Implementation of Profit Plan

The final test of whether the effort and cost in developing a profit are worthwhile is usefulness to management. The plan should be developed with the conviction that the enterprise is going to meet or exceed all major objectives. Participation enhances communication. If this principle is to be effective, the various executives and supervisors should have a clear undertaking of their responsibilities. The copies of the complete profit plan should be prepared and distributed to the members of executive management. Normally distribution of the complete plan should be limited to vice presidents and to the heads of certain staff groups.

After the distribution of profit plan, a series of profit plan conferences should be held. The top executives discuss comprehensively the plans, expectations and steps in implementation. At this top level meeting, the importance of action, flexibility and continuous control may well be emphasized. In essence each manager has to realize that the budget is tool for their use.

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

2.14.28 Performance Report

Performance reporting for internal management use is an important part of comprehensive profit planning and control system. Performance reports are usually prepared on monthly basis and follow a standardized format from period to period; such reports are designed to facilitate internal control by the management. Performance report reports actual results compared with goals and budget plan. Such reports are designed to pinpoint both efficient and inefficient

performance. Performance report acts as an important tool to provide necessary information and reports the performance of every responsibility center. The main objective of such report is the communication of performance measurements, actual results and the related variances performance reports are prepared by considering the following criteria.

- Tailored to the organizational structure and controllability.
- Designed to implement the management by exception principle.
- Repetitive and related to short time periods.
- Adapted to the requirements of the primary user.
- Simple, understandable, and report only essential information.
- Accurate and designed to pinpoint significant distinctions.
- Prepared and presented promptly
- Constructive in tone.

2.15 Review of related studies:

Very few researches have been made in this context to Nepal. Due to the limited time and effort they all are not in depth. Few dissertations have been submitted in the topic profit planning in Nepal.

Mr. Bir Bahadur Karki:

He has conducted a research on the topic Profit planning in agriculture Farm (A case study of potato and tomato production in panchkhal Valley under Kavre district of Nepal).The main objectives of this study was to examine the effective of the profit planning system in the agricultural farm. He has tried to present the effectiveness of profit planning system of farmers. He has also tried to present the trend of production profit and cost of these products. The covered time period of the study was five years from 1987 to 1991. Data were collected

mainly from primary sources though secondary resources were also used to necessary. Mr. Karki has founded out the few main findings these are done in analysis are as follows:

1. Generally farmers have not prepared their sales and production plan. If they have these are also at the adhoc - basis.
2. The goals and objectives of peasant are not found in written and stated form but they try to fulfill their goals and objectives on soon on possible.
3. The peasants do not take into account the inventory policy proper routing and scheduling of the production plan and material plan.
4. There are also not provision and practice of grading and standardizing of their commodities.
5. Peasants do not have knowledge about the nature and context of profit plan.
6. Peasant not preparing the planning incomes statement, balance sheet and profit plan.
7. Most of the Farmer used and follow the traditional cultivation methods but some farmers used tractor for ploughing, sprayer for spray of pesticide and insecticide and pump set for irrigation.
8. Most of the farmer sales their commodities to the middle man get lower prices than market prices. Present are cheated by middle man especially small farmer.
9. Total incomes as well as profit are not so much increase but cost of production and selling express are increasing in between five years period.

Mr. Karki recommended that peasants of paanchkhal velley need adopt profit plan procedures and build up profit plan for both strategic long range and tactical short range profit plan by detailed relevant variables. Strategic long

range plan should be formulated for achieving long term objectives and goals. He has recommended some measures in the basis of his study. His main recommendations were follows:

- a) Peasants of paanchkhal velley need to adopt profit plan produces and techniques
- b) They should develop the flexible budget and CVP analysis and also systematic performance reports.
- c) They need to provide marketing information.
- d) They need to evaluate the statement of broad objective of the firm.

Bed Prasad Kafle:

He has also conducted a research on the topic of profit planning in agriculture farm. A case study of potato and large cardamom production in Pyan village of Ilam district. The main objective of the study was also to examine the practice and effectiveness of profit plan. He has also tried the present the trend of cost of production and profit, and comparison between two products which is more profitable. The cover time period of the study was 1995 to 1999. Data were collected mainly from primary sources and secondary data are also used as necessary. His major findings from research are on follows:

1. Farmers are not followed profit planning system they only think how to produce these commodities and sales in market as soon as possible.
2. Most of the farmer sell their commodities to the small scale merchants (middle man) and get lower prices then market prices. Because frames have already taken advance from them to fulfill their domestic needs.
3. There is no proper arrangement of marketing information system, so that farmers do not know the commodities price situation in the market.

4. Farmer prepares sales and production plan on the adhoc basis but not on sequential planning basis.
5. The marketing system not out only this VDC but also all over Nepal (relating to cardamom and potatoes) are disordered, disorganized and limited. Frequently fluctuation in price and monopolistic market situation have discouraged the farmer, producers are always exploited by broker and business man.
6. Most of the farmers use and follow the traditional cultivation methods, but now a day some farmers are using some modern tools, idea and techniques.
7. Farmers do not prepare the planed income statement, balance sheet and profit plan. Most of the people are uneducated and also some educated framers do not have knowledge about how to prepare such account.
8. The farmers do not take into account the inventory policy proper routing and scheduling of the production and material plan.

Mr Kafle has recommended some measures that the farmers of pyang VDC on the basis of his study are follows:

1. They need to develop the flexible budget and cost volume profit analysis for the non bearing of losses and to help increasing of profit.
2. They need to develop a systematic direct labor cost budget detailed by arranged responsibility (Farmer member or hired labor) for the accomplishing the planning objectives.
3. They need to government support if cultivated crops are destroyed by the drought hailstorm, frost, rainfall and so on.

2.16 Research Gap:

The above both research are conducted on agriculture sector but this research in especially based on livestock sector. This is a current

research and support for other researcher. There is no one research in livestock sector till date and I have pointed and problem and recommended some suggestion especially for livestock sector. This study has also pointed out the nationalities involved in this trading.

CHAPTER - III

3. Research Methodology

3.1 Introduction

Livestock sector has been dominating the Nepalese economy since a longtime and will continue to be a important source of livelihood for a vast proportion of the Nepalese population. More than 80% of the population depends upon agriculture. Agriculture and livestock are inter dependent in nature. The agriculture and livestock is thus the backbone of national economy since it provides employment in massive scale and constitutes larger share in total exportable products.

Livestock sector can also be taken as an industry of industries because it is providing raw material for various industries. The demand of meat and meat products are rapidly increasing with the increase in population. More and more people are interested toward livestock production and marketing because this farming is profitable, their land holding is small. Goats and buffalos are economically profitable cattle products.

This study throws light on the goat and buffalo markets and the profit planning of NCKBSSL Kalanki. It is hoped that this study will be of some help to contribute to the purchase and sale of hegoat and buffalo cattle and to raise the income of farmers.

3.2 Research Design

This study entitles profit planning in and controls NCKBSSL Kalanki and Balambu. This study explains goat and buffalo trader's performance in Kalanki and Balambu, their cost of purchase, selling and distribution expenses and total sales income as well as net profit from these cattel in various years and quarters analitycal and descriptive reearch design has been adopted for the study.

3.3 Population and Sample

For the study area, the livestock market center, Kalanki and Balambu has been selected. Goat and buffalo market can be found in Kalanki KMC ward no. -14 and Balambu ward no. 3 respectively. The total populations of traders are around 100 each. Data specially were taken from those traders who are active, regular and devoted to this sector by using different methods and techniques of data collection like interview, direct questionnaires and observation etc.

3.4 Nature and Sources of Data

This study has been based on primary as well as secondary sources of data. Primary data will be collected from the traders by using different methods and techniques of data collection like interview, questionnaires. In the same way the data related with other related aspects, has been collected by observation in the field and different offices and institutions. Similarly, secondary data has been collected from different libraries, books, statistical records, researches, agricultural and livestock institution, journals and other offices.

3.5 Method of Data Collection and Analysis

In order to carry out the preset research work, Kalanki and Balambu of Kathmandu district has been used for the purpose of data collection. Related people were selected as sample for interviews representing both small and large scale livestock traders. Interviews and chat with old and experienced traders who knowing the historical background, ideas, methods of goat, he goat and he buffalo trading was conducted. Similarly to collect the additional information about the profit planning, farming, marketing and other related information. An interview with related officer, businessman and individuals has been conducted. Individual survey was also as carries out with structured questions developed. The questionnaire was developed (Appendix-2) for fulfilling the objectives and to find out answer to following important factors:

-) What problems are being faced by the traders in order to conduct their profit planning program operation, during the purchasing and selling of he-goat and buffalo cattle?
-) What is the trend of overall profit planning of traders involved in purchasing and selling cattle?
-) Whether or not they are interested to profit planning in he-goat and buffalo cattle trade? Is the profit planning necessary in livestock marketing activities?

After collecting data from different sources they have been arranged in systematic way. To fulfill the objectives of the study, collected data has been analyzed in descriptive way using financial and statistical tools.

3.6 Statistical and Financial Toos Used

To fulfill the objectives of the study, the collected information has been compiled and organized in various ways to make the different tables with ratios, percentage, and averages. Mainly budgeting and profit planning tools is used which include marketing plan, purchasing plan, selling and distribution plan, income statement and C.V.P. analysis.

CHAPTER - IV

4. Data Presentation and Analysis

4.1 Introduction:

Profit planning is directed towards the final objectives of the organization and generally includes all of its important elements. It has the ultimate objectives of attaining the optimum profit. The most reasonable approach to attaining optimum profits is to plan them as a percentage of capital employed to produce and to manage the enterprise with the objectives of achieving the planned percentage. A profit plan must be prepared in advance of commencing operations, stating what and how things are to be done. The profit plan covers a definite period of time usually in year. Profit planning can be viewed as one part of the major important approaches that has been developed to facilitate effective performance of the management process. Profit plan is prepared with in the environment of relevant variables and strengths and weakness.

In the case of livestock marketing system in the context of Nepal, there are not well organized firm which manage and sale large volume of livestock. When the firm are not organized, there is not possibility of corporate management and planning so the, traders have to themselves formulate their own objectives goals and strategies. Generally traders are not educated and they use traditional methods.

In the case of Kalanki or Balambu traders, they purchase and sale he goat and buffalos. Most of them are uneducated and don't know about profit planning and control. But they are very experienced and well known to this business. Some of them are doing this business as a part time job. They do not follow profit planning system; they only think how to purchase and sale livestock in markets. They consider they can increase their income from purchasing and selling livestock, but they do not know properly they can raise more & more income from many years. They are marketing he goat, he-buffalo livestock. Most of the people captivate

these live stocks by traditional method, but now a day some traders are use some modern tools, idea and techniques. Educated people have some knowledge about how, when and where to market to purchase and sell the he-goat and buffalo livestocks.

Traders of Kalanki & Balambu marketing these live stocks they are gaining more income from these business as well as they have been getting own employment opportunity and giving others employment opportunity in these fields. Before starting this business most of them have not other good employment opportunity. From the point of view of the society they are improving and developing habit and behavior as well as economic condition. Income from these 2 business is generally used for fulfilling domestic expenditure such as tea, Sugar, Cloth, Children's education etc. Thus these two livestock's are the main sources of income and employment.

Trading of hegoat and buffalos has been popular since few decades in the study area. Different types of traders are involved in this business. 95 % of the buffalo traders are Muslims. 80% of the traders are Indians and 95% of the buffalo are imported from India-Ironically. All traders of he-goats are Nepali citizens. But above 75% he goats are imported form India and all suppliers are Indian citizens. Only 20-25% he-goats is collected inside Nepal and the collectors are all Nepali citizens. But there is no one women involved in this business. All traders are men. Due to different causes livestock marketing is adopted by the traders. The reason for increased marketing of livestock's are given in the table no 9.

Table no. 9
Reasons for Livestock Trading

S.N.	Reason of livestock Trader	No. of Respondents	Percent
1.	Cash Income	10	0.50
2.	Profitable	3	0.15
3.	Easy to do	1	0.05
4.	Using of waste time		
5.	P+E	2	0.1
6.	U+P	-	-
7.	E+U	-	-
8.	Hereditary	4	0.2
Total		20	100%

Sources: Field survey, 2008

Note: – P: Profitable, E= Easy to do, U= Use of waste time.

Table No 9 shows that 50 percent traders are doing these businesses for cash income. They say that it is easy to get cash whenever they needed. 15 percent traders stated that it is more profitable than other agricultural income. 5 percent of traders assumed that it is easier to do than other business. 10 percents of traders assumed that it is more profitable and easy to do this business than others and 20 percent of the traders are hereditarily involved from grand father in these businesses.

Generally these businesses are done during all months of the year.

4.2 Sales Planning:

Traders of Kalanki and Balambu prepare a tentative tactical plan for both livestock's by month or season. They have some knowledge about both livestock's such as sales ratio, profit ratio and price ratios. They purchase & sell these livestock's on a monthly & yearly basis. But they do not have strategic long range plan. They prepare a plan for one year ie tactical profit plan.

4.3 Sales Trend of He-goats & buffalo for five years (2060-2064)

Table no 10

Summary of Actual Sales in Units for the five year (2060-2064)

In numbers

Time/Details	2060	2061	2062	2063	2064
<u>He-goat</u> 1 st 4 months	40,800	36,101	32,429	30,087	40,450
2 nd 4 month	99880	61,332	46,671	66,583	40,450
3 rd 4month	72,067	25,380	33,157	38,137	39,550
Total (A)	2,12,747	1,22,813	1,12,257	1,34,807	1,43,350
<u>He-buffalo</u> 1 st 4 month	15,723	19,110	17,166	16,465	18,544
2 nd 4month	18,661	20,518	13,408	21,673	17,637
3 rd 4month	182,43	19,654	13,265	21,585	27,551
Total (B)	52,627	59,292	43,839	59,723	53,732
Total (A+B)	2,65,374	1,82,105	1,56,096	1,94,530	1,97,082

The five year sales (in numbers) data are given in the above Table no. 10 . The data are taken from different types of traders but the market places are similar ie. Kalanki and Balambu livestock market. The sales data of he-goat and buffalo are split off on 4 monthly times. The data are managed in Nepali calendar year. The trend of sales of he-goat volume have increased during 2063 to 2064 by 22540 & 8453 number i.e. increased by 51.5 & 14.15 percentage on 4th & 5th year respectively. The trend of sales volume of he-goat have decreased in the year 2061 & 2062 by 89934 & 10556 numbers i.e. by 42.27 & 8.6 percent on 2nd & 3rd year respectively. Sales trend of he-goat are increasing and decreasing and is directly affected by sales volume of he-goat. There are many reasons for the increase of sales volume is he-goat, such as political stability and end of Maoist insurgency.

4.3.1 Prices trends of he-goats & buffalo.

Table no.-11

Summary of sales price trend of he-goat and buffalo per kg for 5 years 2060 -2064

Amounts in Rs.

Time/Details	2060	2061	2062	2063	2064
He-goat	140	150	160	170	180
1 st 4 months					
2 nd 4 month	150	160	170	180	180
3 rd 4month	150	160	170	180	180
He-buffalo	100	100	110	110	110
1 st 4 month					
2 nd 4month	100	110	110	110	110
3 rd 4month	100	110	110	110	110

Table no 12
Sales rate per no. of he-goat & buffalo.

Amounts in Rs

Year/Details	2060	2061	2062	2063	2064
He-goat 1 st 4 months	4,900	5,250	5,600	5,950	6,300
2 nd 4 month	5,250	5,600	5,950	6,300	6,300
3 rd 4month	5,250	5,600	5,950	6,300	6,300
Total (A)					
He-buffalo 1 st 4 month	21,000	21,000	23,100	23,100	23,100
2 nd 4month	21,000	23,100	23,100	23,100	23,100
3 rd 4month	21,000	23,100	23,100	23,100	23,100

Note: Average weight of he-goat & buffalo are 35 & 210 kg respectively. Then we can get the average price per 1 no of he-goat & buffaloes prices.

The per kg. & per no. rate of both livestock he-goat & buffalo is given in above table no 11 & 12. There are many differences in the price of he-goat during 5 years period. The average price per kg rate in between 2060 to 2064 was Rs. 140 & Rs. 180 per kg so that per no he-goat is between Rs. 4900 Rs. 6300. The price per no. is increasing by Rs 10 every year. Consequently the price per kg is increasing by Rs. 350. But from 2063 the rate is not increasing till now. The percentage increased by 7.14, 6.7, 6.25 & 5.9 percent on the year 2061 to 2064 B.S. respectively.

The sales volume is decreased on 2061 & 2062 by 4, 27,525 and 18,479 thousand rupees i.e. in percentage 38.8 and 2.8 percent respectively. The cause behind these decrease is the political instability and Maoists insurgency. But from 2063 & 2064 the sales volume is increased by 1, 20,871, and 1, 25,029 thousand rupees i.e. in percentage 18.08 % respectively. The increasing cause is mainly the political stability and ending process of Maoist insurgency.

Table no -13

Summary of actual sales in rupees for five years 2060-2064

Amount in 000 Rs

Year/Details	2060	2061	2062	2063	2064
<u>He-goat</u> 1 st 4 months	1,99,920	1,89,530	1,81,602	1,79,018	2,54,835
2 nd 4 month	5,24,370	3,43,459	2,77,692	4,19,473	3,98,538
3 rd 4month	3,78,352	1,42,128	1,97,344	2,40,263	2,49,165
Total (A)	11,02,642	675,117	6,56,638	7,77,509	9,02,538
<u>Buffalo</u> 1 st 4 month	3,30,183	4,01,310	3,96,534	3,80,341	4,28,366
2 nd 4month	3,91,881	4,73,966	3,09,725	5,00,646	4,07,418
3 rd 4month	3,83,103	4,54,007	3,06,421	4,98,613	4,05,428
Total (B)	11,05,167	13,29,283	10,12,680	13,79,600	12,41,212

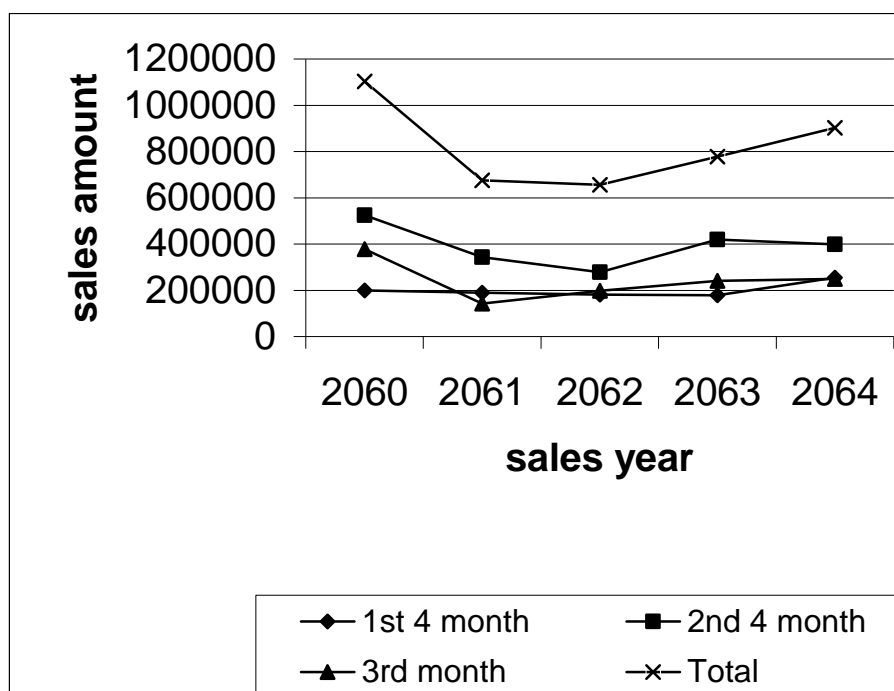
Table no.13 shows that the sales volume is always highest in the 2nd 4 month period because of Dashain & Tihar festival. In the 3rd 4 month sales volume is higher than 1st 4 month because of marriage season in

winter season. The demand is always higher in the other festivals such as Chandi Purne, Saaune Sakranti, Maghe Sakranti, Chaite Dashain, the day of seeing mother face and father face etc.

We can preset the sales trend of he-goat sales more effectively by following graph.

Graph No 1

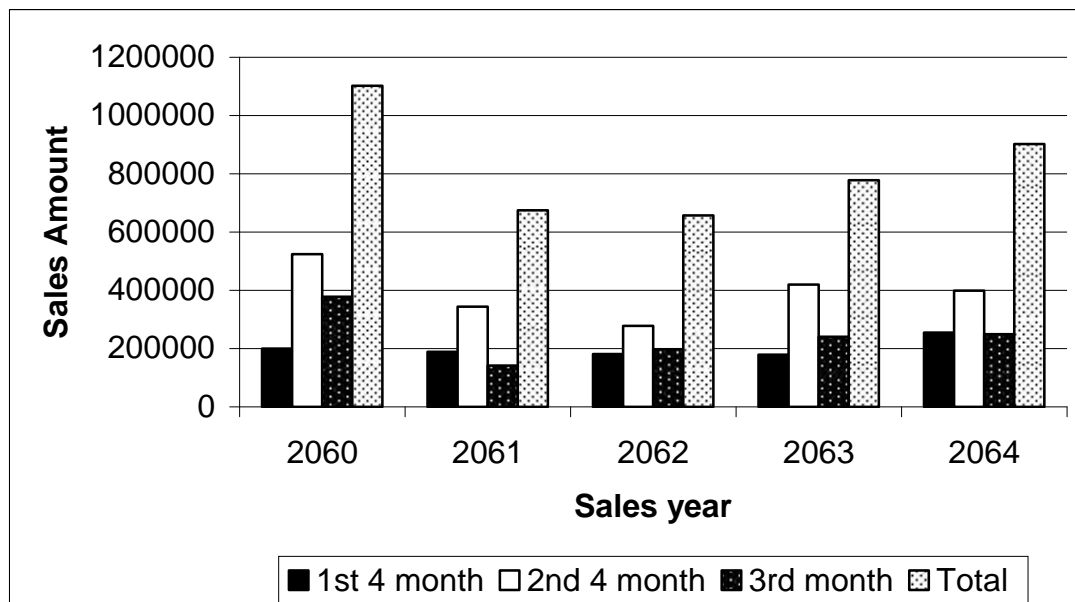
Sales trend of he-goat in four monthly & total periods



The above can be presented in Diagram as:

Diagram No. 1

Sales trend of he-goat in four monthly periods



4.4 Sales trend of buffalo:

The 5 year sales (in no.) data are given in the table 13. The trend of total sales volume of buffalo have increased by 2, 24,116 and 3, 66,920 in 2061 and 2063 i.e. which is increased in percentage by 20.28 and 36.23 percent respectively. The total sales volume is decreased by 3, 16,603 & 1, 38,388 in 2062 & 2064 B.S. i.e. in percentage by 23.9 & 10.03 percent respectively.

4.4.1 Price trends of buffaloes in per kg. and units (no.)

The average sales price per kg of buffalo is Rs. 100 in 2060 and 1st 4 month of 2061 BS, from 2nd and 4 month the sales price is increased to Rs. 110 till now. Consequently the average price per no. of buffalo is also increased by Rs. 21,000 and Rs. 23,100 Rs. There is increased by 10 percent in per kg and per no. together in percentage

The average price rate in between 2060 to 2064 was Rs. 100 to 110. There are no so much differences in the price of buffalo in between 5 years. The price per kg. is increased by Rs. 10 from 2nd 4 month of 2061 then still stable till now. Consequently the price per no. of buffalo is also increased by Rs. 2100.

We can present the sales trend of buffalo sales more effectively by following graph.

Graph no. 2.

Sales trend of buffalo by four monthly & total periods

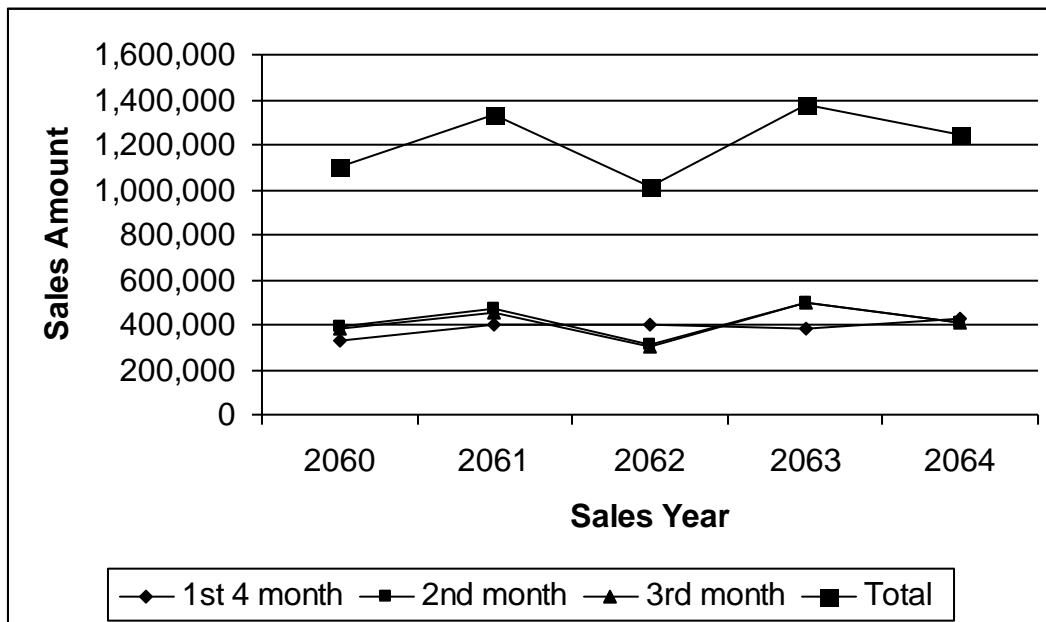
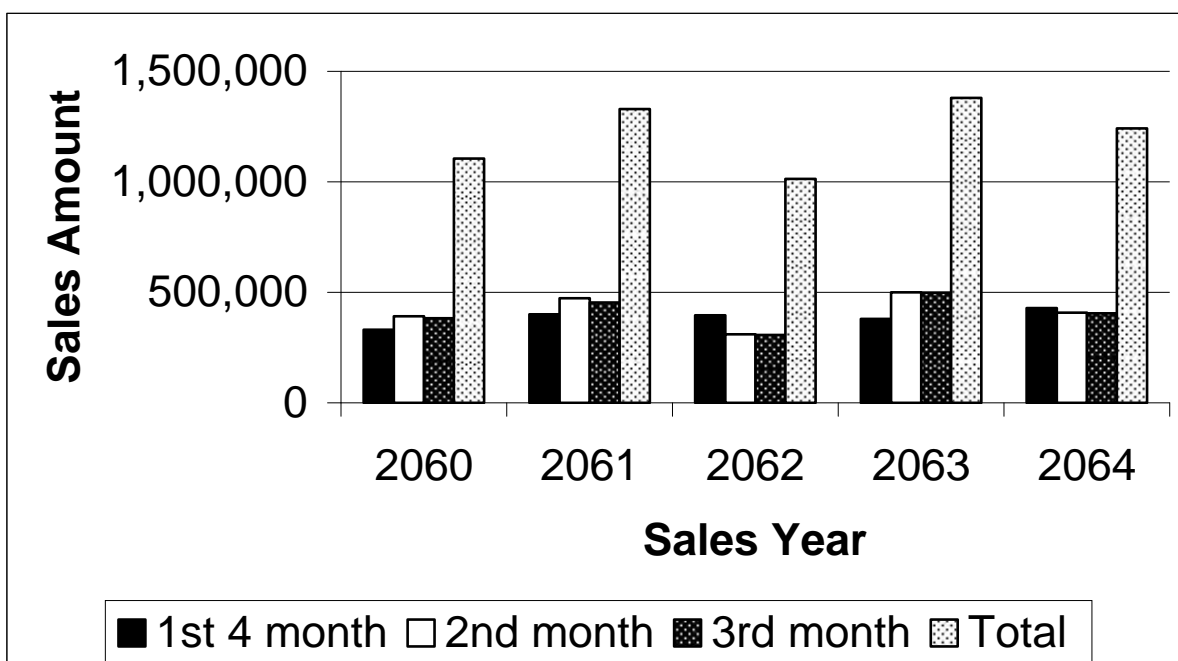


Diagram -2

Sales trend of buffaloes for 4 monthly and total periods



In order to find out variability of actual sales of he-goat & buffalo in different years, we have to calculate Mean, Standard deviation and co-efficient of variation of he-goat & buffalo livestocks.

The detail calculations of these statistical tools are presented in appendix 4 and 5. Now summarizing the results from appendix A we have.

Table no - 14

Summary of mean, S.D. and C.V. of he-goat and buffalo sales

Statistical tools	He-goat sales (In Rs.)	Buffalo sales (In Rs.)
Mean (X)	8,22,888.8	12,13,588.4
S.D. (S)	5,218.1064	4,331.918
C.V.	0.634 or 63.4%	0.357 or 35.7%

The mean value of he-goat is Rs. 8, 22,888.8 for the period. Where average value is met by the year by 2060 and 2064 B.S. Whereas the 3 year, i.e. 2061, 2062, 2063 B.S. have not meet the average value. The sales trend is increasing satisfactorily & linearly.

Similarly the mean value of buffalo is 12, 13,588.4 RS. The sales of the year 2060 and 2062 have not met the average value and 2061 & 2063 have met the average value of buffalo sales.

Table no -15

The sales trend of he-goat and buffalo livestock in Rs.

Amounts in '000' rupees

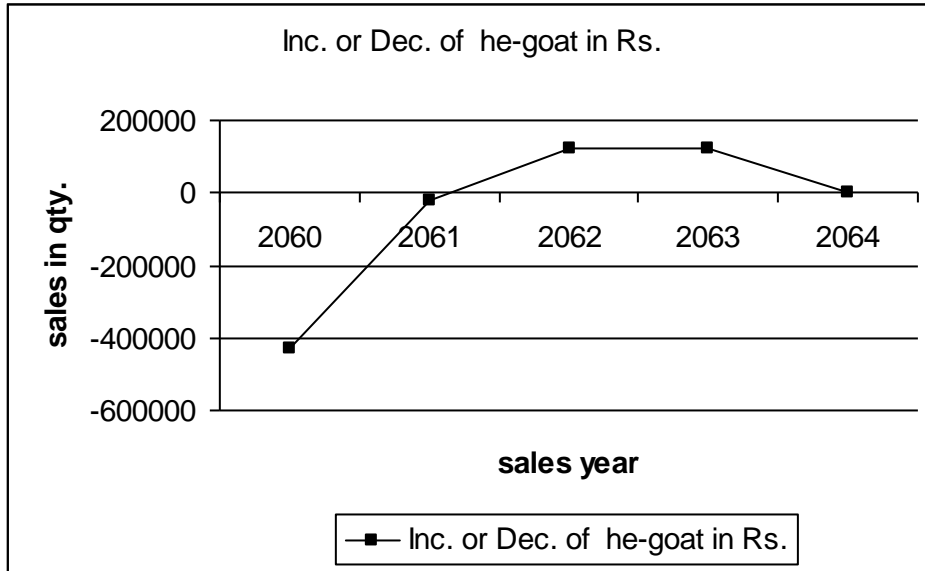
Year	sales from he-goat in Rs.	sales from buffalo in Rs.	Inc. or Dec. of he-goat in Rs.	Inc. or Dec. of buffalo in Rs.
2060	11,02,642	11,05,167	(4,27,525)	2,24,116
2061	6,75,117	13,29,283	(18,479)	3,16,603
2062	6,56,638	10,12,680	1,20,871	3,66,920
2063	7,77,509	13,79,600	1,25,029	(1,38,388)
2064	9,02,538	12,41,212	-	-

The above table no. 15 shows the sales trend of he-goat and buffalo livestock. The fluctuation in sales has arised due to the high purchases of livestock. If there is large amount of purchase then the sales can increase also. However the linearly trend is not applicable in all aspects because of fluctuating price situation of sales. If the purchasing quantity will be very low then it can cause the higher amount of sales price.

Fitting trend lines of sales of he-goat & buffalo

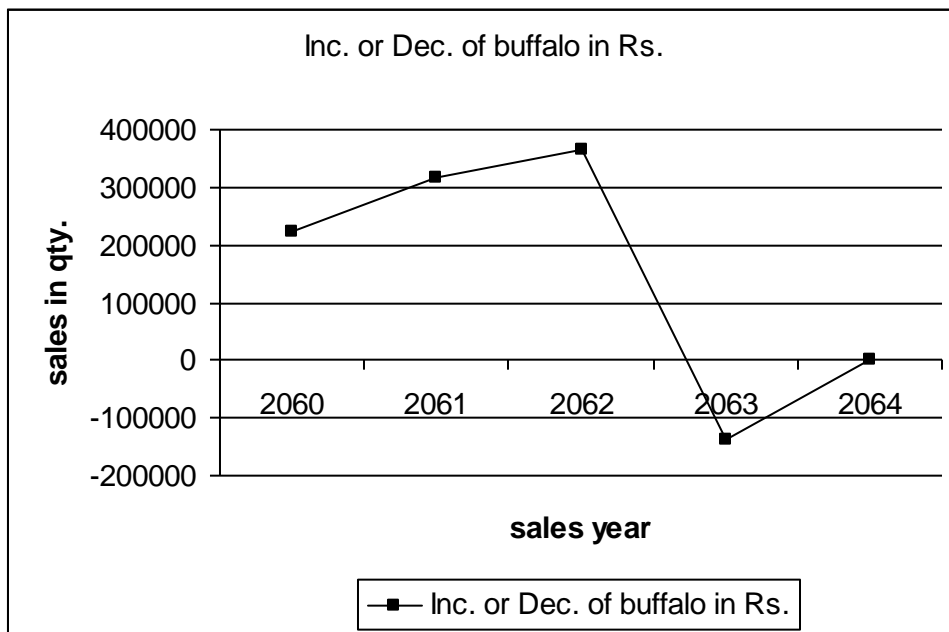
Graph No. 3

Sales fluctuating trend of he-goat



Graph No.4

Sales fluctuating trend of buffalo



In above graph no. 3 the sales trend line of he-goat is in increasing trend. The sales trend of he-goat shows, the negative trend in 2060 & 2061 B.S. whereas the sales trend of buffalo is increasing up to 2062 but in 2063 the sales trend is decreasing.

The S.D. value of he-goat shows 63.4 percent whereas buffalo shows 35.7 percent. This means there arise low risk in buffalo trading than the he-goat trading. Because the buffalo is cheaper than he-goat and more people have the capacity to consume the buffalo meat.

Both above mentioned livestock trading are profitable. Comparatively he-goat trading is more profitable than buffalo trading. Per kg. sales price of he-goat is more than buffalos. There is not so much difference per kg sales price of both livestock trading during the 5 years period of time. As there is change in volume of sales, there is change in income from these livestock. Both these livestock are marketed for the purpose of selling. Traders face the problem of selling & purchasing in proper time at fair price. The selling amount tends to fluctuate due to the fluctuation of selling price on account of illegal fees taken by police administration and other people, and lack of government facilities in this business.

He-goats are marketed in Kalanki and buffaloes are marketed in Balambu. Main he-goat market day is Sunday and main buffalo market day is Tuesday, Wednesday & Thursday. In other day selling transactions are conducted but purchasing is conducted only in market day. The Kalanki and Balambu bazaar is not a government market; it is a non governmental co-operative society's market.

The trader sells the livestock to mainly the meat wholesaler shop, and other individual peoples. The he-goats are sold in contract basis to police and army base camp also. During the sales of these

commodities rate of price of these products play great role. Because trader wants to sell at high price whereas customer wants to buy at cheapest or low rates. And traders are very worried about credit transactions. Sometimes it may cause massive loss. Sometimes some customers are fled away and the all credits amount will be bad debts. All credit amounts can not be collected in proper time and it may cause the increase in opportunity cost.

4.5 Purchase Plan

In Nepalese context, Nepali livestock traders prepare purchase budget on the adhoc basis but not on sequential planning basis. There is no proper management of livestock marketing system in the marketing level. When the special cases arise and special objectives should be fulfilled, in such situation traders prepare a plan to solve the problems.

In Kalanki and Balambu, not all the traders are careful and sensitive enough to market their livestock on the routine basis. Only those who are educated and sensitive about the marketing use modern techniques for planning, scheduling and dispatching the products. They make a plan in advance regarding the period of time, quantity, the time consumed by the transportation period and the financial needs and market position. They do not have proper knowledge of profit planning, which is used by the non manufacturing companies of developed countries. Traders prepare their purchase plan on the basis of previous experience and present condition of trading system. They make a plan for how, when, where and which livestock are market and how much quantity is needed to market.

In case of preparation of purchase budget, saleable volumes of purchases have been presented in table 16. The increase and decrease ratio and proportion of both types are the same as in the

actual sales. But the price is different for purchase and sale of livestock.

4.5.1 Purchase trend of he-goat for 5 years (2060-2064)

Table no- 16

Summary of actual purchase of he-goat & buffalos in Rs.

Amount in '000' Rs

Time	2060	2061	2062	2063	2064
<u>He-goat</u>					
1 st 4 month	1,92,780	1,83,213	1,75,927	1,73,752	2,47,756
2 nd 4 month	5,06,891	3,32,726	2,69,525	4,07,821	3,87,467
3 rd 4 month	3,65,740	1,37,686	1,91,482	2,33,589	2,42,244
Total (A)	1,06,5411	6,53,625	6,36,934	8,15,162	8,77,467
<u>Buffalo</u>					
1 st 4 month	1,98,110	24,079	2,34,316	2,24,747	2,35,126
2 nd 4 month	2,35,128	2,80,071	1,83,019	2,95,836	2,40,745
3 rd 4 month	2,29,862	2,68,277	1,81,067	2,94,635	2,39,571
Total (B)	6,63,100	3,20,363	5,98,402	8,15,218	7,15,442

Table no -17
Purchase price trends of he-goat and buffalo in per kg. in Rs.

Time	2060	2061	2062	2063	2064
<u>He-goat</u>					
1 st 4 month	135	145	155	165	175
2 nd 4 month	145	155	165	175	175
3 rd 4 month	145	155	165	175	175
<u>Buffalo</u>					
1 st 4 month	60	60	65	65	65
2 nd 4 month	60	65	65	65	65
3 rd 4 month	60	65	65	65	65

Table no. 18
Purchase Price Trend of He-Goat & Buffalo per Unit (Number) in Rs.

Year	2060	2061	2062	2063	2064
<u>He-Goat</u>					
1 st 4 Month	4,725	5,075	5,425	5,775	6,125
2 nd 4 Month	5,075	5,425	5,775	6,125	6,125
3 rd 4 Month	5,075	5,425	5,775	6,125	6,125
<u>Buffalo</u>					
1 st 4 Month	12,600	12,600	13,650	13,650	13,650
2 nd 4 Month	12,600	13,650	13,650	13,650	13,650
3 rd 4 Month	12,600	13,650	13,650	13,650	13,650

The 5 years actual purchase in total amount per kg. and per no. amount are given in the above Table-16, 17 & 18 respectively. The data are taken from Kalanki and Balambu Livestock Market Office. Interviews, questionnaires chart and field observations are main techniques of data collection. The data are split off by 4 month basis in 3 times. The data are managed in Nepali Calendar years.

Note: Average weight of he-goat & buffalo are 35 and 210 kg respectively then we can get the average price per no of livestock.

In the above table-17, purchase price trends of he-goat are between 135 to 175 Rs. in 2060 to 2064 B.S. There are so many differences in the price of he-goat between 5 years period. The per no. rate are shown in table 18; we can get 4725 to 6125 between 5 years. The price per kg is increasing continuously by Rs. 10. But from 2063 the rate is not increasing till now. The percentages are 7.40, 6.8, 6.45 and 6.06 percent between the years 2060 to 2063 years respectively.

The average price per he-goat is in between 4725 to 6125. When the prices per kg are increased rate and per he goat also increase.

The purchase expenses are increased on 2063 and 2064 B.S. by 1, 78,228 and 62,305 rupees i.e. in percentage 28 and 7.7 percent respectively. The purchase volume is decreased on 2061 and 2062 by 4, 11,886 and 16,691 rupees i.e. in percentage 38.6 & 2.6 percent respectively. The cause behind decreasing is the political instability, and maoist insurgency.

We can present the trends of He-goat purchases more effectively by following graph.

Graph-5

Purchase trend of he goat by 1st, 2nd & 3rd 4 month and total periods.

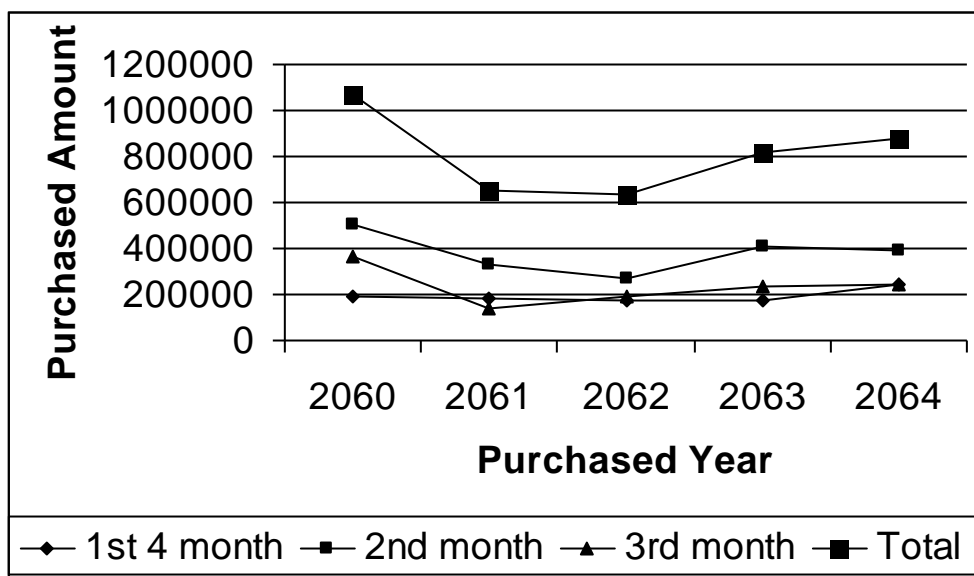
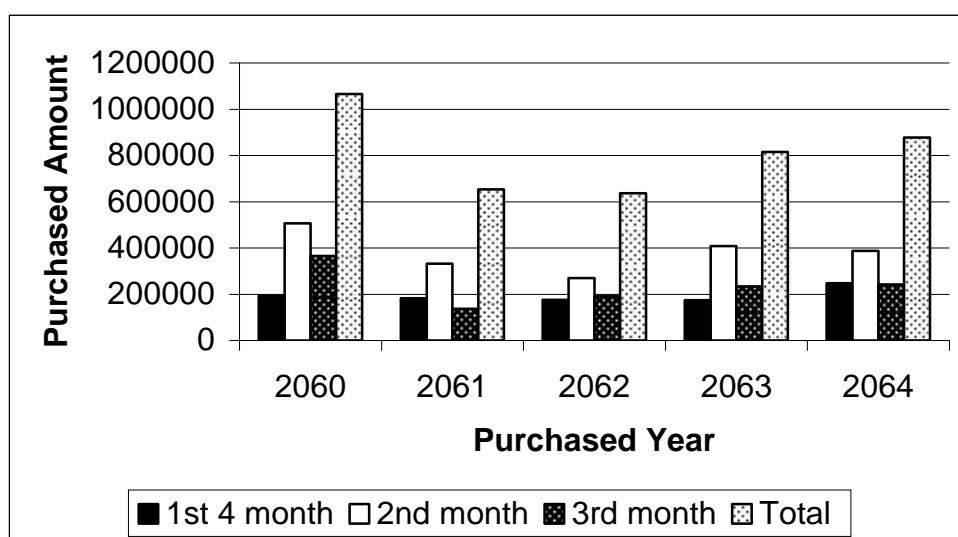


Diagram-3

Purchase Trend of He-goat in 1st, 2nd & 3rd 4 Month and total Periods



4.5.2 Purchase Trend of Buffalo for 5 years (2060-2064)

The purchase trend of buffalo is presented above in Table-16, purchase price in per kg. is presented on table 17 and purchase price in per unit (number) is presented in Table-18 respectively.

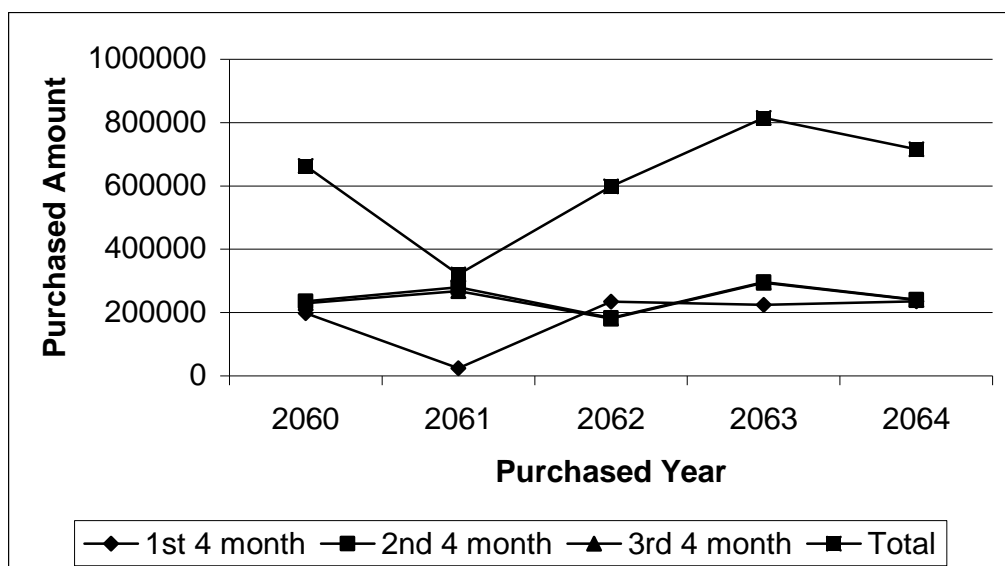
There is no so much difference in price per kg. and unit (number) in between in 5 years. The price per kg. is increased by Rs. 5 from 2nd 4 month of 2061 and then there is no change from the date to last year 2064 So that the price per unit is also changed with that price per kg. of buffalo livestock. This is in percentage, 8.33 percent increased from 2nd and 4 month of 2061 B.S.

The average price per unit (number) is between 12,600 to 13,650 Rs. The price is also increased in 2nd 4 month of 2061 B.S., and then there is no change price in last year 2064 B.S.

The purchase expenses are increased in 2061 and 2063 B.S. by Rs. 2, 24,116 and Rs. 3, 66,919 i.e. in percentage is 20.27 and 36.23 percent respectively. Then the purchase expenses are decreased in 2062 and 2064 B.S. by Rs. 3, 16,602 and Rs. 1, 38,388 i.e. in percentages 23.9 and 10.03 percent respectively. We can present the trends of buffalo effectively by following graph no 6.

Graph-6

Purchase Trends of Buffalos in 1st, 2nd & 3rd 4 month and total periods.



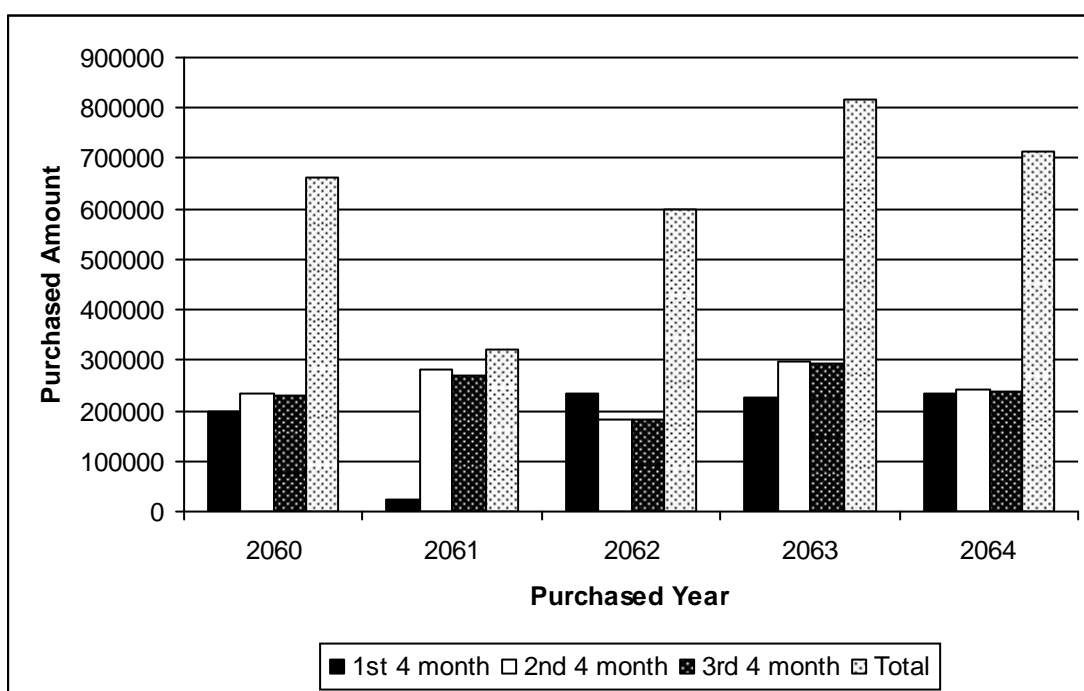
In above figure represents the purchase expenses of different 4 month of the year in which purchase expenses in increased in 2061 of all 4 month period. In 2062, it is decreased. In 2063, 2nd and 3rd 4 month expenses increased but 1st 4 month expenses is decreased. In 2064, 2nd and 3rd 4 months purchase expenses in decreased but 1st 4 month's expense are increased.

In total purchases, the amount is increased in 2061 and 2063 B.S. but decreased in 2062 and 2064 B.S.

We can present the above purchases of buffalo in all 4 months more effectively by following diagram no 4.

Diagram-4

Purchase trends of buffalo in 1st, 2nd and 3rd 4 month and total periods.



The above diagram represents the purchases amount of 1st, 2nd and 3rd 4 months of different years in which 2nd 4 month have the highest purchases in 2060, 2061 & 2063 but on 2062 and 2064 B.S.

1st and 3rd 4 month have highest sales. In total 2063 BS has the highest purchase trasnsactios among five year.

In order to find out variability of actual purchase of he goat and buffaloes in different years, we have to calculate mean, standard deviation and co-efficient of variance of the he-goat and buffalo live stocks. This is shown in details in Appendix 5.

Table no. 19

Mean S.D and C.V. of he goat and buffalo.

Statistical Tools	He-goat Purchases	Buffalo purchases
Mean	8,09,719.8	12,13,588.6
S.D. (Ω)	15,761.9	23,625.7
CV (Ω^2)	19.465%	19.467%

The mean value of he goat is 8,09,719.8 taking the year of 2060 to 2064, where the average value is touched by the year 2060, 2063 & 2064 B.S. and where as the year 061, 062 B.S. have not meet the mean value.

Similarly the mean value of buffalo is 12, 13,588.6 Rs. where the average value is touched by 2061, 2063 & 2064 B.S. whereas 2060 and 2062 have not meet the average value. The both purchase trends is sometimes increasing and sometimes decreasing.

The standard deviation (S.D.) value of he-goat and buffalo shows 15,671.9 and 23,625.7 Rs. and coefficient of variance is 19.465 and 19.467 percent respectively. It shows that there is a low risk in he-goat purchasing than buffalo purchasing. There is low variance i.e. $(19.467 - 19.465) = 0.011$ percent than buffalo purchasing because the purchase price of he-goat is higher than buffalo livestock

4.5.3 The Purchase Fluctuating Trend of He-goat and Buffalo in Rs.

Table no. 20

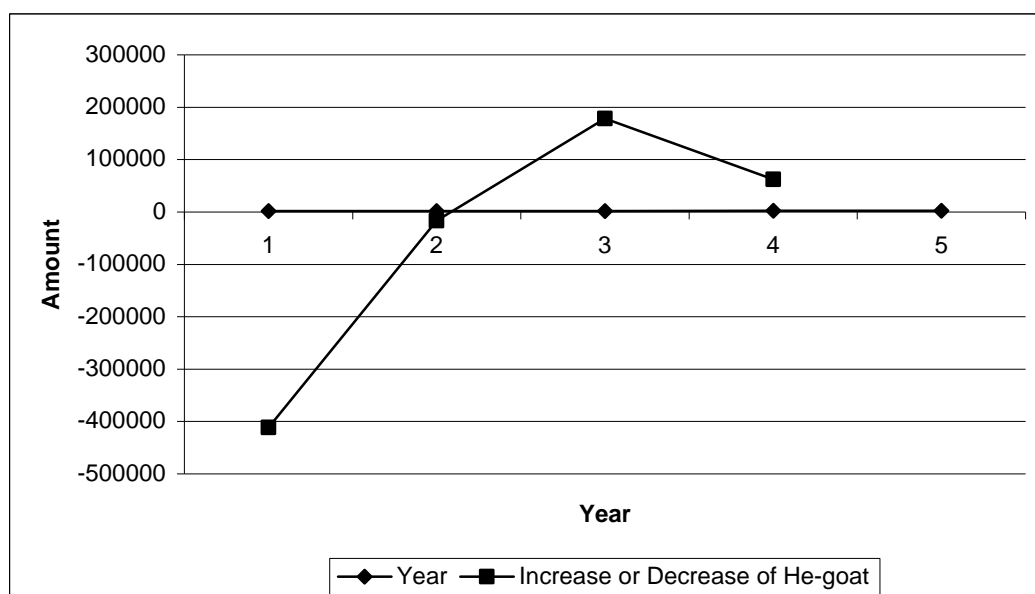
Purchase Fluctuating Trends of He-goat and Buffalo in Rs.

Year	Purchase Expenses of He-goat	Purchase Expenses of Buffalo	Increase or Decrease of He-goat	Increase or Decrease of Buffalo
2060	10,65,411	11,05,167	(4,11,668)	2,24,116
2061	6,53,625	13,29,283	(16,691)	(3,16,602)
2062	6,36,934	10,12,681	1,78,228	3,66,918
2063	8,15,162	13,79,600	62,305	(1,38,388)
2064	8,77,467	12,41,212	-	-

The above table's data are fitted in the trend line as follows:

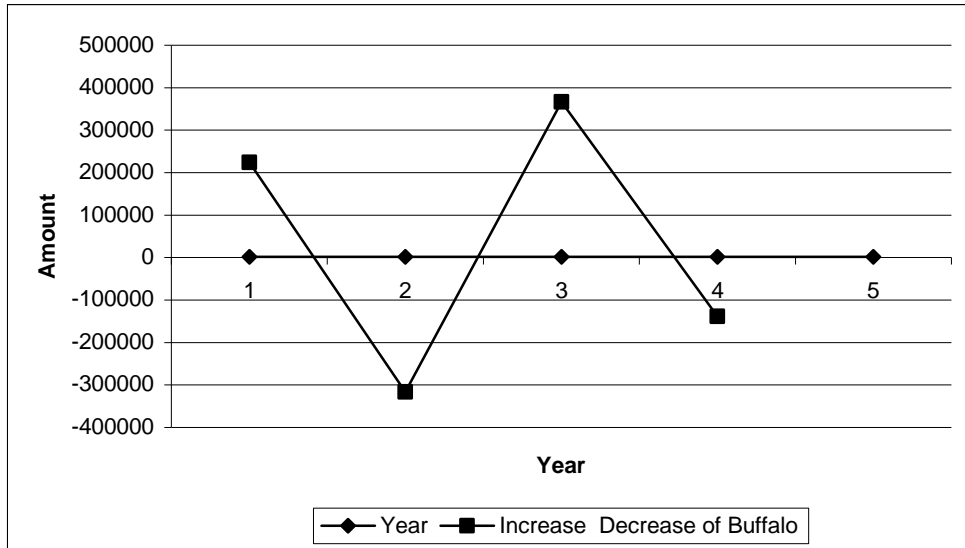
Graph No. 7

Purchase fluctuating trend of he goat.



Graph No. 8

Purchase fluctuating trend of buffalo.



The above diagram no. 7 and 8 shows purchased year and y-axis represent the purchased amount in Rs. in different years. Purchase sales trend of he-goat is in positive whereas the purchase trend of buffalo is negative in 2061 B.S. and 063 B.S. and positive in 2060 and 2062 B.S. respectively.

In Balambu, the buffalo market, the buffaloes are purchased and brought mainly from Indian boarder market as Nepalgunj- Banke, Chandrants- Kapilvastu, Jamunia- Nawalparasi, Jeetpur-Bara, Sakuhawa-Sarlahi, and Jhumkhanuwa-Bara district.

In Kalanki, the he-goat market, the livestock are purchased and brought mainly from Indian boarder market as Krishananagar-Rupandehi, Sunauli-Kapilvastu Chandranta-Kapilvastu Districts. These all he-goat and buffalo are imported mainly from India-Uttarpradesh state. Rests of the he-goats are brought from Udaypur, Dang, Salyan, Surkhet, Rolpa, Rukum, Nuwakot, Dhading, Kavreplanchowk, and Sindhupalchowk and near Kathmandu Valley villages. 75 percent of total he-goats are

imported from India, 10% he-goats are brought from western Nepal and 15% are brought from other areas of eastern Nepal and near Kathmandu Valley village and district. Similarly 95% of buffaloes are brought from India and rests are brought from Terai Nepal.

4.6 Cost of goods sold, Selling and Distribution Expenses and other expenses of he-goat:

Selling and distribution expenses budget included those expenses which are paid in cash to others by the traders or bear oneself. The expenses which are paid by the traders as means of transportation, their food and pocket expenses, lodging and fooding if necessary and other cost such as supervision on this activities and repairing and maintenance expenses of their carrying tools. etc.

Table no-21

Summary of cost of goods sold, Selling and Distribution and other costs of He-goat in Rs. for 5 years

Detail	2060			2061			2062			2063			2064		
	1 st 4 month	2 nd 4 month	3 rd 4 month	1 st 4 month	2 nd 4 month	3 rd 4 month	1 st 4 month	2 nd 4 month	3 rd 4 month	1 st 4 month	2 nd 4 month	3 rd 4 month	1 st 4 month	2 nd 4 month	3 rd 4 month
A. Variable Cost	194433	509489	367893	184863	334830	139143	177575	271458	193145	175374	410246	235388	249727	390008	244193
Labour	1000	1000	1000	1000	1000	1000	1000	1000	1000	960	960	960	960	960	960
Feeding Expenses	653	1598	1153	650	1104	457	648	933	663	662	1465	839	1011	1581	989
Purchase	192780	506891	365740	183213	332726	137686	175927	269525	191482	173752	407827	233589	247756	387467	242244
B. Fixed cost	958	958	958	958	958	958	974.6	974.6	974.6	1074.6	1106.6	1123.3	1123.3	1123.3	1123.3
Electricity	20	20	20	20	20	20	20	20	20	20	20	20	20	20	20
Communication	40	40	40	40	40	40	40	40	40	40	50	50	50	50	50
Godown Rent	200	200	200	200	200	200	200	200	200	200	220	220	220	220	220
Repairs and maintain	50	50	50	50	50	50	66.6	66.6	66.6	66.6	66.6	83.3	83.3	83.3	83.3
Supervision	600	600	600	600	600	600	600	600	600	700	700	700	700	700	700
other cost	48	48	48	48	48	48	48	48	48	48	50	50	50	50	50
Total	195381	510447	368851	185821	335788	140101	178550	272433	194120	176349	411353	236511	250850	391131	245316

The summary of cost of goods sold, selling and distribution expenses and other cost of the goat is shown in above table no-21. The total cost of he-goat is highest in 2060 B.S. and lowest in 2062 B.S. The total in 2060 is Rs. 10,74,679 in 2061, Rs. 6,61,710, in 2062 Rs. 6,45,103 in 2063 Rs. 8,24,213 and in 2064 BS. Rs. 8, 87,297.

Table no-22

Amount in '000' Rs

Summary of total cost & Change over the years.

Year Details	2060	2061	2062	2063	2064
Total cost	1074679	661710	645103	824213	887297
Change in cost	-	412969	(16607)	179110	63084
Change Percentage	-	38.43%	(2.51%)	27.76%	7.65%

The above table no 22 shows that the total cost is increased by 38.43 percent in 2061, 2.51 percent decreased in 2062, and 27.76 percent increased in 2063 and 7.65 percent increase in 2064 than last year respectively.

4.6.1 Cost of goods sold, Selling and Distribution Expenses and other expenses cost of Buffalo:

Table no-23

Summary of cost of goods sold, Selling & Distribution and other cost of Buffalo in Rs. for 5 years.

Amount in '000' Rs.

Detail	Time	2060			2061			2062			2063			2064		
		1 st 4 month	2 nd 4 month	3 rd 4 month	1 st 4 month	2 nd 4 month	3 rd 4 month	1 st 4 month	2 nd 4 month	3 rd 4 month	1 st 4 month	2 nd 4 month	3 rd 4 month	1 st 4 month	2 nd 4 month	3 rd 4 month
A. Variable Cost		306977	375570	367156	384606	437225	418810	365760	285716	282665	351198	462997	461117	378157	376791	375570
Purchase		198110	235128	229862	240786	280071	268277	234316	183019	181067	224747	295836	294635	235125	240745	239571
Transportation		7511.01	8915.8	8715	9130	12540	12008.8	10487	8195.2	8103.7	10065.3	13237.2	13182.14	11330.4	10780.3	10725.3
Labour		625	744	757	793	851	816	712	556	551	1025	1349	1344	1154	1098	1715
Custom & Venenary Expenses		3616.2	4292	1495.9	4395.3	4719.1	4520.4	3948.18	3083.9	3050.9	3782.4	4984.8	4964.6	4265.12	4050.6	4036.8
Entrance Fee		471.9	559.9	547.3	573.3	615.5	589.7	574.9	402.2	397.9	493.9	650.1	647.5	556.3	529.1	526.5
Feeding Expenses		94338	123163	120404	126126	135418	129716.4	113295.6	88492.8	87549	108669	143041.8	142461	122390.4	116404.2	115836.8
Organization Fees		209.6	248.8	243.2	254.8	273.6	262.0	228.8	178.8	176.6	219.6	288.8	287.6	247.2	235.2	234.0
Other Expenses		2096	2488	2432	2548	2736	2620	2288	1788	1768	1296	3610	3595	3090	2940	2925
B. Fixed Cost		701	701	701	701	701	701	701	701	701	701	814	814	814	814	814
Rent		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Repairs and Maintenance		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Electricity		16	16	16	16	16	16	16	16	16	16	16	16	16	16	16
Communication		40	40	40	40	40	40	40	40	40	40	40	40	40	40	40
Supervision		600	600	600	600	600	600	600	600	600	700	700	700	700	700	700
other cost		45	45	45	45	45	45	45	45	45	45	48	48	48	48	48
Total (A+B)		307678	376271	367857	385307	437926	419511	366461	286417	283366	351899	463811	461934	378971	377605	376384

The above table 23 shows the total incurred costs. The table shows that the cost in 2060 is Rs. 10,51,806, in 2061 Rs. 12,42,744, in 2062 Rs. 9,36,244, in 2063 Rs. 12,77,644 and in 2064 Rs. 11,32,960. The highest cost was in 2063 and lowest in 2060 B.S.

Table no-24
Summary of Total Cost and Change Over The Years.

Amount in Rs.					
Year	2060	2061	2062	2063	2064
Total cost	1051806	1242744	936244	1277644	1132960
Change cost	-	190938	(306500)	341400	(144684)
Change Percentage	-	18.15%	(24.66)%	36.47%	(11.33)%

Above Table-24 shows that the highest total cost were in 2063 being Rs. 12,77,644 and lowest in 2062 being Rs. 936244. In this way the table shows that the cost was increased in 2061 & 2063 B.S. whereas decreased in 2062 and 2064 B.S. In percentage, the costs are increased by 18.15% and 36.47% in 2062 B.S. whereas decreased by 24.66 and 11.33 percent in 2062 and 2064 B.S. respectively. In 4 monthly analyses there is no regularities as he-goat, it shows that Dashain & Tihar and other festivals doesn't affect the demand of buffalo livestock market. The decreased cost means the little purchase/sell of buffalo and increased cost means the more purchase and sell of buffaloes.

4.7 Direct Labour Cost Budget

Table no-25

Direct Labour Budget Cost by Livestock & Time for the Year Ending 2060

Period	Buffalo				
	Purchased Units	Standard Hours	Total Standard Hours	Wages Rate	Amount
1 st 4 month	15,723	3.32	52,200	12.5	6,25,504.5
2 nd 4 month	18,661	3.32	61,954.52	12.5	7,74,431.5
3 rd 4 month	18,243	3.32	60,566.76	12.5	7,57,084.5
Total					21,57,020.5

Table no-26

Direct Labour Cost Budget by Product and Time for the Year Ending 2061

Period	Buffalo				
	Purchased Units	Standard Hours	Total Standard Hours	Wages Rate	Amount
1 st 4 month	19,110	3.32	63,445	12.5	7,93,062.5
2 nd 4 month	3,80,450	3.32	65,117	12.5	8,51,497
3 rd 4 month	1,57,311	3.32	65,251	12.5	8,15,641
Total					24,60,200.5

Table no-27**Direct Labour Cost Budget by Product and Time for the Year Ending 2062**

Period	Buffalo				
	Purchased Units	Standard Hours	Total Standard Hours	Wages Rate	Amount
1 st 4 month	17,166	3.32	56,991	12.5	7,12,389
2 nd 4 month	13,408	3.32	44,514	12.5	5,56,432
3 rd 4 month	13,265	3.32	44,039	12.5	5,50,497
Total					18,19,318

Table no-28**Direct Labour Cost Budget by Product and Time for the Year Ending 2063**

Period	Buffalo				
	Purchased Units	Standard Hours	Total Standard Hours	Wages Rate	Amount
1 st 4 month	16,465	3.32	54,663.8	18.7	10,24,946
2 nd 4 month	21,673	3.32	71,954	18.7	13,49,144
3 rd 4 month	21,585	3.32	71,662	18.7	13,43,666
Total					37,17,756

Table no-29**Direct Labour Cost Budget by Product and Time for the Year Ending 2064**

Period	Buffalo				
	Purchased Units	Standard Hours	Total Standard Hours	Wage Rate	Amount
1 st 4 month	18,544	3.32	61,566	18.7	11,54,364
2 nd 4 month	17,637	3.32	58,555	18.7	1,09,703
3 rd 4 month	21,551	3.32	91,469	18.7	17,15,049
Total					39,67,316

Labourers are needed for livestock unload, offload, caring & supervision. The wages are paid to labour either on per hour or on per day basis. The standard hour wages rate and total amount are calculated as follows:

Table no-30**Calculation of Input for D.L.C. budget for the Year 2060 1st 4 Month**

Amount in Rs.

Details	Buffalo			
	Units	Standard Hours	Rate	Amount
Unload	15,723	0.07	12.5	13,757.625
Offload	15,723	0.05	12.5	9,826.875
Care & Sh. Prevision	15,723	3.2	12.5	6,28,920
Total	15,723	3.32	12.5	6,25,504.5

In above Table-30 shows the calculations of standard hours calculated separately for unload, offload and care & supervision in market. Unload and offload time per buffalos for one labour is ascertained as 0.07 and 0.05 hours respectively. Likewise, wage rate per hour is determined at Rs. 12.5 after the detail calculation.

Though the direct labour cost plays pivotal role in budgeting/profit planning, it is very difficult to compute actual direct labour cost in livestock marketing, which is still traditional, modern scientific system of budgeting is not applied in practice in this trading.

Table no-31
Direct Labour Cost Budget by Livestock & Time for the
Year Ending 2060, 2061, 2062, 2063 & 2064 B.S.

Time & Period	He-goat					
	Units	No. of Labours	Monthly Wages Per labour	Total	Month	Total Amount
<u>2060 B.S.</u>						
1 st 4 Months	40,800	100	2,500	2,500	4	10,00,000.00
2 nd 4 Months	99,880	100	2,500	2,500	4	10,00,000.00
3 rd 4 Months	75067	100	2,500	2,500	4	10,00,000.00
TOTAL						30,00,000.00
<u>2061 B.S.</u>						
1 st 4 Months	36101	100	2,500	2500	4	10,00,000.00
2 nd 4 Months	61332	100	2,500	2500	4	10,00,000.00
3 rd 4 Months	25380	100	2,500	2500	4	10,00,000.00
TOTAL						30,00,000.00
<u>2062 B.S.</u>						
1 st 4 Months	32,429	100	2,500	2,500	4	10,00,000.00
2 nd 4 Months	46,671	100	2,500	2,500	4	10,00,000.00
3 rd 4 Months	33,167	100	2,500	2,500	4	10,00,000.00
TOTAL						30,00,000.00
<u>2063 B.S.</u>						
1 st 4 Months	30,087	80	3,000	2,400	4	9,60,000.00
2 nd 4 Months	66,583	80	3,000	2,400	4	9,60,000.00
3 rd 4 Months	38,137	80	3,000	2,400	4	9,60,000.00
TOTAL						28,80,000.00
<u>2064 B.S.</u>						
1 st 4 Months	40,450	80	3,000	2,400	4	9,60,000.00
2 nd 4 Months	63,260	80	3,000	2,400	4	9,60,000.00
3 rd 4 Months	39,550	80	3,000	2,400	4	9,60,000.00
TOTAL						28,80,000.00

4.8 Income Statement of He-goat and Buffalo Livestock

We can make an income statement either under absorption costing basis or variable costing basis. In this study income statement has been prepared on the basis of absorption costing. This income statement have been prepared on the basis of data presented from actual sales budget,

purchase budget, cost budget and other various actual cost incurred. The income statement is having been given on 4 month basis, which facilities to calculate and explain of net income of different 4 months of the same year and comparison to another year.

4.8.1 Income Statement of He-goat

Table no-32
Income Statement of he-goat in Amount and Unit for 5 Year (2060/2064)
Under Absorption Costing

Amounts in '000' Rs.

Detail	2060			2061			2062			2063			2064		
	1 st 4 month	2 nd 4 month	3 ^{re} 4 month	1 st 4 month	2 nd 4 month	3 rd 4 month	1 st 4 month	2 nd 4 month	3 rd 4 month	1 st 4 month	2 nd 4 month	3 rd 4 month	1 st 4 month	2 nd 4 month	3 rd 4 month
Sales (Unit)	40800	99880	72067	36101	61332	25380	32429	44671	33157	30087	66583	38137	40450	63200	39550
Rate Per Unit	4900	5250	5250	5250	5600	5600	5600	5950	5950	5950	6300	6300	6300	6300	6300
Sales Amount	199920	524370	378352	189530	343459	142128	191602	277672	197344	179018	419473	240263	254835	398538	249165
Less:- Cost of Goods Sold	194433	509489	367893	184863	334830	139143	177575	271458	193145	175374	410246	235388	249727	390008	244193
(a) He-goat Purchase	192780	500891	365740	183213	332726	137686	175927	269525	191482	173752	407821	233589	247756	387467	2,42244
(b) Labour	1000	1000	1000	1000	1000	1000	1000	1000	1000	960	960	960	960	960	960
(c) Feeding Expenses	653	1598	1153	650	1104	457	648	933	663	662	1465	839	1011	1581	989
Cost of Goods Sold	5487	14881	10459	4667	8629	2985	4027	6234	4199	3644	9227	4875	5108	8530	4972
Add:- Opening Stock-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Less:- Closing Stock	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total:- Cost of Goods Sold	5487	14881	10459	4667	8629	2985	4027	6234	4199	3644	9227	4875	5108	8530	4972
Less:- Selling Distribution and Administrative Cost	958	958	958	958	958	958	974.6	974.6	974.6	1074.6	1106.6	1123.3	1123.3	1123.3	1123.3
(a) Rent	200	200	200	200	200	200	200	200	200	200	220	220	220	220	220
(b) Electricity	20	20	20	20	20	20	20	20	20	20	20	20	20	20	20
(c) Communication	40	40	40	40	40	40	40	40	40	40	50	50	50	50	50
(d) Repairs and Maintenance	50	50	50	50	50	50	66.6	66.6	66.6	66.6	66.6	83.3	83.3	83.3	83.3
(e) Supervision	600	600	600	600	600	600	600	600	600	700	700	700	700	700	700
(f) Other Cost	48	48	48	48	48	48	48	48	48	48	50	50	50	50	50
Net Income before Tax	4529	13923	9501	3709	7671	2027	3052.4	5259.4	3224.4	2569.4	8120.4	3751.7	3984.7	7406.7	3848.7
Less:- Income Tax (KTM Municipality)	100	100	100	100	100	100	100	100	100	120	120	120	120	120	120
Net Income after Tax	4082	13823	9401	3609	7571	399	2952.4	5159.4	3124.4	397.4	8000	555.1	3864.7	7286.7	3728.7
Percentage Net Profit on Sales	2.04	2.64	2.48	1.91	2.21	0.28	1.62	1.86	1.58	0.22	1.91	0.23	1.44	1.82	1.49

The income statement of he-goat for 5 years is shown in Table-32. In 2060 B.S., the net profit were, Rs. 4,082, Rs. 13,823 & Rs. 9,401 which were i.e. in percentage 2.04, 2.64 & 2.48 percent on sales for the 1st 4 month, 2nd 4 month & 3rd 4 month respectively. Between the 3rd 4 month net incomes, 2nd 4 month is more profitable than others and 3rd 4 month is next more profitable period

In 2061 B.S., the net incomes were Rs. 3,609 Rs. 7,471 & Rs. 399 which is 1.91, 2.21 and 0.28 percent on sales for 1st, 2nd & 3rd 4 months respectively. Between the three 4 monthly bases 2nd 4month is more profitable than other periods and 3rd 4 month is the next profitable period.

In 2062, the net income were Rs. 30,424, Rs. 5,759.4 and Rs. 3,124.4 which are 1.62 percent, 1.86 percent and 1.58 percent on sales for 1st, 2nd & 3rd 4 months period respectively. Between these periods 2nd 4 month period is more profitable than others and 3rd 4 month period is the next profitable period.

In 2063, the net income were Rs. 3,97.4, Rs. 8,000 and Rs. 5,55.7 which are 0.22 percent, 1.91 percent and 0.23 percent on sales for 1st, 2nd & 3rd 4 months period respectively. Between these period 2nd 4 month period is more profitable than others and 3rd 4 month is the net profitable period.

In 2064, the net income were Rs. 3,685, Rs. 7,287 and Rs. 3,729 which are 1.44 percent, 1.82 percent and 1.49 percent on sales for 1st, 2nd & 3rd 4 months period respectively. Between these periods 2nd 4 month period is more profitable than others and 3rd 4 month period is the next profitable period.

In 5th years, the net income is highest in 2nd 4 month period. It is because of Dashain & Tihar festivals. In this season the demand of he-goat is always higher than other periods, whereas 3rd 4 month

periods is the next profitable period. It is because of marriage season in Kathmandu Valley and Nepal.

4.8.2 Income Statement of Buffalos

Table no-33

**Income Statement of buffalo in Amount and Unit for 5 Year (2060-2064)
Under Absorption Costing**

Amounting in '000' Rs.

Detail	Time	2060			2061			2062			2063			2064		
		1 st 4 month	2 nd 4 month	3 rd 4 month	1 st 4 month	2 nd 4 month	3 rd 4 month	1 st 4 month	2 nd 4 month	3 rd 4 month	1 st 4 month	2 nd 4 month	3 rd 4 month	1 st 4 month	2 nd 4 month	3 rd 4 month
Sales (Unit)		15923	18661	18243	19110	20518	19654	17166	13408	13265	16465	21673	21585	18544	17637	17551
Rate per unit		21	21.	21	21	23.1	23.1	23.1	23.1	23.1	23.1	23.1	23.1	23.1	23.1	23.1
Sales (Amount)		330183	391881	383103	401310	473966	454007	396535	309725	306421	380341	500646	498613	428366	407418	405428
Less:- cost of goods sold		306977	375570	367156	384606	437225	418810	365760	285716	282665	351198	462997	461117	378157	376791	375570
(a) Buffalo Purchase		198110	235128	229862	240486	280071	268277	234316	183019	181067	224747	295836	294635	235125	240745	239571
(b) labour		625	774	757	793	851	816	712	556	551	1025	1349	1344	1154	1098	1715
(c) Transportation		7511	8916	8715	9180	12540	12009	10487	8195	8104	10065	13237	13182	11330	10780	10725
(d) Custom & Veterinary expiration		3616	4292	4196	4395	4719	4520	3918	3084	3051	3782	4985	4965	4265	4057	4037
(e) Entrance fee		472	560	547	573	616	590	515	402	398	494	650	647	556	529	526
(f) Feeding expiration		94338	123163	120404	126126	135418	129716	113295	88493	87549	108669	145041	142461	122390	116504	115837
(g) Org ⁿ fee		209	249	243	255	174	262	229	179	177	220	289	288	247	235	234
(h) Other fee		2096	2488	2432	2548	2736	2620	2288	1788	1768	2196	3610	3595	3090	2993	2925
cost of good sold		23206	16311	15947	16704	36741	35197	30775	24009	23756	29143	37649	37496	50209	30627	29858
Add:- Opening stock		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Len:- closing stock		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Len:- Selling distribution Administrative Cost																
Len:- closing stock																
Total:- Cost of goods sold		23206	16311	15947	16704	36741	35197	30775	24009	23756	29143	37649	37496	50209	30627	29858
Len:- Selling distribution Administrative Cost		701	701	701	701`	701	701	701	701	701	701	814	814	814	814	814
(a) Rent		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(b) Electricity		16	16	16	16	16	16	16	16	16	16	16	16	16	16	16
(c) Communication		40	40	40	40	40	40	40	40	40	40	50	50	50	50	50
(d) Repairs and maintain		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(e) Supervision		600	600	600	600	600	600	600	600	600	700	700	700	700	700	700
(f) Other expiration		45	45	45	45	45	45	45	45	45	45	48	48	48	48	48
Net Income Before Tax		22505	15610	15246	16003	36040	34496	30074	23308	23055	28442	36835	36682	49395	29813	29044
Income Tax (KTM Municipality)		100	100	100	100	100	100	100	100	100	100	120	120	120	120	120
Net Income After Tax		22405	15510	15146	15903	35940	34396	29974	23208	22955	28342	36715	36562	49275	29693	28924
Percentage Net Profit on Sales		6.78	3.95	3.95	4.82	9.17	8.97	7.55	4.9	5.05	7.45	7.34	7.34	11.50	7.28	7.13

The income statements of buffalos for the 5 years are shown in Table-33. In 2060, the net incomes were Rs. 22,405, Rs. 15,510 and Rs. 15,146 which are 6.47 percent, 3.95 percent and 3.95 percent on sales of 1st, 2nd and 3rd 4 month periods respectively. 3rd 4 month period was more profitable than other periods because of highest supply of buffalos.

In 2061, the net incomes were Rs. 15,903, Rs. 35,940 and Rs. 34,396 which are 4.82, 9.14 and 8.97 percent on sales of 1st, 2nd & 3rd 4 month period respectively. In this year, 3rd 4 month period more was profitable than others. In is because of highest supply and sales of buffalos.

In 2062, the net incomes were Rs. 29,974, Rs. 23,208 and Rs. 22,955 which are 7.55, 4.9 and 5.05 percent on sales of 1st, 2nd & 3rd 4 month period respectively. In this year, 1st 4 month period was more profitable than other periods because of highest supply and sales of buffalos.

In 2063, the net incomes were Rs. 28,342, Rs. 36,716 and Rs. 36,562 which are 7.45, 7.34 and 7.34 percent on sales of 1st, 2nd & 3rd 4 month period respectively. In this year, 1st 4 month period more was profitable than others.

In 2064, the net incomes were Rs. 49,275, Rs. 29,693 and Rs. 28,924 which are 11.05, 7.28 and 7.13 percent on sales of 1st, 2nd & 3rd 4 month period respectively. In this year, 1st 4 month period more was profitable than others.

In this income statement of buffalos there is no regularities of profit earnings. It is because there is no effect of Dashain, Tihar and other festivals on the sale of buffalos. The demand and supply of buffalos are general through the year.

Comparative study of income statement of the above mentioned livestock reveal that buffalo trading is more profitable than he-goats. Buffalo meat price is low & has regular demand whereas he-goat meat is expensive and demand is not regular. Only Dashain, Tihar and Marriage season causes high demand on the market. In buffalo trading, there is no need to pay for godwon rent but it has to be paid in he-goat trading. Repairs and maintenance expenses is also in he-goat but no expenses in buffalo. More labours are used in he-goats than buffalo trading. This increases the labour expenses etc. In a nutshell buffalo trading is more profitable than he-goat trading.

4.9 Break Even and Cost Volume profit Analysis

Cost volume profit analysis is an analytical technique for studying the relationship between volume cost (fixed and variable) prices and profits. It is a device used to determine the usefulness of the profit planning process of the enterprise. In fact the entire field of profit planning has become associated with the cvp interrelationship. However it should be noted that the formal profit planning involves the use of budgets and forecast and cost volume analysis simply provides an overview of the profit planning process and help to evaluate the purpose and reasonableness of such budgets and forecast. Cost Volume profit analysis includes both contribution analysis and breakeven analysis. Breakeven analysis uses the same concepts as contribution analysis, however it emphasizes the level of output or productive activity at which sales revenue exactly equals to total cost, and that is there is no profit or loss. Breakeven analysis rests upon the foundation of cost variability, separate identification and measurement of the fixed and variable components of cost.

The computation of breakeven point can be summarized in the following formula.

$$\text{BEP in Units} \times \frac{\text{Fixed Costs}}{\text{Contribution Margin per Units}}$$

$$\text{BEP in Rs.} \times \frac{\text{Fixed Costs}}{\text{CM Ratio or P/V Ratio}}$$

$$\text{or } \times \frac{\text{Fixed Costs}}{\frac{\text{Variable Cost}}{\text{Corresponding Sales}}}$$

$$\text{P/V Ratio} \times \frac{\text{Contribution}}{\text{Sales}}$$

$$\text{or } \times \frac{\text{Sales} - \text{Variable Cost}}{\text{Sales}}$$

CVP analysis might be applicable in the business transaction of he-goat and buffalo livestock. Some assumption of BEP are failed to match in the context of these 2 livestock transaction ie. price variability in different seasons or periods. BEP analysis of both livestock under each year's different quarters & same quarter of the different year made. In this case, all cost of goods sold cost are variable and selling, distribution & administration cost are fixed cost.

The sample of detailed calculation of these statistical tools for cost volume profit analysis of he-goat in the year 2062 is presented in appendix- 6.

Now summary of CVP analysis of he goat are presented in Table 34.

Table no - 34
Summary of Cost-Volume-Profit Analysis of He-goat

Amount in '000' Rs.

Time Year Quarters Details	2060			2061			2062			2063			2064		
	1 st 4 month	2 nd 4 month	3 ^{re} 4 month	1 st 4 month	2 nd 4 month	3 rd 4 month	1 st 4 month	2 nd 4 month	3 rd 4 month	1 st 4 month	2 nd 4 month	3 rd 4 month	1 st 4 month	2 nd 4 month	3 rd 4 month
Sales in Units	40800	99880	72067	36101	61332	25380	32429	46671	33167	30087	66583	38137	40450	63260	39550
Sales Amount	199920	524370	378352	189530	343459	142128	181602	277692	197344	179018	419473	240263	254835	398538	249165
Variable cost	194433	509489	367893	184863	334830	139143	177575	271458	193145	175374	410246	235388	249727	390008	244193
Contribution Margin	5487	14881	10459	4667	8629	2985	4027	6234	4199	3644	9227	4875	5108	8530	4972
Fixed Cost	958	958	958	958	958	958	974.6	974.6	974.6	1074.6	1106.6	1123.3	1123.3	1123.3	1123.3
Net Profit	4529	13923	9501	3709	7671	2027	3052.4	5259.4	3224.4	2569.4	8120.4	3751.7	3984.7	7406.7	3848.7
contribution margin per unit	.13	.14	.14	.12	.14	.11	.12	.13	.12	.12	.13	.12	.12	.13	.12
BEP in units	7369	6842	6842	7983	6842	8709	8121.66	7496.92	8121.66	8955	8512.3	7983	9360.83	8640.76	9360.83
P/V Ratio	.0265	.0266	.0266	.0228	.0250	.0196	.0214	.0218	.0201	.0201	.0206	.0190	.0190	.0206	.0190
BEP in Rs.	36151	36015	36015	42017	38320	48877	45542	44706	48487	53462	53718	59121	59121	54529	59121

In the year 2062 which is assumed as base year, the in BEP units and rupees were 8121.6, 7496, 8121.6 in units and 45542, 44706 & 44487 in rupees for 1st, 2nd & 3rd 4 month periods respectively.

In the year 2060 the BEP in units and rupees were 7369, 6842, 6842 in units and 36151, 36015 & 36015 in rupees for 1st, 2nd & 3rd 4 month periods respectively. In comparison with base year BEP in units and amounts are less in this year and fixed cost was also less in this year. Contribution margin is more than base year. The sales revenue and variable cost are more than base year.

In 2061 BEP units and rupees were 7983, 6842 & 8709 in units and 42017, 38320 & 48877 in rupees for the 1st, 2nd & 3rd 4 month periods respectively. In comparison with base year 1st, 2nd & 3rd 4 month BEP units and amounts are less than base year. Contribution margin are less in 3rd 4 month and more in 1st and 2nd 4 month periods. The sales volume and variable cost are more in 1st and 2nd 4 month and less in 3rd 4 month periods. The fixed costs are less in this year.

In 2063 BEP in units and rupees were 8955, 8512.3, 9360.8 in units and 53462, 53718 & 59121 in rupees respectively. In comparison with base year the BEP units and amounts are more in this period. Contribution margin is more in 2nd and 3rd 4 month and less in 1st 4 month periods. The sales volume and variable cost are also more in 2nd and 3rd 4 month and less in 1st 4 month periods. The fixed costs are more than base year in this period.

In 2064 the BEP units and rupees were 9360.8, 8640.7, & 9360.8 in units and 59121, 54529 & 59121 in rupees respectively. In comparison with base year the BEP in units and amounts are more in 1st and 2nd 4 month and equal in 3rd 4 month period. The sales volume and variable cost are more in 1st and 3rd 4 month and less in 2nd 4 month period with base year. The contribution margins are more in 1st and 3rd 4 month period and less in 2nd 4 month period than base year. The fixed costs are more than base year in this period.

In comparison with different periods of each year and same periods of different year and comparing with year to year, it is found the 2nd 4 month period of 2060 is highest profitable and 3rd 4 month period of 2061 lowest profitable among 5 years. The year 2060 have the lowest BEP units and rupees among 5 years.

Comparison of the different 4 month periods of different year shows that the 2nd 4 month period is more profitable than other periods. The main reason of more profit in that period is more demand & sales of he goat. If we can increase purchase and sales of he goat in that period we might earn more profit than other periods.

Summary of ranking of contribution margin and net profit of he-goat is shown in below table.

Table no 35.
Ranking of contribution margin and net profit he goat.
Amount in 000 Rs.

Details	Contribution margin	Ranking of CM	Net profit	Ranking of net profit
2060	30480	1	27406	1
2061	14753	3	11579	3
2062	14460	4	11236.2	4
2063	12618	5	8952.5	5
2064	18610	2	14880	2

Table no 36.
Ranking of contribution margin and net profit in percentage.

Details	Contribution margin in %	Rank	Net profit in %	Rank
2060	2.77	1	2.48	2
2061	2.18	3	4.05	1
2062	2.20	2	1.72	3
2063	1.51	5	1.06	5
2064	2.06	4	1.64	4

Above table shows that the total CM was highest in 2060 and lowest in 2063. The total net profit is highest in 2060 and lowest in 2063 among the 5 year.

Ranking of CM and net profit in percentage in different years shows that, the highest percentage of CM is in the year 2060 and lowest in 2063. The table also shows the highest percentage of total profit is in the year 2060 and lowest in 2063.

The sample of detailed calculation of their standard tools for Cost Volume Profit Analysis of buffalo in the year 2062 are presented in appendix.

Now summary of CVP analysis of buffalos is shown in Table 37.

Table no-37
Summary of Cost-Volume Profit Analysis of Buffallos.

Amount in '000' Rs.

Time Year Quarters Details	2060			2061			2062			2063			2064		
	1 st 4 month	2 nd 4 month	3 ^{re} 4 month	1 st 4 month	2 nd 4 month	3 rd 4 month	1 st 4 month	2 nd 4 month	3 rd 4 month	1 st 4 month	2 nd 4 month	3 rd 4 month	1 st 4 month	2 nd 4 month	3 rd 4 month
Sales in Units	15723	18661	18243	19110	20518	19654	17165	13408	13265	16465	21673	21585	185491	17637	17551
Sales Amount	330183	391881	383103	401310	473966	454007	396534	309725	306422	380341	500646	498613	428366	407418	405428
Variable cost	306971	375570	367156	384606	437225	418810	365760	285716	282665	351198	462997	461117	378157	376791	375570
Contribution Margin	23206	16311	15947	16700	36741	35197	30775	24009	23756	29143	37649	37496	50209	30627	29858
Fixed Cost	701	701	701	701	701	701	701	701	701	701	814	814	814	814	814
Net Profit	22505	15610	15246	16003	36040	34496	30074	23308	23055	28442	36835	36682	49395	29813	29044
Contribution margin per unit	1.47	.88	.88	.88	1.79	1.79	1.79	1.79	1.79	1.79	1.73	1.73	2.70	1.73	1.70
BEP in Units	474	796	702	805	391	391	391	391	391	394	471	403	300	469	478
P/V Ratio	.07	.041	.041	.041	.077	.077	.077	.077	.077	.077	.074	.074	.116	.074	.073
BEP in Rs.	10014	17097	17097	17097	9103	9103	9103	9103	9103	9103	11000	11000	7017	11000	11150

In the year 2062 which is assumed as the base year the BEP units and rupees are as follows 391s in units and 9103 in rupees for each 1st, 2nd and 3rd 4 month periods respectively.

In the year 2060 the BEP in units and rupees are as follows 474, 796, 702 in units and 10014, 17097, 17097 in rupees for 1st, 2nd and 3rd 4 month periods respectively. In comparison than base year BEP in units and amount are more than base year. CM is also more than base year but fixed cost are equal to base year. The sales volume and variable cost are more in all 4 months periods than base year. The fixed costs are same than base year.

In 2061 the BEP in units and rupees are as follows: 805, 391, 391 in units and 17097, 9103 & 9103 in rupees for 1st, 2nd and 3rd 4 month periods respectively. In comparison with base year the BEP in units and rupees are more in all 4 month periods with base year. CM is less in all 4 month period than base year. The sales volume and variable cost are more in all 4 months periods than base year. Fixed cost is equal to the base year.

In the year 2063 the BEP in units and rupees are as follows: 394, 471, 403 in units and 9103, 11000 & 11000 in rupees for 1st, 2nd and 3rd 4 month periods respectively. In comparison with base year the BEP units and rupees are more in all 4 month periods but the BEP rupees is equal in 1st 4 month with base year. CM is more in 2nd and 3rd 4 month periods and less in 1st 4 month period than base year. The sales volume and variable cost are also more in 2nd and 3rd 4 month period and less in 1st 4 month periods than base year. The fixed costs are more in 2nd and 3rd 4 month period and equal to the 1st 4 month period than base year.

In the year 2064 the BEP in units and amounts are as follows: 300, 469, 478 in units and 7017, 11000 & 11150 in rupees for 1st, 2nd & 3rd 4 month periods respectively. In comparison with base year the BEP units and rupees are more in all 4 month periods with base year. CM are more in all 4 months periods than base year. The sales volume and variable cost are also more in all 4 month periods than base year. The fixed costs are also more than base year.

In comparison with different 4 month periods of each different years and over years. 1st 4 month of 2064 has revealed that highest profit and 3rd 4 month of 2060 is the lowest profit among 5 years. 1st 4 month of 2064 have the lowest BEP in units and rupees among 5 years.

The comparison with the different 4 month periods of different year, the 2nd 4 month period is more profitable than other periods. The main reason of more profit in that period is more demand & sales of buffalos. If we can increase purchase and sales of buffalo in that period we might earn more profit than other periods. The buffalo trading is also increasing yearly so that it has good future than he goat.

Summary of ranking of contribution margin and net profit of buffalos is shown in below table.

Table no 38.
Ranking of contribution margin and net profit of buffalos.

Amount in 000 Rs.

Details	Contribution margin	Ranking of CM	Net profit	Ranking of net profit
2060	55464	5	53361	5
2061	88642	3	86539	3
2062	78540	4	76437	4
2063	104288	2	101959	2
2064	110694	1	108252	1

Table no 39.
Ranking of contribution margin and net profit in percentage.

Details	Contribution margin in %	Rank	Net profit in %	Rank
2060	5.01	5	4.82	5
2061	6.67	4	6.51	4
2062	7.70	2	7.54	2
2063	7.55	3	7.39	3
2064	8.91	1	8.72	1

Above table shows that the total contribution margin is highest in 2064 and lowest in 2060 among 5 years. The total net profit is also highest in 2064 and lowest in 2060 among 5 years.

Ranking of the contribution margin and net profit in percentage in different years reveals that the highest percentage of CM is in the year 2064 and lowest in 2060. The table shows that the highest percentage of total profit is in the year 2064 and lowest in 2060 among 5 years.

4.10 Major Findings

From the collected data, observation in field survey this study has succeeded to obtain various related to different aspects of the study in Kalanki and Balambu livestock markets. The major findings of the study area are presented below:

1. Generally traders purchases he-goat and buffalos for sales only.
2. The traders have not followed profit planning system; they only think how to purchase at low price and sale at high prices in the market as soon as possible.
3. The trading of he-goat and buffalo (both livestock) are profitable in the study area.
4. Generally, the 2nd 4 month period has highest sales and purchase transactions and profit than other period in respect of he-goat because is the main festivals of Nepalis Dashain and Tihar falls during this period. There are also high demand in other Hindus' festival and occasions. And also in 3rd 4 month has and largest transactions because of marriage season. But of the buffalo trading has no effect of this festivals and occasions.
5. Buffalos are mostly imported from India and brought from Nepaljung-Banke Chandrouta-Kapilbastu, Jamunia-Nawalparasi, Jitpur-Bara, Shakuhawa-Sarlahi and

Jhumkhanawa-Bara districts boarder. Where as 75% he-goats are imported from India and brought from KrishanNagar-Kapilvastu, Chandrouta-Kaplivastu and Sunauli-Kapilbastu district boarder. Rest of the buffalos are brought from Terai Nepal from and 15% he-goat are brought from western Nepal as Dang, Surkhet, Banke, Rolpa, Salyan, Rukum and eastern Udaypur district and rest of the he-goat are brought from near villages of Kathmandu Valley. Trisuli-Nuwakot, Dhading, Kaverpalanchok, Sindhupalchok and Dolakha districts.

6. 80% of the buffalo traders are Indian Muslim and rest of the traders are Nepali Muslims. 95% buffalo traders are Muslims and rest of the traders are from other cast and religion.
7. 75% of the he-goat traders are Nepali citizens and rests of the traders are Indian Muslim citizens.
8. There is no presence of women trader in both trading.
9. In Kalanki, he-goat supplier and other wholesaler traders are separate persons whereas in buffalo trading supplier and wholesale traders is the same person.
10. 80% of the he-goat and buffalos are supplied and sold to meat wholesaler, butcher and rest of the livestock are sold to army, police office and other individuals.
11. The buffalo use only trucks as means of transportation. Whereas Indian he-goat supplier only use trucks but Nepali suppliers use busses only.
12. On the basis of profit, the profit from he-goat highest in 2060 B.S. and from buffalo is highest in 2063 B.S.
13. The main he-goat market day is Sunday and buffalo market day is Tuesday, Wednesday and Thursday. In these days livestock are taken and brought from supplier. But on other days also have the transactions and sale to customer.

14. There is no perfect arrangement of marketing information system but the traders determine the commodities price according to the prevailing situation in the market.
15. 50% he-goat & 90% buffalo traders are getting involved since 3 or 4 generation continuously.
16. The he-goat trader prepares sales and purchase plan on season base whereas buffalo traders prepare this plan on adhoc basis.
17. Generally traders do not record for cost of selling distribution and administrative expenses. They also do not calculate their own labour, supervision, repair & maintenance, rent and other expenses.
18. Most of the traders use and follow the traditional marketing methods, but now a day some educated and conscious traders are using some modern tools, ideas and techniques.
19. The purchase and sales trend shows that the he-goat is in increasing but buffalo trading is fluctuating in between years.
20. Generally between 2 livestock trading he-goat trading is more labour consuming than buffalo trading.
21. Generally the store rent, repairs and maintenance cost are not needed to pay in buffalos trading but are needed to pay in he-goat trading.
22. In between 2 livestock trading buffalo is more profitable than he-goat trading.
23. The income statement show that total income and net profit has not so much increased but cost of goods sold, selling and distribution expenses are increasing in between 5 years.
24. Traders do not prepare planned income statement, balance sheet and profit plan. Most of the trades are untrained and also

some educated trades do not have knowledge about how to prepare such statements.

25. The trend of total cost is increasing and decreasing when the sales & Purchasing in increasing and decreasing respectively.
26. Among two components of cost i.e. Cost of goods sold and selling distribution and administrative expenses, the cost of goods sold play vital role and it covers the 90 percent of the total cost.
27. The traders do not take into account the inventory policy proper routine and scheduling of the sales and purchase plan.
28. On the analysis of cvp the most profitable period of he goat is 3rd 4 month of 2063 and of buffalos is 1st 4 month of 2061 B.S.

Chapter-V

Summary, Conclusion and Recommendations

5.1 Summary

Profit planning is an inherent part of the management process. It is a development and acceptance of objectives and goals. It is not a financial or an accounting exercise but rather than PPC must next upon a firm production of management leadership, endorsed by realistic objectives awareness of motivational issues and dynamic control. It is a systematic and formalized approach for accomplishing the planning, co-ordination and control of responsibility of management.

He-goat and buffalo trading are also major livestock income generating trading which plays a vital role in economy of this country. They are both profitable trading for the traders but they have many problems. Many existing problems pointed by traders; supplies and wholesaler during survey have taken in the study. These problems are similar to all the livestock traders. It is the work, duty and liability of researcher to give suggestions about relating subject to related sectors. It is not easy to make widely acceptable policy suggestions on the basis of conclusion drawn under small sample size and restricted number of variables. Nevertheless the conclusions drawn from the analysis will be helpful in policy formulation particularly for the area covered by the present study.

5.2 Conclusion

Livestock trading is the major source of earning in Nepal but there is no sufficient education and facilities in this field. Today few no. of people are involved in producing marketing, distributing, processing and retailing livestock and livestock products.

Market agents including supplier, wholesaler butcher and retailers serve important functions in the livestock economy and trading. A large no. of Indian nationals are involved in this marketing trade by bringing livestock from India as well as purchasing livestock in

Nepal's village. Indian traders have an extensive network of contacts and more importantly have access to an informal credit system of purchase of livestock. In this trade many traders are Muslims with a long family history.

The co-ordination between traders and meat wholesaler, butcher is important for the improvement in the livestock trading of KTM valley.

Among different agricultural products trading he-goats and buffaloes are also the most important income generating trading in study area as well as Nepal.

He-goat and buffalo trading have been popular since long time in the study area. Now it is succeeded to get a noticeable achievement. Between these 2 livestock buffalo trading is more profitable than He-goat and it is more consumed by peoples. Likewise, more labors are needed to he-goat market than buffalo market. It increases the cost of good sold. Likewise godown rent, repairs and maintenance expenses are to be paid for he-goat marketing but it is not required for buffalo marketing, it further decreases the net-profit of he-goat trading. But both livestock are profitable livestock trading.

He-goat sale is always highest in 2nd 4 month period. Because it is the time of great festivals of Nepalis Dashain and Tihar and 2nd highest sales in 3rd 4 month period because it is the season of Marriage occasion. Especially the he-goat demand is always high in Nepali other festivals & puja occasions. Such as, Maghe Sakranti, Saaune Sakranti, Chaite Dashain, Aamako Mukh Herne Din, Babu Ko Mukh Herne Din, Janai Purnima and so on.

Buffalo sales are always same during the year. The festivals and other occasions do not affect the sales of buffalo trading.

The sales volume of he-goat is highest in 2060 B.S. whereas highest buffalo sales in 2063 B.S. The sales & purchase trends of he-goat is

increasing but buffalo sale trend is fluctuating between 5 years 2060-2064 B.S.

The traders of he-goat and Buffaloes Market of Kalanki are facing different problems relating to profit planning. Most of the traders are uneducated and they have no knowledge about the nature and content of profit planning.

Traders have no sufficient marketing and managerial skill and methods of study about external and internal variables which are very essential elements of profit planning.

Traders do not have planning for direct labour, material, cost of goods sold and other expenses. Accordingly traders do not prepared planned income statement.

Some of the conscious and educated traders have used some tools, idea and techniques and they have some knowledge about how, where and when to purchase & sale the he-goat and buffalos livestock. Only those educated traders prepare sales and purchase plan on the adhoc basis when the special cases arises.

5.3 Recommendations

He-goat and buffalo trading are also major livestock income generating trading which plays a vital role in economy of this country. They are both profitable trading for the traders but they have many problems. Many existing problems pointed by traders; suppliers and wholesaler during survey have taken in the study. These problems are similar to all the livestock traders. It is the work, duty and liability of researcher to give suggestions about relating subject to related sectors. It is not easy to make widely acceptable policy suggestions on the basis of conclusion drawn under small sample size and restricted number of variables. Nevertheless the conclusions drawn from the analysis will be helpful in policy formulation particularly for the area covered by the present study.

On the basis of foregoing analysis and major findings some recommendations can be made as under:

- The traders of He-goat Market Kalanki and Buffalo Market Balambu do not adopt profits plan; procedure and techniques that are necessary. So they should be prepared profit plan for both strategy long range and tactical short run. Strategic long run should be formulated for achieving long run goals and objectives that includes improvement of the existing market and new marketing developments, large scale sales, development of sales and purchasing plan etc. The short range profit plan should be prepared for quarterly & yearly basis to fulfill the short term goals and objectives.
- Most of the traders of Kalanki and Balambu are uneducated but practically experienced. They do not know to keep record of their income and expenses through scientific accounting system. So that government should provide compulsory elementary education in accounting system of business and encourage the traders to introduce record keeping system.
- Most of the he-goats and buffalos are imported from India so that more Nepali currency is going to India. It should be controlled and government should encourage scientific livestock farming in Nepal.
- All Nepali indigenous he-goat are small and does not give more cash income so that Nepali farmers should farm developed caste of he-goat. The developed caste of he-goat gives more income in short-period. Scientific farming methods, tools and techniques should be provided to the farmer to increase their sales volume as well as generate more profit.
- Most of the traders are uneducated but it is more profitable and good employment sector. It is creating more profit so that

uneducated and unemployed manpower can easily conduct this trading by small scale of capital. This business is easy to start and conduct than others.

- The existing trading system is traditional. In Kalanki and Balambu market neither traders are trained nor they are facilitated by marketing professionals & consultants. So that training seminar and workshop should be provided by government sector.
- The main problem of the Kalanki and Balambu market is guarantee of security. This market is governed by co-operative society (non-government/Individuals) and it cannot give guarantee of security so that government should conduct this livestock market in the KTM valley.
- There is not any policy and regulations of this livestock marketing sector. So that traders are getting more disruptions from other side. They are not getting any government facilities but they are paying fees and taxes to the government. It causes the less transactions and incomes so that government should formulate policy and regulations and give govt. facility as other business.
- There is lack of facilities as water, toilet, residences because it needs more capital to manage all these things so that govt. should govern and conduct this types of markets or should formulate policy for standards of facilities and standards for private sectors.
- Most of the he-goat and buffaloes traders & suppliers are Indian Citizen, and they are not paying taxes and fees properly in tax office because they are not registered in tax office. They are not paying tax on their incomes and taking Nepali currencies into India easily so that govt. should formulate rules and regulations for this business also.

- It has lack of fund & capital. Traders generate funds from own pocket, there is no any banking facilities for this purpose but it is profitable business so that financial institutions also provide loan & other banking facilities for this business to increase and manage more effectively.
- Due to the highway restrictions and strike sometimes the livestock are not brought in the fixed times and numbers which is demanded it causes the cost of transportation and also increases the sales price and customers should pay high price so that government should strictly control the highway and road strike & restrictions.
- Generally due to the illegal cash paid to the police, traffic police, other organizations and clubs it may cause the high price of the livestock's so that government should strict control this type of injustices activities to the suppliers.
- Nepal is a agricultural country, Livestock farming and trading in profitable and creates more employment opportunities in our country. so that government should provides education of livestock farming & trading to all Nepalese. So that going outside the country for earning money as labour can be reduced.
- The whole sellers supplies livestock to the butcher and other wholesale meat seller in cash as well as credit also. But sometimes the credit amount is not collect and sometimes the debtors are fled away from the market so that it may also cause import of livestock. So that government should help the traders by giving other facilities and guarantees.
- More facilitated livestock market to be established in the KTM valley because the Kalanki and Balambu market in insufficient today. Traders need to increase sales volume of he-goats and

buffaloes because it is not fulfilling the demand of meat of KTM valley.

- Traders need to develop the flexible budget and apply cost volume profit analysis for the non bearing of losses and help increasing of profit.
- Traders need to develop a systematic direct labor cost budget detailed by assigned responsibility accomplishing the planning objectives.
- Government need to provide the subsidies and guarantees to the traders if purchased livestock are dead or loss by accident, strike and so on.

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Appendix - 1

The traders Name, Address, Total purchase cost and the yield from he-goat & buffalo livestocks.

1. Trader's name: Gyanu Shrestha

Address: Gongabu Kathmandu.

He-goat

Amounts in '000' Rs.

Year	1 st	2 nd	3 rd	Yield	Cost
2060	1125	2531	1681	27625.5	26691.5
2061	988	2831	1113	27273.4	26410.3
2062	1055	2690	1070	28280.	27440.5
2063	1155	2450	1500	31757.2	30863.9
2064	1201	2180	1373	29950.2	29118.2

2. Trader's name: Binod Giri

Address: Ghorahi, Dang

He-goat

Amounts in '000' Rs.

Year	1 st	2 nd	3 rd	Yield	Cost
2060	1515	2850	1781	31736.25	30660.7
2061	1111	2601	1650	29638.35	28700
2062	1273	2708	1575	32612.65	31640.3
2063	1378	1815	1618	29827	28985.075
2064	1981	2927	2300.	45410.4	44149

3. Trader's name: Kumar Shrestha

Address: Gongabu, Kathmandu

He-goat

Amounts in '000' Rs.

Year	1 st	2 nd	3 rd	Yield	Cost
2060	1511	2950	1817	32430.65	31332
2061	1635	2580	1715	32635.75	31598
2062	1245	2190	1419	28445.55	27596.1
2063	1381	1985	1555	30518.95	29657.8
2064	1490	2051	1680.	32892.30	31978.63

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