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ASSESSMENT OF BUDGETING PRACTICE OF FAFA FOOD SHARE COMPANY

PROJECT SUBMITTED TO THE SCHOOL OF GRADUATE
STUDIES OF ADDIS ABABA UNIVERSITY IN PARTIAL
REQUIREMENT OF THE DEGREE OF MASTERS IN
BUSINESS ADMINISTRATION (MBA)

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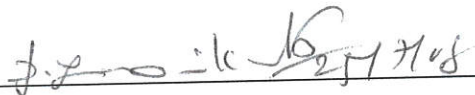
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MBA PROGRAM

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July, 2008



Statement of declaration

This is to certify that, Elias Tadesse has carried out his project on the topic "ASSESSMENT OF BUDGETING PRACTICE OF FAFA FOOD SHARE COMPANY" under my supervision.

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Dr. P Laxmikantham

I declare that, this project work is my original work. It has not been submitted for any degree or diploma in any university. I have undertaken it independently with the advice and suggestion of my advisor for the project Dr. P Laxmikantham. In carrying out of this project work I have used different sources and materials which I have appropriately acknowledged.

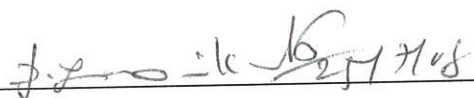
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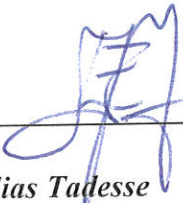
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Dr. P Laxmikantham

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***ASSESSMENT OF BUDGETING PRACTICE OF FAFA FOOD SHARE
COMPANY***

***BY
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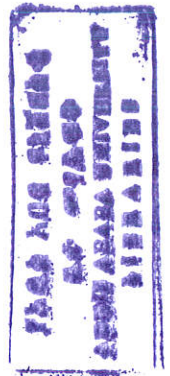
Acknowledgement

It is my pleasure to foreword my appreciation to my esteemed instructor and advisor Dr. P Laxmikantham for his guidance, and constructive suggestion during the preparation of this paper.

I would also like to extend my heartfelt thank to officials of FAFA Food share company, especially, W/o Workinesh and Ato Zerihun, who provided me with the required materials, documents, who responded patiently to all my questions and devoted their precious time for my sake.

Last but not least; my thank goes to Enatenesh; who helped me by providing related documents, printing and binding the final project and encouraged me.

Elias Tadesse



Abstract

Budget, if used properly, can assist organizations including the case company to support the profit maximization objective by helping managers deal with uncertainties. The budgeting process may, however, work to the firm's disadvantage, if not properly handled.

This paper is aimed at examining general and behavioral aspects of budgeting and budgetary control practice of FAFA Food Share Company such as: for what time period the budgets are prepared?, does the company make use of flexible budgeting and zero based budgeting?, which process of budget setting is adopted?, do budgetees participate in budget setting and budget discussion?, how often the budgetary procedures are reviewed and who is taking care of it?, how often performance reports are prepared and variances are analyzed?.

The study is based on both primary data, collected through interview and detailed discussion with concerned officials of the Share Company, and secondary data collected through reviewing company documents (such as corporate reports, performance reports, company plan, and others). Non-statistical data analysis known as content analysis is used to analyze data and draw conclusions.

The results of the study reveal that the company has no well established standing budget committee, no budget manual. Bottom-up approach (a participative style) is used in budget setting and budgets are estimated using past year performance as a base (zero based budgeting is not used). Performances reports are prepared monthly, quarterly, and yearly without detailed variances (flexible budgets are not incorporated)



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CHAPTER ONE: INTRODUCTION

1.1. Background Of The Study

We do not live our life from day to day without any consideration about the future. We plan from major things such as our career to small things such as what we are going to do tomorrow or next week. The same is true for businesses. In businesses, however, the plan is expressed in financial terms and is more formal and deliberate in a process known as budgeting. Budgets in organizational context are tools used by managers to express and quantify their financial intent.

Budget is a means of planning for various resources, a control mechanism for an administration to keep from spending too much, a process to coordinate the many activities that an institution undertakes, and a technique for setting the organization's priorities by providing a means to allocate scarce resources among competing uses (Linn, 2007)

For many decades, empirical research has documented the extensive use of budgeting system. Recently, however, there have been numerous criticisms leveled at budgets. Budgets, for example, have been linked to various behavioral problems including motivation, budget games such as budget slack etc. (Ahmed, 2005). There appears therefore to be two divergent views on usefulness of budgets. The divergence of views on budgeting as a management planning and control tool has provided the major motivation for present studies. Despite the criticisms, present studies reveal that the use of budgets as a planning, control and performance evaluation tool is wide spread. Most studies in this regard were undertaken in advanced countries such as UK. Currently, however, studies are being undertaken in developing countries. Study for instance, on selected Asian countries by Suleiman, Ahmed, and Alwi (2004) indicates an increasing use of budget. Studies in African



countries including Ethiopia, on the interrelationship and gaps between management accounting practices are under researched. This research therefore, contributes to filling the gap by studying the practice of the specific establishment. Review of organizational as well as industrial practices in relation to budgetary theories and empirical studies are crucial if true picture of potential changes or improvements are to be made to the current practices. To this end, there is a need to investigate the nature of existing budgeting and budgetary control practices in order to lead to a better understanding of the situations and contexts in which a particular theoretical technique may be appropriate. Clearly not all theory is relevant; or appropriate to every given situation or establishment. Researches that try to identify current practices within organizations in a given industry will provide ground to other researchers to question why the particular practice exists and also undertake a study on industry practices.

The focus of this project is to describe the characteristics of the existing budgeting and budgetary control system of FAFA Food Share Company. Its main theme is describing the how of budget preparation, budget implementation, and control. The report is compiled based on interview made with officials of the company and review of related documents.

1.2. Statement of the Problem

Present studies reveal that many companies in developing countries as well as developed countries are making use of budgets as a planning and control tools. The use of budgets is more crucial for business organizations established with the objective of maximizing profit and bringing the utmost return on stockholders' investment since budgets assist in the profit maximization objective, Joshi, (2003). Budget is a set of plan for achieving goals, a tool to determine whether operations are going according to plan, a means to allocate scarce resource among competing uses.



Business people sometimes say that budgeting is not worthwhile. They require the budget to be followed down to the last dollar. They also argue that managers should be concerned with running the firm's day-to-day operations instead of worrying about the future, which is likely different from what they expect, Hirsch (1986). Such argument can be disastrous because the future is to a great extent a product of the past and present; and the action that managers now take or do not take can affect the future greatly. The most common example that can be cited as the problem of a wait-and-react approach to management, according to the same scholar, is the financial difficulties that growing firms run into because they do not consider the future financial requirements that growth will bring. Formal budgeting process helps managers in dealing with such uncertainties and makes their decision-making process more effective. It helps to substitute deliberate, well-conceived business judgment for accidental success in enterprise management.

The existence of a formal budgeting process alone is not sufficient for organizational success, and organizational effectiveness and efficiency. The budgeting process may work to the firm's disadvantage, if not properly handled. This is because budgeting and budgetary control influences human behavior, and the influence may be dysfunctional against the best interest of the firm. To this end, proper use of budgets considering complexities of current business activities, changing environment and the current globalization requires investigation of current practice. Furthermore, to cope up with and win the current stiff competitions on global basis, establishments need to review their practice with respect to current theory and industry practices. Based on the above facts, this paper will try to answer the question, "what the budgeting and budgetary control practice of the company looks like?"

1.3. Objective of the Study

The main objective of the study is to assess the budgeting practice of FAFA Food Share Company in planning, control and performance evaluation. More specifically, this study discusses the following aspects:

- Budget discussion and budget decisions
- Participant's involvement in budget preparation and discussion
- Budgeting style or approach followed
- The style of performance reports prepared
- The variance reporting periodicity
- Top management attitude towards budgeting



1.4. Significance of the Study

The study examines and describes the current budgeting practice of the company comparing and contrasting it with literatures and empirical studies undertaken in other countries. It is therefore believed that the study will prompt the company to review its existing budgeting system. The study can also be used as a base for further research. Based on these findings other researchers can identify the effects of the current practice on the overall company performance. Researcher can also survey the industry practice. Furthermore, the research has academic significance for it enabled the student researcher to be familiar with the budgeting practice in the selected organization.

1.5. Scope and Limitation

The study's scope is limited to the description of the budgeting practice of the case company, focusing on general and behavioral aspect of budgeting, rather than analytical and technical aspect. It focuses on the following aspects: budget discussion and setting practice, budgeting process adopted, top management support and involvement, length of budget period, budget participation, performance reporting and its periodicity, budgeting approach (method) used. There are different factors that may challenge the findings of this research. The most significant ones are lack of studies on the same topic in our country, financial shortage, and more severely shortage of time

1.6. Methodology

Sources and Methods of Data Collection

The study used both primary and secondary data. Primary data were collected through conducting interviews with general manger, and division and department heads. The interview questions included questions relating to budget planning, budget implementation, performance evaluation and participation. Specifically, they focused on such dimensions as: why the company uses budget, for how long it produces budget, the periodicity of variance reports, budget participation, the frequency of reviewing budgetary procedures and others.

Secondary data were collected by referring the company brochures, budget reports and performance reports.

Method of Data Analysis

Qualitative analysis is used for non-statistical data collected. To analyze the data, a systematic non-statistical data analysis known as content analysis is used. With this method massive contents of speech and document review are summarized. Data reduction, data display, conclusion drawing and recommendations are used phase by phase to make sense of the data collected. Data reduction refers to the process of selecting, focusing, simplifying and transforming the collected data that appear in interview and document review notes. Data display goes beyond data reduction to provide an organized, compressed assembly of information that permits conclusion drawing.

1.7. Organization of the Paper

The paper is structured in to five chapters: The first chapter gives a brief introductory background about the study; including introduction, statement of the problem, objectives of the study, delimitation and scope, and methodology. Chapter two provides a review of theories and prior research on budgeting practices of several countries. Company background focusing on its products is discussed in chapter three. Chapter four discusses about data presentation and analysis. The final chapter, chapter five presents conclusions and recommendations



CHAPTER TWO

REVIEW OF RELATED LITERATURE

2.1. Budget And Budgetary Planning

2.1.1. Budget and budgetary planning defined

Chakravarty (2004) defined budget as a plan quantified in monetary terms prepared and approved prior to defined period of time usually showing planned income to be generated and/or expenditures to be incurred during that period and capital to be employed to attain a given objective. In simple words, Smith, Keith, and Stephens (1989) defined budget as a formal quantitative expression of the goals set by management. Budgetary planning is the process of setting goals and determining ways to achieve them

2.1.2. Purposes of Budgeting

Budgets can be prepared in numerous ways depending on the desired complexity. Even simple budgets offer a large number of advantages. The following are few of the advantages a formalized budgeting system offers

Aid planning: Budget obligates managers to plan ahead for the activities of the organization. It encourages managers to anticipate problems before they arise giving them time to consider alternative way of overcoming them when they do arrive. Such an exercise tends to produce better results than decisions made in haste (Izhar, 1991). In the absence of the necessity to prepare a budget, too many managers would spend all of their time dealing with daily emergencies (Garrison, 1997).

Budgeting is a form of systematic decision making, because the plans that a firm makes required decisions about numbers of workers to hire, quantities of various products to make and raw materials to buy, and many other matters. If conditions change and the original budget no longer seems feasible, it will still have served a purpose, because it will make it easier for managers to adapt to the changed condition. That is, managers who have a budget can adapt to better to changing circumstances than managers without one, Hirsch (1986: 533-534)

Aid co-ordination: Coordinating activities has always been important to management; it is especially so today because of the interdependence among the various functions. Marketing, finance, and general administration activities must work together. Budgeting forces managers of various parts of the organization to co-ordinate their plan for action. Left to their own devices, department managers may make decisions about the future which are incompatible or even in conflict with other departments. Budgeting helps to avoid such conflicts by encouraging managers to consider how their plans affect other departments and the plans of other departments affect them (Izhar, 1991). Budgeting helps managers to spot potential problems and conflicts. Different managers have different points of view about many aspects of the firm, and these divergent views can be harmonized through budgeting.

Means of communication: Budgeting serves as a means of communication. It provides a means of communicating managements' plans throughout the organization. Copies of budget are usually made available to all management personnel to make them understand the plans and policies of the organization and also about the restrictions to which the organization is expected to adhere. In manufacturing firms, for example, production cannot be planned until the sales manager has communicated the sales plan to the production manager. Similarly, purchasing manager cannot plan

raw material acquisition until production manager has communicated the production plan to the purchasing manager (Rayburn, 1989)

A tool for control and performance evaluation: To be completely effective, a good budgeting system must provide for both planning and control. Good planning without effective control is time wasted. On the other hand, unless plans are laid down in advance, there are no objectives towards which control can be directed. While budget preparation aids planning, the way budgets are used helps in control and performance evaluation. After budgeting the management should exercise control, which involves the steps taken by management to ensure that the objectives set down at the planning (budgeting) stage are attained, and to ensure that all parts of the organization function in a manner consistent with organizational policies. The system of calculating deviations from budget (variances) after the event fosters cost-consciousness amongst workers and managers and highlights areas of over-and, more importantly under-achievements. With this respect, budgets are important control tools and are benchmarks against which actual performances are compared. (Garrison, 1997)

A means to allocate resources: Most organizations face shortage of labor, equipment, material, capital investment, so forth. In this regard, budgets serves as a technique for setting the organization's priorities by allocating scarce resources to those activities that officials deem to be the most important and rationing it to those areas deemed less vital (Chakravarty, 2004)

Empirical studies reveal that budget serves dual purpose of planning and controlling. As a control, budget regulates the behavior by specifying the means to achieve a target. A survey study in Malaysian companies by Ahmed (1998) reveals that, budgets are used for diverse purposes, such as performance measurement and evaluation, staff motivation, pricing decision and cost control. Joshi (1998) stated that budgets are used to communicate top management's expectation to managers and employees, and for coordinated panning among different functional areas. He further concluded that



when production processes were relatively routine and repetitive, budgets could be used effectively to achieve organizational coordination.

The relevance and importance attached to each of the purposes of budget may differ from company to company, or from industry to industry. Study by Joshi (2003) on budgeting practice of large and medium sized companies in Bahrain revealed that most companies rated the purpose of budget to assist in maximizing the overall profitability highest followed by; to judge and control performance; a way to calculate rewards, and a motivation devise for managers. The study was based on survey 54 medium and large sized companies. According to Jones (1998), study on UK hotel operators' use of budgetary procedures, however, the main use of budgeting was found to be; to evaluate performance rated highest followed by control.

In summary, although theories on budgeting list various advantages, the importance and weight attached to each purpose differs from company to company or from industry to industry.

2.2. Budget Implementation, Evaluation And Control

2.2.1. Budget Implementation

Implementation of budgets involves putting the plan to work. During budget implementation (budget execution); coordination among various departments and divisions, communication and information flow available, and leadership provided to subordinate managers are crucial. These variables should be considered during budget execution if the firm is striving to achieve its budget goal (Ray born, 1989)

2.2.2. Budgetary control through performance evaluation

After the planning process has been completed, that is after goals and the ways to achieve them have been determined, the next thing to do is to put the plans to work. And once those plans are at work, it is necessary for managers to monitor the operation in order to see if they are achieving what they are supposed to. In other words managers need to exert control over the operation based on plan or budget (Smith, Keith, and Stephens, 1986). Budgetary control is the use of budget to control firm's activity

Managers do exercise control through performance report. The performance report prepared shows the actual results, the budget result, and any difference between actual and budget, referred to as variance. Any significance variances identified are noted and analyzed in an attempt to identify what caused them. Variances explain the difference between actual results and expected results. Variance analysis refers to the systematic evaluation of variances in an attempt to provide manager with useful information for measuring efficiency and improving performance. Once the cause is identified the appropriate remedy can be determined and set into action in an attempt to shrink these differences between the actual and budget during the next performance report period.

Feedback is an important role of budgeting and budgetary control for attaining the expected quality and quantity standards in planning and control. Performance report and feedback focus on the extent to which employee have achieved expected level of work during a specified period. Budgets are used as standard for performance and used to evaluate managerial performance. Budgeting and variance analysis can be positive tools for performance measurement system if the accounting information or communication process is functioning appropriately. According to Joshi, (2003), performance approval should be based mainly on budget achievements. The performance report is used to



compare actual result with objective (plans). The frequency depends up on the time specific nature of the objectives. Some objectives involve daily operations, and obviously daily performance reporting is appropriate.

To Begin to control operations for the period, management looks at the performance report, examines the information in the difference column, and asks several questions that require immediate answers. Manager asks questions such as: who is responsible for the difference, which differences should be investigated? What is the cause of each difference? What corrective actions need to be taken?

Regarding the style of performance report, Izhar (1991) stated that performance report should distinguish controllable costs from non-controllable costs. Controllable costs are costs that a manager is held responsible for. They are costs within the responsibility center that can be significantly influenced by the manager of that center during a given period of time. If a manager has no influence over a cost during a given period of time, then the cost is anon-controllable cost. If costs are not controllable, it doesn't make sense to hold a manager accountable when the costs are not what they should be (Smith, Keith, and Stephens, 1986). The department head should be held responsible for those costs which he can influence. In general, previous studies advocated the need to make clear distinction between controllable and non-controllable costs in the budget holder's performance report (Ahmed, 2003)

Most studies on budget practices have been conducted in advanced countries. Study on budgeting practices of developing countries such Bahrain was undertaken on such dimensions as; specific purpose served by budgets, degree of budget participations. Studies were also undertaken on the control aspect of budgeting on such dimensions as: the periodicity of performance reporting

related to budget, how budget variance is used, who evaluates the budget variance performance report, the style of performance report received by budget holders, and the frequent reason for under-achievements, if any. Study by Joshi (2003) reveals that both department heads and budget committee hold the position to evaluate the budget variance report, and the periodicity of these reports is usually monthly or quarterly. The budget variance according to his study is used to evaluate managers' abilities, timely recognition of a problem and to improve next period budgets from high rating to lower rating respectively. Ahmed's (2003) finding on the same dimension revealed that variance reports are used to judge managerial performance. Joshi's (2003) study on reasons for not being able to achieve budget targets indicated that the most important reason were inability of departments and ineffective planning. Unattainable standards were also cited as reasons.

2.3 Requirements For Operation Of Budgeting And Budgetary Control System

The following are pre-requisites for the successful operation of a budgetary control system according to Chakravarty, (2004)

2.3.1 Establishment of budget center

CIMA has defined a budget centre as "a section of an organization for which separate budget can be prepared and control exercised". An organization is divided into several segments, which are clearly defined for the purpose of budgetary control according to responsibilities of departmental heads. These segments are technically referred to as budget centre. Budget prepared for a budget centre is called a departmental budget. These budgets are prepared with the help of departmental heads, e.g., purchase budget is prepared with the help of purchase manager, and labor cost is prepared with the help of personnel manager, and so on.

2.3.2 Preparation of organization chart

A well-defined organization chart, showing clearly the lines of authority and responsibility of each member of management and his position in relation to other members – both upwards downwards – is absolutely essential for a successful budget system.

2.3.3 Establishment of adequate accounting record

The accounting system should be able to record and analyze the information required. The budget procedure must use the same classification of expenses and revenues as the accounting department for comparison purpose.

2.3.4 Establishment of budget committee

The budgetees, who prepare and are responsible for their budget, are the departmental line managers. However, there is also a need for someone to provide technical assistance. Budget officer takes this function of coordinating the many individual budgets of the line managers. In small concerns, a budget officer or the chief accountant prepares the budget and coordinates all the works involved. In organizations where budget is a complex process, co-ordination of budget will be far beyond the limits of any one person. Here, a budget committee may be set up, comprising several high level executives in charge of the major functional divisions of the business (chief executive, budget officer and heads of functional departments or budget centers, e.g., sales manager, production manager, purchase manager, chief accountant, standard and quality control manager etc), (Izhar, 1991).



Usually, the chief executive is the head of this committee, so that decisions of this committee become binding on others.

The main functions of the budget committee are:

(1) to assist all departmental managers in making budget by providing them information about past performance, (2) to inform all departments regarding requirements, dates of submission of the budget, etc; (3) to circulate broad outline of the policies framed by the top management in relation to the budget system; (4) to receive the budgets from various departments and scrutinize them; (5) to discuss problems with departmental heads and suggest revision of functional budgets, where necessary; (6) to settle disputes between departments on budget matters and approve revised functional budgets; (7) to prepare a master budget after the approval of the functional budget; (8) to compare actual performance with budgets, analyze variances and recommend corrective action, where necessary; (9) to inform departmental heads regarding changes in budget policies and procedure and revisions made in their budgets by the committee; (10) to prepare budget manual and co-ordinate all budget work (Chakravarty, 2004).

Rayburn, (1989) also cited the following advantages in addition to those listed above

(1) Recommending action to improve efficiency where necessary; (2) preparation of budget manual as a reference for implementation of a budget program; (3) approving possible changes as in the budget as conditions change; (4) reviewing the budget periodically

The budget committee's functions, according to Rayburn, (1989) include co-ordination of all planning, giving consultation to budget officer, reviewing and approving budget estimates and suggesting revisions, preparing budget manual as a reference for implementation of a budget

program. Another function of a budget committee is reviewing the budget and its procedures periodically to approve possible changes in budget and procedures as conditions change.

Among the functions of budget committee, review of budgetary procedures is given more weight by many researchers for it helps to cope with changing situations and conditions. Jones (1998)'s study on UK hotel operators' use of budgetary procedure indicated that 89 percent of the companies from a sample of 44 companies did review their budgetary procedures, however, only 41 percent actually did so on routine basis. In this sample 59 percent of the organization did not review budgetary procedures on routine basis

2.3.5 Preparation of budget manual

According to CIMA, a budget manual is a document which sets out the responsibilities of the persons engaged in the routine of and the forms and records required for budgetary control (Chakravarty, 2004). According to Garrison,(1997), it contains and serve as the guidelines for preparation and implementation of various budgets, which are summarized according to him as: (1) *definition and clarification of different terms used in budgets*, (2) *definition of functional and organizational objectives*, (3) *responsibility and authority of different functional heads, budget committee, and budget director*, (4) *It lays down what is to be done, how it is to be done, when it is to be done, and, by whom*, (5) *procedures and forms to be used in the budget preparation*, (6) *budget calendar, specifying the dates on which different functional budgets and reports are to be submitted to the budget committee for review and approval*, (7) *operational and follow-up procedures, type of budget to be adopted, etc.*

In general, a budget manual according to Chakravarty (2004), helps to standardize methods and procedures, eliminates overlapping of functions and develops improved techniques for forecasting sales and costs.

2.3.6 Determination of budget period / length of budget period

According to CIMA, budget period is the period for which a budget is prepared and used, which may then be sub-divided into control periods. Generally a company's budget corresponds to the fiscal period used in the accounting system. Usually, a budget is prepared for one accounting year sub-divided into 4 quarters or 12 months (Chakravarty, 2004). Budgets can be short or long range. Long-range budgets provide guidelines whereas short-term budgets specify the definite steps to be taken. Some companies prepare an annual budget in detail using a rolling or continuous approach. A rolling or continuous budget is a 12 months budget prepared two or more times in a year. With this method, changing economic conditions can be incorporated into the plans each time a new month is added. Hence, they are considered more accurate but are not used for high clerical costs. Other companies prepare their annual budgets in two phases, detailing the first half of the year while summarizing the remaining six months by quarters in less detail (Rayburn, 1989)

In seasonal industries, a shorter budget period, say, one seasonal cycle, or six months, or a quarter, will be found more useful. In industries involving huge capital investment and long production cycle, e.g., power plant or ship building, budget period will be more than one accounting period.

For effective implementation of budgets, annual budgets typically should contain financial details by time and department. A short time span is generally required for implementing timely control as well as for the performance evaluation of managers and of their department (Joshi, 2003).

From sample of 54 companies in Bahrain, majority (74.1 percent) break down their annual budget into quarterly intervals. This practice according to him seems to follow the international accounting standard for interim reporting. A research by Jones (1998) on the same issue indicated that 91 percent of the total samples establishments produced short-term budgets for one financial year, while 4.5 percent used six month period and the remaining 4.5 percent used a rolling 12-month budget. These findings indicate that companies in Bahrain use shorter time span relative to hotel establishments in UK. But from both findings one can recognize that rolling budget, although theoretically sound, is almost not used

2.4 Requirements of A Sound and Adequate Budgeting system

2.4.1. Support Of Top Management

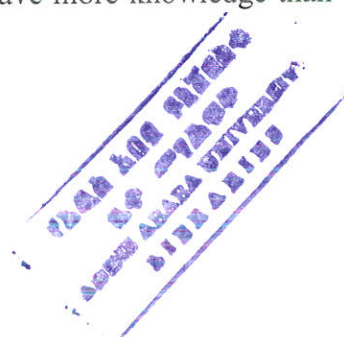
If a budget program is to be successful, it must have the complete acceptance and support of the persons who occupy the top management position. The top management's active participation in budget process is absolutely essential for its successful implementation. It should take interest not only in setting the budgets but also to investigate the reasons for any deviation of actual from budget figures. It should motivate the personnel, reward for achievement and take punitive action where necessary (Chakravarty 2004). If lower or middle management personnel sense that top management is lukewarm about budgeting, or if they sense that top management simply tolerates budgeting as a necessary evil, then their own attitudes will reflect a similar lack of enthusiasm. Budgeting is a hard work, and if top management is not enthusiastic about and committed to the budget program, then it is unlikely that anyone else in the organization will be either.



In administering the budget program, it is particularly important that top management not use the budget as a “club” to pressure employees or as a way to find someone to blame. This type of negative emphasis will simply breed hostility, tension, and mistrust rather than greater cooperation and productivity. Unfortunately, research suggest that the budget is often used as a pressure device and that great emphasis is placed on “meeting the budget” under all circumstances. Rather than being used as a pressure device, the budget should be used as a positive instrument to assist in establishing goals, in measuring operating results, and in isolating areas that are in need of extra effort or attention. Any misgivings that employees have about a budget program can be overcome by meaningful involvement at all levels and by proper use of the program over a period of time. The ultimate objective must be to develop the realization that the budget is designed to be a positive aid in achieving both individual and company goals (Garrison, 1997). In general according to Rayburn, (1989), first of all, top management support is crucial to the success of budgetary program. Even though top management may not realize the important role they play in budgeting, their philosophy toward budgeting soon filters down in the company. If they view the budget as some mechanical process that must be completed as quickly as possible, employees are less likely to give budget preparation much attention. The budgeting process also fails if management views budgets as a scapegoat on which all the company’s problems can be blamed. On the other hand, if management considers the budget as an excellent means of planning and takes an active role in the execution of budgets, the company is more likely to gain all benefits the budgeting process offers.

2.4.2. Participation by Responsible Executives

The topic of budget participation has always received a considerable interest among researchers. Participative budgeting is used frequently when lower level managers have more knowledge than



top level managers and when part of the manager's remuneration package is linked to budget performance. Participative budgeting is the practice of allowing individuals who are accountable for activities and performance under budget to participate in decisions by which the budget is established and set (Rayburn, 1989). According to the same scholar there is little purpose to setting goals if the individual who must meet these goals are unaware of their existence. It is most unfair to hold a person responsible for a level of achievement that he or she does not know about. He stated that participative budgeting increases the probability that involved individuals will accept budget goals as their own and become personally committed to the control system. The people directly involved in certain functions will thus have more understanding of the particular function and its needs. In addition, a real value of participation at all management level is psychological.

Budget should be used to motivate subordinates to increase their output and efficiency by encouraging participation during budget preparation (Joshi, 2003). When employees participate in the standard setting process, they tend to internalize the standards. One of the true aims of a budget is to let employees know what is expected of them in terms of contraposition to the overall objective of the organization. If the determination of the overall objective and its subsequent allocation as a sub-goal is performed at the top level without consulting the subordinated, it is very difficult to have any degree of commitment to the budget at the lower level. Participation both in terms of budget content and process is necessary if budget commitment is sought.

The budget's influence on motivation may be greater if the budget is not imposed but accepted. Many companies have found that the best way to gain acceptance is to have all supervisors participate in making the budget that affect them. If the individuals who are responsible for meeting them internalize goals then chance of success are higher. Thus, this budgeting technique

provides the challenge and sense of responsibility to effectively motivate individuals. Participative budgeting encourages the accomplishment of objectives.

There is conflicting findings on the budgetary significance of participation and its effect on performance. Some times participation may work to the opposite (inefficiency). Majority of the researchers, however, supported the idea that participative budgeting increases acceptance and motivation as it makes budgetee to a greater extent feel responsible for the organizational (Abdel-Kader , 2006).

The problem of budgetary slack, which is claimed as the problem of budget participation, can be reduced according to him by remunerating and evaluating employees by criteria other than just budget achievement. i.e., for example, by using profit conscious style, style in which manager's performance is evaluated on the basis of their ability to increase long-term effectiveness of the unit in relation to the organization's goals.

2.4.3. Clearly Defined Organizational Structure

Well-defined lines of authority and responsibility should be established throughout the organization.

2.4.4. Continuous Budget Education

Continuous budget education in respect of objectives, potentials and techniques of budgeting through written manuals, meeting, etc, and creation of cost awareness atmosphere will lead to effective implementation of budgets

2.4.5. Efficient Accounting System

During the preparation of budgets reliable historical data are collected from the accounting department. These data form the basis of many estimates. Responsibility accounting is absolutely essential for successful budgetary control

2.4.6. Constant Vigilance

Periodic reports should be prepared promptly, comparing budgets and actual results, and forwarded to the managers responsible for it for proper remedial action

2.4.7. Flexibility

Another requirement of sound budgeting is that the process must allow for flexibility. Frequency of updating the budget is important because conditions both inside and outside the company can change. This may require revisions. If budgets are not adjusted to take into account external unforeseen situations, frustration can result. For example, additional competitors may enter the market with a product that sells at lower price and is a good substitute for the company's product. This may make meeting the budget market share and sales unlikely. If management recognizes that even with increased promotional expenditures, budgeted sales are not realistic, all budgets affected should be revised

2.5. The process of budget setting

Process or approach used in budget setting can be either of a top-down (budgets initiated at higher level and passed down the organization for discussion before being approved), or a bottom-up

approach (budgets initiated at lower management level and passed up the organization for approval), or a combination (head office provides the initial framework, or profit plan and then a bottom-up approach is used but within the initial head office guideline) (Jones, 1998).

According to Izhar, (1991), top-down approach, an authoritarian style of management, is at all bad thing for budgetees and workers consider such approach as imposition by top management. They can lack ownership and commitment to an imposed budget. The bottom-up approach is recommended by theorists

Studies on the practice of companies indicated a remarkable move towards the bottom-up approach (Jones, 1998). His findings indicated that majority of UK firms use bottom-up approach followed by combination, and top-down approach. Relative to firms in UK, so many firms in USA and Scandinavian countries used bottom-up approach. Although there is a move towards bottom-up approach, various studies are indicating that top-down approach, which is claimed bad by theorists, is still in use even in developed countries such as UK

2.6. Fixed (Static) And Flexible Budgeting

Static (Fixed) budgets are budgets prepared based on a single volume level. They are based on certain definitely assumed conditions and actual results are compared with these points fixed in advance. Flexible budgets, on the other hand, are prepared for a range of activities. They consist of a budget formula which can be used for a series of possible volumes. Flexible budget is more advantageous for it considers change in items because of seasonal variations and the activities of the cost center (Rayburn, 1989). The technique of flexible budgeting is of best use in high variable cost situations and when using budgets as a performance measure. Although the theory advocates the use

of flexible budgets, the findings of Jones (1998) indicates that only 16 percent of the establishments used flexible budgeting. The finding of Joshi (2003) on the same variable, however, seems to be inline with the theorists. According to his research, most of the companies in Bahrain used to prepare both flexible and fixed budget. Another research on companies in Malaysia by Ahmed (2005) revealed that more companies from the establishments studied used flexible budgets compared to those in New Zealand and UK



CHAPTER THREE

BACKGROUND OF FAFA FOOD SHARE COMPANY

3.1 Background

Faffa food factory, the pioneer of a food processing industry in Ethiopia, was established in 1962 as an Ethio-Swedish joint venture in the compound of the former princess Tsehay Hospital the now so called Armed Forces Hospital. Initially, the factory started with the objective of reducing the risk of malnutrition among children in Ethiopia by providing the low-cost and high protein food. The production capacity was 400 mt/year at the beginning.

In view of prevailing drought situation, the factory was transferred and established in a modern way at present location in 1974 with the investment of Birr 4.2 provided by the Swedish Government. Because of this investment the capacity had risen to 12,000 mt/year. As the importance of the products were perceiving, the factory was renovated and expanded in 1984 with an additional fund of Birr 4.4 million donated by Swedish Government and contributed by the factory it self to meet the rising demand. And capacity also has reached 21,600mt/year.

The factory has been re-established as a share company on October 11, 1999 by transforming the previously public enterprise with a total capital of Birr 38,594,000

3.2 Policy statement

FAFA Food Share company's vision and mission strongly indicates that customer satisfaction is the key task to measure success.

Mission:

The company is committed to produce and provide safe, nutritious and high quality food products for the highest satisfaction of customers based on the HACCP principles and company standards that are derived from national and international standards.

With participation of its employees at all levels, to continuously improves quality and safety of its products

3.3 The products

The factory purchases the raw materials locally such as maize, wheat, Soya beans, chick peas, and from abroad vitamins, minerals, milk powder, Soya flour, enzymes, vanillas etc. Every raw material is checked for admission by quality control services. Products produced are faffa, cerifam, Dube duket, Edget Milk, Famix and Wheat flour.

Faffa

Supplementary weaning food for infants primarily above age of 6months. Faffa is basically prepared from wheat flour, skimmed milk powder, defatted Soya flour, chick peas, sugar, vitamins A, B1, B2, B6, B12, C, D, Nicotinic acid, Folic Acid, Minerals Iron, Iodine and calcium phosphate.

Cerifam

Nutritionally enriched and pre-cooked baby food usually infants above age 4 months. IT is composed of wheat flour, chic peas, skimmed milk powder, Soya flour, sugar, Vitamins A, B₁, B₂, B₆, B₁₂, C, D, Nicotinic acid, Minerals iron. Iodine and calcium D Panthothionate, an enzyme oc-amylase and vanilla is also added for flavor.

Dube Duket

Vitamins and protein enriched wheat flour prepared from high quality wheat flour, defatted Soya flour vitamins A, B₁, B₂, B₆, B₁₂, C, D, Nicotinic Acid, Minerals, Iron and Iodine.

Edget Milk

Fortified full cream mild powder for family composed of full fat milk powder, sugar, vitamins A, B₁, B₂, B₆, B₁₂, C, D, Nicotinic Acid, and Folic Acid, Minerals iron, Iodine and calcium

Famix

A relief food prepared from pre-cooked maize flour, full fat Soya, sugar, vitamins A, B₁, B₂, B₆, B₁₂, C, D, Nicotinic Acid, Follic Acid, Minerals Iron, Iodine and calcium D Panthothionate.

3.4. Manpower

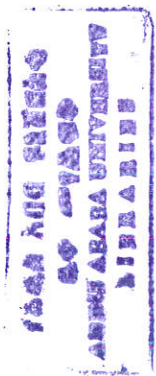
Currently there are 290 employees

Total number of employees by skill and qualification (level of education)

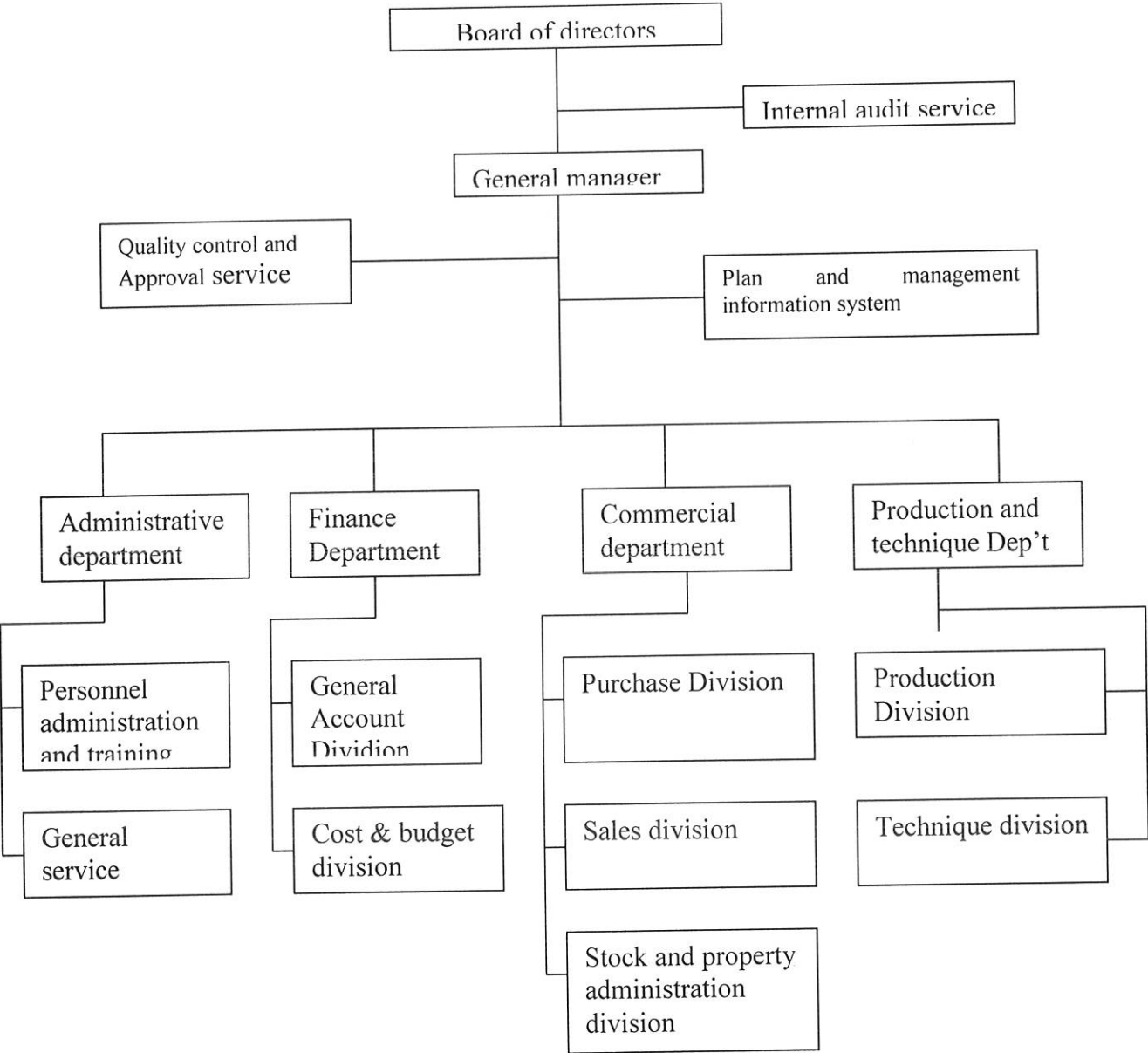
Professional	Semi-professional	9-12	1-8	Reading skill	total
10	12	140	113	15	290

3.5 Additional services the enterprise renders

- The prompt and convenient weight bridge service of capacity 800 quintals at a very suitable site of the compound.
- Kato Crane service of having a loading capacity of 300 quintals.
- Quality check laboratory service for cereals and flour products



3.6 Organizational structure



CHAPTER FOUR

DATA PRESENTATION, ANALYSIS AND INTERPRETATION

This section covers summarized data presentation and analysis. The first part of this chapter focuses on meaningfully organizing and reducing the mass of data collected from interview and document review. Therefore, in this section, the study tries to present a summarized report about the interview and document review with regard to budget preparation, implementation and control.

Secondary and primary data were collected. Interview and detailed discussions were made with relevant officials of the company. The interview questions focused broadly on three basic dimensions of budgeting and budgetary control: budget planning practice, budget implementation practice, and budgetary control practice. Documents such sample corporate budget plan, sample financial reports, organizational structure, and sample annual performance report were collected and used to analyze the company's practice.

In the second part of this chapter, a non-statistical data analysis method is used. This section goes beyond data reduction to provide an organized, compressed assembly of the interview and document review. Collected raw data from interview and document review are arranged in a systematic way and are interpreted to allow conclusion and recommendation

4.1. Data Presentation

4.1.1 Budget setting and approval practice

Department heads are required to submit their next fiscal year's budget plan and the resource requirements by considering company priorities, external opportunities and threats, internal strengths

and weaknesses. Each department then communicates the matter to its respective employees and holds discussion on past performance, expected threats and opportunities and sets budget after gathering input from respective employees. Here the departments set their budget based on a prior year usage, gauging future usage on percentages from the previous year to project future volumes. All future budgeting processes are based on historical financial relationships-volume versus revenue, and volume versus expenses.

Budget preparation starts from sales division and others develop their plan based on sales plan. The departments then submit their plans to the general manager for approval. The general manager forms a temporary management group to hold a formal discussions and meetings to review each department's budget. If adjustments are required they will be sent back for reconsideration or the department is required to defend and persuade the management group as to the reasonableness of its plan. If departmental budgets are approved, the management committee takes the responsibility to compile each departmental budget into overall company plan (what we call master budget). The final compiled overall plan is then communicated to board of management (board of directors) by the general manager. At the BOD level discussions are held to insure that the budget projections are based on realistic expectations. If revisions are needed they will be sent back for adjustment. If approved at this level, the budgets are submitted to the *Federal Democratic Republic of Ethiopia Privatization and Public Enterprise Supervising Agency* (the so called '*tekotatari balesiltan*' in Amharic) for final approval. The approved budget will then move from top down and will be communicated to each department. The master budget is prepared and each department receives a copy of the master budget that outlines their plan and what monies are available to them for the upcoming year.

4.1.2 Budget implementation, monitoring and evaluation practice

Once budgets are finalized and communicated, department managers can perform their duties and are given decision rights to function within the parameters of their approved budget. Hence the decisions rights are passed down to the department heads, where they are responsible to perform as per their plans and for limiting spending of resources to the amount allocated within their budget. Performance reports are required to be prepared by each division and department monthly, quarterly and annually. The reports indicate the plan, the actual result and the achievements relative to the plan in percentage. Variances are not calculated explicitly; instead the performance report simply shows the achievement relative to the plan. Discussions are held every quarter on the performance report. After evaluating the yearly report, the company has the practice of rewarding the entire employees of the organization for achieving budget targets. The reward ranges from monthly salary to three months' salary in the form of bonus. Usually department managers who routinely prove they are poor and unable to achieve their budget may jeopardize their annual salary increase or their position within the department. In the near past two employees were fired because of consistent failure to achieve budget plans.

4.2 Data analysis and interpretation

4.2.1 Preparation of Organization Chart and Establishment of Adequate Accounting Records

As can be seen from the organizational structure the company has a well-defined organizational chart showing clearly the lines of authority and responsibility of each member of management and his/her position in relation to other members. This indicates that all departmental executives and

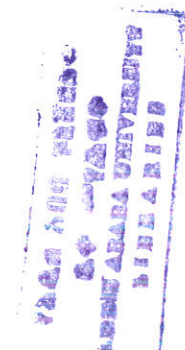
divisions are aware of their authority and responsibility in the organizational set up. With this structure each division and department is aware of its duties and responsibilities, its accountability. This facilitates communication and coordination among departments and divisions.

The company has a well established accounting system that records and analyzes information required. The budget procedure uses the same classification of expenses and revenues as the accounting department. The existence of well developed accounting system and adequate accounting record enables each department to take historical data from accounting records for these data form the basis of many estimates. The existence of adequate accounting record also enables the application of responsibility accounting and is essential for successful budgetary control. This is so because the actual figures in accounting records can be used for comparisons with budgets so as to monitor performances and exercise control

4.2.2 Establishment of Budget Committee and Preparation of Budget Manual

In the Company, there is no standing budget committee that oversees the budgeting and budgetary control practice. The company's practice with this regard is that each year the general manager forms a temporary management committee for limited responsibilities such as gathering budget plans from each department, organizing departmental budgets, conducting meetings for budget discussion, and preparing final master budget by incorporating adjustments, if any. The literatures, however, advocate the importance of having standing budget committee for successful and well organized budgeting system to exist.

Because of lack of standing budget committee, basic and crucial activities such as (a) preparation of budget manual; (b) approving possible changes in the budget as conditions change; (c) reviewing the



budget procedures periodically and making aware each departments of the change in the procedures, etc are not undertaken in the case company. No one in the company is responsible to review the budgetary procedure. However, review of budgetary procedures is key because all theory may not be relevant, or appropriate to every given situation or establishments. Therefore, to cope up with the current stiff competitions on global basis, establishments need to review their practice with respect to current theory and industry practices. Failure to review the budgetary procedures on continuous basis (usually undertaken by the budget committee in well organized businesses) to identify what is appropriate for its own needs may lead to the risk that the business will be left behind as other firms in the industry move forward. Further more, because of the lack of standing budgeting committee, the general manager assumes much of the responsibilities relating to budgeting. This obviously makes the general manager busy worrying about routines of budget administration instead of concentrating on other strategic and tactical decisions which are crucial for company's long-term success.

As per the interview with the general manager and the division heads, there is no written formal budgetary manual that details the guidelines for budget preparation, budget implementation, and performance reporting. There are no written guidelines on matters relating to budgetary procedures such as: the how of preparing budget, procedures and forms to be used in the budget preparation, operational and follow-up procedures, and others. This indicates that all budget procedures are documented and carried around in the heads of individuals who will not have the same job forever.

Lack of budget manual indicates lack of standardized methods and procedures for budget preparation, implementation, and control. This sometimes may give room for overlapping of functions and will be a serious matter for inefficiency especially when the company hires new

employees who are not familiar with the traditions of the company. Without a manual that guides the budget preparation, it becomes difficult for the company to evaluate the accuracy of budget estimates for it gives room to each budget center to set budget as per their interest. In the absence of budget manual that specifies the how of preparing budget the managers can exercise budget padding and can incorporate slack on their budget estimate to make their plans less demanding. Such practices in turn result in less effort and inefficiency.

4.2.3 Length of Budget Period

The share company prepares five-year long-term plan, which is sub divided into detailed yearly plans. The five years long-range budgets are prepared as a guideline but more weight is given to the current year budget. Annual budgets contain financial details broken down into quarterly reports, which are in turn broken down into monthly plans. Such breakdown of budgets into a short time span is generally good for initiating control as well for performance evaluation of managers and of their departments. The company's practice of short-time breakdowns is helpful to evaluate performance periodically and promptly investigate significant variances and to put corrective actions into effect as soon as possible before the problems materialize

4.2.4 Budgeting process adopted

The Company utilizes the bottom-up approach to budgeting. This is revealed from the company's budget setting practice where each department in the beginning of the process prepares its own draft plan and submits to the management committee for review. Each department prepares its own budget estimates and submits to the superior. The estimates are then consolidated as they move up in the organization. Such process allows participation and encourages the commitment of the party



setting the budget. Such budget is called a self imposed budget and cited various advantages relating to this approach. This form of budgeting seems to allow participation of all levels of management in the decision making process and budget setting. Such practice enables the company to tap any specialized knowledge the local managers may have regarding his / own operation.

This approach also increases acceptance and motivation as it makes budgetee to a greater extent feel responsible for the organizational goal and provides managers with a sense of belongingness (“this is our budget”) and increases the possibility that they will make greater attempts to achieve the organization’s budgetary goals.

Hence, by practicing this approach the company can benefit from those merits of bottom-up approach such as the following

- Individuals at all levels of the organization are recognized as member of the team whose view and judgments are valued by top management.
- The person in direct contact with an activity is in the best position to make better budget estimates than those who have no direct contact with the activity.
- People are more likely to work at fulfilling a budget that they have participated in setting than they are to work at fulfilling a budget that is imposed from above

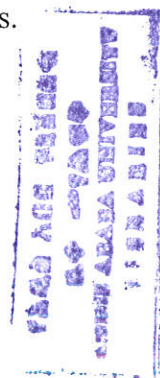
A bottom-up approach to budgeting is a participative approach for it gives greater freedom to subordinates in setting their own budget. With respect to this dimension the company’s practice seems a complete participation where department heads set their own budget estimates and submit these projected budget estimates to the budget committee for review. The department heads also get the opportunity to defend their budgets for new programs, new staff, and more resources.

Participating individuals in the standard setting process encourages them to internalize the standards, reduce resistance, and make them believe the budget is theirs and not just top management. Participating employees at all level in budget setting and making them know what is expected of them in terms of contribution to the overall objective of the organization also increases employee identification with, and acceptance of their organizational goals and values, their willingness to exert considerable effort on behalf of the organization and their desire to maintain organizational membership. Further more, it increases the chance of higher success because the needs, goals and attitudes of the individuals subject to the budget are considered.

Even though bottom-up approach to budget estimates and hence budget participation is advocated essential by theorists to the success of budgeting program in particular and to the organization in general, such systems may also create problems if too much freedom is allowed to subordinates in setting their own budget. It may provide employees the opportunity to set their budget in the way that may not always be in the best interests of the organization. This is the problem of slack or padding. It is natural for a manager allowed to set his own budget to overstate costs and understate revenues so that the budget is not difficult to achieve. He/she may build in to the budget a certain amount of slack which is in effect an insurance that the budget will be reached. This obviously results in misallocation of resources for the organization as a whole.

There are many factors that may initiate the departments and divisions to set budget slack in the case company. Some of the practices that may encourage budget padding are the following

- The company seems to allow much freedom to subordinates to set their own budgets.
- Departments use past performance as a base to set current year budgets



- The company usually gives bonus to employees for achieving budget targets. This is a budget-constrained style of performance evaluation in which performance is primarily evaluated on the ability to meet the short-term budget. Managers being evaluated under this style do not want to drastically reduce expenses for fear that next period's budget will be cut. They may also attempt to have favorable variances by avoiding maintenance expenditures and purchasing inferior materials. In general managers will not be motivated to take new projects, even though the projects are expected to be profitable, for fear that the projects will fail (Rayburn, 1989)
- The company punishes departments who continuously fail to achieve their budget targets by denying annual salary increases and promotion in the departmental position

Therefore, if the practice is not revised with this respects to encourage accurate estimates and if no system of checks and balances are present, the danger exists that self-imposed budgets will be too loose and will allow too much slack which will result in inefficiency.

4.2.5 Budget estimating practice and top management support

In the case company, budgets are estimated based on a prior year usage. That is, the starting point for next year's budget is this years' performance adjusted for expected changes in the level of activity and inflation. The previous year's performances are accepted as being necessary bases. Past performances may, however, contain padding and inefficiencies. Any padding built into the budget in previous years, and hence to the related performance, is therefore likely to be reported in future years. This is so because in this traditional approach, managers would be required to justify the increment not the whole of the budget and padding will likely be approved without scrutiny. It also

encourages managers of cost centers to waste surplus funds towards the end of the budget year in the fear that if they do not spend the whole of their allowance; it will be reduced in future years.

The budget programs has the complete acceptance and support of the persons who occupy the to management position. The top management, including the general manager do actively participates in budget discussion, budget setting, budget implementation, monitoring activities. The general manager, the key top management personnel initiates budget preparation, takes the responsibility to communicate the matters to lower level managers relating to budget, communicates each department by distributing copies of approved budget, collects departmental performance and reports the actual facts to the board of directors.

The general manager's membership and position in the management group indicates the top management's commitment and support on the budgeting system. The top management's support, commitment and active role in the budgetary procedure, budget setting and implementation in turn is expected to make the budgeting decision acceptable to all members, and also makes the decisions of the committee binding on others. This will obviously have positive effect on effective implementation of the budget.

4.2.6 Implementation, monitoring and control practice

Communication before implementation

Before implementation, the expectations in the budget are communicated to all concerned toward the beginning of the budget period so as to inform employees of exactly what is expected of them. The

communication process is undertaken through the distribution of a copy of approved budget to each department. Then the decision rights are immediately passed down to the department heads, where they are responsible to perform as per their plans and for limiting spending of resources to the amount allocated within their budget

The communication of expectations before implementation is a good practice in order to exercise control through performance evaluation after the fact. This is so because individuals responsible to perform as per the budget are made aware of the basis for their evaluation at the end of the period

Performance reporting periodicity

Performance reports are prepared monthly, quarterly, and yearly indicating the plan, the actual result and the achievements relative to the plan in percentage. Feedbacks are communicated and discussions on under achievements are held on quarterly basis. Quarterly discussions on variances (especially the under achievements) will make the manager responsible for the variance aware of his/her achievements and take corrective actions in the next budget period.

The type of budget used in performance report and the detail of variance analysis

The company does not make use flexible budgets in the performance report and variance calculations. Fixed budgets are used, which are not adjusted to the actual volume attained; instead, are based on certain definite assumed conditions. The company evaluates the performance by introducing only the concept of the static budget variance. To achieve this static budget variance by expressing the actual results in terms of budgeted amount. That is, actual performance is expressed in terms of percentage of budgeted amount to determine the extent of achievement relative to the



budget. This is the major means by which the share company prepares performance report for performance evaluation and control.

Evaluation of performance by utilizing a performance report that compares static budget performance with the actual performance may lead to irrelevant and meaningless variances and may result in incorrect conclusion especially in evaluating cost variances. This is because it commingles effects due to changes in activity levels and how well the costs were controlled given the level of activity, and hence it is not possible to determine efficiency and effectiveness. It does not make adjustment to the level of activity, and hence it is very difficult to interpret discrepancies between budgeted and actual costs

As can be seen from the sample documents in the appendix, performance reports simply show the aggregate plan for each item; the actual results, and achievements relative to the plan in percentage. Variances are not calculated explicitly rather are presented in percentage (achievements relative to the budget). There are no explicit calculations of variances and detailed variance analysis to identify the cause of under achievements. When detailed variance calculation is not practiced, it becomes difficult to identify the cause for under achievement. If the real cause cannot be identified, the right corrective measure cannot be taken. If the right corrective measures are not taken future performance and future budgets cannot be improved. If continuous performance reporting is not supported with detailed variance analysis it does not serve its purpose as a control tool

The style of performance report

Regarding the style of performance report, departmental performances are not distinguished as controllable and non-controllable. Sample performance reports are attached in the appendix and sales report for 1994 is presented here under (Table 1). All other reports are presented just like the following with aggregate results comparing the plan and actual result. The variance is not explicitly stated rather is implicitly incorporated in the performance report through calculating achievements relative to budget.

Without distinguishing controllable variables, especially controllable cost from non-controllable, it is unfair to fix accountability to a department for he/she should be evaluated for under or over achievements if and only if he/she can control that cost. Failure to make clear distinction between controllable and non-controllable costs in the budget holder's performance report clearly indicates the company's failure to appropriately exercise controls and identify a given department's sole responsibility

Table 1: Performance report for sales in unit and birr (1994)

Product type	unit	Sales in unit			Sales in Birr (000)		
		plan	Actual	achievement	Plan	Actual	Achievement
Fafa relief	Ton	826	4.2	0.5%	4626	21.86	0.5%
Fafa commercial	Ton	166	165.4	99.8%	1027	967.46	94.2%
Dube commercial	Ton	178	120.34	67.6%	749	485.77	64.9%
Famix relief	Ton	7504	3516.00	46.95	25,288	10777.7	42.6%
Famix commercial	Ton	22	17.96	81.6%	107	84.58	79%
Edget milk-can	Ton	5	.95	19%	159	4.8	3%
Edget milk-plastic	Ton	15	3.55	23.7%	511	151.15	29.6%
Cerifam	Ton	228	135.7	59.5%	2853	1705.35	59.8%
Flour with iodine	Ton	4	.62	15.5%	16	2.85	17.8%
Wheat flour quintal	Ton	200	260.75	130.4%	534	622.33	116.5%
Wheat flour 1kg	Ton	87	49.21	56.6%	281	140.42	50%
Wheat flour 5kg	Ton	82	40.62	49.5%	265	112.86	42.6%
Sales total		9317	4316.29	46.30%	36416	15077.2	41.4%

Source: company annual performance report



4.2.7 Flexibility And Continuous Education

Budgeting practice in FAFA does not seem to allow flexibility. Budgets are not frequently updated considering changes in conditions both inside and outside the company. Failure to revise budget estimates seems contrary to the nature of the products the company is manufacturing. Almost more than 80% of the company's products are relief products sold to international charity organizations as aid to drought affected citizens. This is much dependent on the weather conditions and production levels in the country. Budget estimates relating to such contingent products cannot be accurate and more likely require revisions. Such practice may raise frustrations among managers for fear of achieving their budget targets with changed conditions. It may also increase tension and anxiety in implementing the budget and may result in poor performance.

As per the interview, the company has no practice of training employees of the benefits of budget and its use for performance improvement and others. If employees are not continuously educated as to the objectives of budgeting, uses of budgets, techniques of budgeting and current developments continuously, the system will not be benefit from what it should. It is common that if employees are not educated and made aware about the advantages and purposes of budgeting, they may perceive it negatively for they may consider budget as an instrument based on which their performance is evaluated, and may further perceive it as a tool to fix blames. This will have negative impact on employee acceptance, motivation and performance.



CHAPTER FIVE

CONCLUSION AND RECOMMENDATION

5.1. Summary of the Findings and Conclusions

Based on the facts gathered and analyzed, the following conclusions are drawn in a summary form.

Although the company started using budgeting and budgetary control long ago, it has no budget committee who should oversee the general budgeting practice. In such a big organization serving a big market in a competitive environment; lack of standing budget committee who should review the budgeting procedure, recommend revisions, analyze variances, and proposes solutions, is a big problem. Without standing budget committee the company cannot benefit the maximum from the system.

Contrary to its long history and budgeting practice, the company has no budget manual that details the guidelines for budget preparation, implementation, and performance reporting. Lack of budget manual indicates lack of written procedures that can be consistently applied in preparing budgets and performance report. This in turn creates difficulty in evaluating the accuracy of budget estimates and in controlling subordinate's intention to add slacks on their budget.

The budget and budgeting system has a complete acceptance and support of top management. The top management's commitment and support in budget setting and monitoring of

performances is one strong aspect of the company's budgeting practice. With such support and active role played by the top management, budgetary decisions are likely to be accepted and implemented by all members

The company follows the bottom-up approach to the process of setting budget, which is a participative approach. With such approach, budgettees will likely accept the standards as their own, will be motivated to work to the maximum of their effort, and will feel responsible for organizational goals and objectives. Such practice will make the budgettees extend greater attempts to achieve organizational budgetary goals

Although this approach is claimed to contribute positively to organizational goal achievements, it may sometimes work to the opposite. This is so because with much freedom given, lower level managers are likely to set budgets that are less demanding and easy to achieve by adding slacks. With such less demanding and padded budget employees cannot work to the maximum of their potential and inefficiency is likely to occur.

Zero-base budgeting is not used in the share company. The company uses this years' performance adjusted for expected changes in the level of activity and inflation to set the next period budget. With this method, any padding build into the budget in previous years is therefore likely to be reported in future years. It also encourages managers of cost centers to waste surplus funds towards the end of the budget year in the fear that if they do not spend the whole of their allowances, it will be reduced in future years

In the monitoring and control phase of budgeting:

- Performance reports do not make distinction between controllable and non-controllable costs. Without such distinction, it would not be logical to specifically fix responsibility over a given responsibility center and apply responsibility accounting.
- Performance reports present aggregate figures comparing actual figure with a fixed budget. Flexible budgets and detailed variance analysis are not included in the report. Without incorporating flexible budgets and detailed variance analysis, causes for the under achievements cannot be identified.

5.2 Recommendations

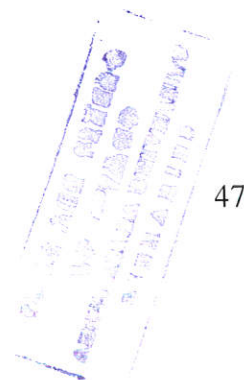
Based on the data analysis in chapter four and the conclusions drawn in the first section of this chapter the following recommendations are forwarded

Instead of using the traditional line approach to budgeting where current year performances are taken as a base to estimate future performances, the company had better consider the use of zero-based budgeting approach. In this method, managers presenting their budgets will justify the whole of their expenditures rather than only the increment. The requirement to justify their budgets will most likely reduce managers' intention to add slack into their budget and may result in accurate estimates. With this method the chance of incorporating past inefficiencies, which may include past inefficiencies and budget slack, would be eliminated or at least minimized.



For the company to benefit the maximum from the budgeting system, it should have a separate budget committee who should oversee the budgeting affairs. Preparation of budget manual (which will be used as a procedure guide), coordinating individual budgets into organizational plan, preparation of performance report (with detailed analysis), monitoring performances relative to plan, reviewing budgetary procedures continuously considering changes and recommending revisions, etc, are all needed to maximize from the budgeting system. Without a party responsible to take care of the budgeting affairs it becomes difficult to cope with changing environment and current stiff competition on global basis. Thus, to compete with others and benefit the maximum from the budgeting system, the company should consider establishing a separate budget committee composed of top level executives and representatives of major departments. The problems related to lack of budget manual can also be solved if the company establishes a budget committee responsible for the overall administration of the budgeting system including the preparation of budget manual and others.

The company's practice of using bottom-up budgeting process (self imposing practice) is encouraged for it is more efficient and effective process than the top-down approach (an authoritarian style of management) as evidenced by many theorists and many empirical researches. However, in the absence of a system of check and balance, the danger exists that self-imposed budgets will be too loose and will allow too much slack. This practice together with incremental budgeting will more likely give room to division to add slacks in their budget. The company can, however, on the benefits of participative approach by minimizing the chance of budget padding. The following are measures the company may take into account to reduce budget slack.



- By remunerating and evaluating employees by criteria other than just budget achievements, i.e., by adopting a profit-conscious style, where managers are evaluated on the basis of their ability to increase long-term effectiveness of their unit in relation to organization's goals
- By adopting a technique known as Zero-based budgeting (each year budget is to start from a base zero) instead of normal budgeting (which uses this year's performance as a base to estimate the next period's budget). Here managers presenting their budgets for approval would be required to justify the whole of their expenditures, not just the increment. With this approach, managers would not propose a large expenditure in the knowledge that it would be subject to tight scrutiny.
- By providing managers with incentives to make honest budget forecasts instead of only rewarding budget achievements. This can be done by asking managers to justify all or some of their projections and by rewarding managers who consistently provide accurate estimates.

In general, to reduce the likely budget padding, budgets should be carefully reviewed and revised before accepted. If changes seem desirable, should be discussed and compromise should be reached that are acceptable to all

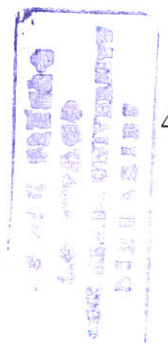
The frequency of performance reporting is encouraged but the format and the details need revision. Performance reports should incorporate flexible budgets. With flexible budgets incorporated in the performance report, it could be possible to determine each department's

performance by segregating into effectiveness (ability to achieve budget targets) and efficiency (ability to minimize costs and maximize revenue). To use the budget as a control tool and improve future performances variances should be calculated and analyzed so that the cause of variance can be identified and the right corrective measure can be taken (either revision of the next period budget, or empowering department that has under performed) to improve future performances.

To help the company apply responsibility accounting performance reports should segregate controllable costs from non-controllable cost. This will help the company to fix responsibility to a given cost center for under achievements only when the cost is under his control.

The company should continuously train employees about the nature, characteristics, purposes, values, and methods of budgeting through seminars, conferences, lectures, discussions, etc. Continuously educating employees in respect of objectives, potentials and techniques of budgeting through written manuals, meeting, etc, and creation of cost awareness atmosphere is one factor to make the budgeting system sound and adequate. Employees will then perceive budget as a positive instruments that support profit maximization objective and will perform well.

The budgeting system should be flexible enough to allow revisions of estimates when conditions inside as well as outside the organization go far from the expectation. Allowing flexibility will be much important to the case company more than 80% of whose sales depend on relief products. The demand for relief products and the related production and other activities depend on the weather condition and the number of drought affected citizen.



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Appendices



Interview questions

Interview conducted with general manager

1. Does your company use budgets for planning and controlling operations?
2. Briefly explain the budgeting and control procedures adopted in your company with regard to:
 - Budget discussion and budget setting
 - Budget communication and implementation
 - Control through monitoring and performance evaluation
3. What roles do you play as the general manager of the organization in budget setting, implementation, monitoring and control?
4. Is there a budget committee? If yes, who are the members? What are their main responsibilities?
5. Does the company have budget policy and procedure manual? If so, does it communicate this manual to the budget centers?
6. Is there a fixed budget period (the period for which budget is prepared), i.e, the time dimension your budget covers?
7. Which budgeting process is adopted in your company? (Bottom-up, top down)?
8. Explain your company's practice with respect to:
 - ✓ Providing managers with the opportunity to voice their opinion regarding the budget decisions affecting their unit
 - ✓ Provision, if any, that allows managers to appeal budget decisions affecting their unit.
9. Does your budgeting system allow flexibility for changing conditions?



10. How are managers who are accountable for activities under budget involved budget discussion and budget setting?
11. Who are involved in budget discussions and budget decision?
12. Which method of budget estimation is used (zero based, incremental, combination) in your company?
13. How are budgets communicated to all members of the organization before implementation?
14. What is your company's practice with respect to training employees on budgeting?
15. How are performance reports prepared? In what frequency?
16. What are the purposes served by the performance reports and deviations identified?
17. Who holds the authority to evaluate budget variance report (deviation report)?
What measures are often taken when deviations are reported for:
 - ✓ Under achievements
 - ✓ Over achievements
18. To what extent variances are detailed? Does your budgeting system encourage the use of flexible budgets in the variance calculations
19. What are the main strengths of your company's budgeting system?
20. What are the main weaknesses of the budgeting system of your company?

Thank you

Interviews conducted with division and department heads

1. Are you involved in budget discussion and budget decisions? How?
2. What is your role in budget discussion and budget decisions?
3. Does the company prepare budget guide lines before you start preparing budget?
If not, what do you use as a general guideline to prepare budgets?
4. How did you get communicated of the reasons for the budget decisions?
5. How did you get communicated about the over all plan (corporate plan) before implementation?
6. What is your division's (department's) practice with regard to communication with other divisions or departments before setting budgets?
7. What is your division's (department's) practice with regard to coordination with other departments or divisions before estimating and setting budgets?
8. Does the budgeting system allow the opportunity to voice your opinion regarding budgeting decisions affecting your unit? How are your opinions considered?
9. Does the budgeting system allow flexibility for changing circumstances and conditions?
10. How do you see the top management's attitude and participation in all process of budgeting? To what extent the top managements participate in the whole process of budgeting and the related control?
11. Do you get continuous training and education on budgeting?
12. How are performance reports prepared? How often you are required to prepare it?
13. Is there any guideline to help you prepare the performance report?
14. What details are needed in preparing the performance report?



15. What is main purpose served by the performance report and variance calculations?
16. What measures are often taken for under achievements? For over achievements?
17. What are the main strengths of the budgeting system of your company?
18. What the main problems of the budgeting systems of your company?

Thank you

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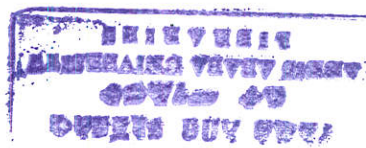
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FAFFA FOOD SHARE COMPANY
8.1.3 ABBREVIATED COST OF GOODS SOLD STATEMENT
2000 CORPORATE PLAN

in '000

Tabel-37 -23707.43

in '000																			Tabel-37			
		2000		HAMLE	NEHASE	MESK	1ST QRT	TIKIMT	HIDAR	Tahisas	2ND QRT	TIR	YEKA	MEGABI	3RD QRT	MAZIA	GINBOT	SENE	4TH QRT			
1	Goods in process Big. inventory																					
2	Raw material used	24,375	73	1006	3694	3547	8247	1062	1066	1860	3988	1702	2309	2207	6218	2016	1962	1944	5922			
3	Direct Labour Cost	1,078	3	89	96	90	269	90	90	89	269	90	90	90	270	90	90	90	270			
4	Production Employee's benefit	91	0	8	1	8	17	8	10	8	26	10	7	7	24	7	10	24				
5	Indirect Labour Cost	429	1	36	36	35	107	36	36	35	107	36	36	35	107	36	36	36	108			
6	Depreciation Factory Mach.&Build	4,254	13	355	355	354	1064	355	354	354	1063	355	354	355	1064	354	355	354	1063			
7	Heat,Light & Water	508	2	43	67	43	153	43	48	43	134	48	33	33	114	33	36	38	107			
8	Factory Supplies	750	2	43	110	95	248	63	71	63	197	71	46	46	163	46	43	53	142			
9	Packing material	921	3	58	213	178	449	78	87	78	243	87	30	30	147	30	22	30	82			
10	Fuel	932	3	50	120	110	280	79	88	79	246	88	63	63	214	63	63	66	132			
11	Other Costs	279	1	13	65	66	144	22	25	25	72	24	8	8	40	8	8	7	23			
12	Total Cost of goods in	33,617	100	1701	4751	4526	10978	1836	1875	2634	6345	2511	2976	2874	8361	2683	2622	2628	7933			
13	Less goods in process end inventory																					
14	Total cost of goods manufactured	33,617	100	1701	4751	4526	10978	1836	1875	2634	6345	2511	2976	2874	8361	2683	2622	2628	7933			
15	Add finished goods beg. inv.	429	1	429	429	429	429	429	429	429	429	429	429	429	429	429	429	429	429			
16	Cost of goods available for sale	34,046	101	2130	5180	4955	11407	2265	4	3063	6774	29	3405	3303	8790	3112	305		836			
17	Less finished goods end.inv.	429	1	429	429	429	429	429	429	429	429	429	429	429	429	429	429	429	429			
18	Cost of goods sold	33,617	100	1701	4751	4526	10978	1836	1875	2634	6345	2511	2976	2874	8361	2683	2622	2628	7933			

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25665 23177 25643 25665

FAFFA FOOD SHARE COMPANY
ABBREVIATED PROFIT AND LOSS STATEMENT
2000 CORPORATE PLAN

No	Particulars	Annual	Hamele	Nehase	Mesherem	1st. Qrt.	Tihemet	Midare	Tahrai	2nd. Qrt.	Tir	Vehatit	Megabit	3rd. Qrt.	Miazie	Ginbet	Jene	4th. Qrt.
I - OPERATING INCOME																		
1	Gross sales (see app i)	41,156	2,114	5,635	5,375	13,124	2,280	2,325	3,248	7,853	3,103	3,677	3,546	10,326	3,284	3,286	3,285	9,855
2	Less sales tax, turn over & excise tax																	
3	Less trade discount & commission & i.r																	
4	Net sales 1 - (2-3)	41156	2114	5635	5375	13124	2280	2325	3248	7853	3103	3677	3546	10326	3284	3286	3285	9855
5	Cost of goods sold (see app ii)	33617	1701	4751	4526	10978	1836	1875	2634	6345	2511	2974	2872	8357	2545	2646	2645	7937
6	Gross margin on sale (4-5)	7539	413	884	849	2146	444	450	614	1508	592	703	674	1969	639	640	639	1918
II - SELLING & DIST. EXP.																		
7	Sales salary and wage	688	57	57	58	172	57	57	58	172	57	57	58	172	57	57	58	172
8	Sales Employees Benefit	35	3	2	3	8	3	3	3	9	3	3	3	9	3	3	3	9
9	Depreciation of sales department	21	17	17	18	52	17	18	18	53	17	18	18	53	17	18	18	53
10	Sales Promotion & advertisement	200	17	5	17	40	17	20	17	54	21	17	17	55	13	18	21	51
11	Other selling & dist exp.	500	46		44	108	46	56	44	146	55	41	44	145	35	50	54	139
12	Total selling & dist. exp. (7-11)	1672	140	100	140	380	140	154	140	434	154	140	140	434	125	146	153	424
III - GENERAL & ADMINIST.																		
13	Gen. & Admin. salary & wage	1289	81	117	108	322	107	107	108	322	107	107	108	322	107	108	108	323
14	Gen & Admin employee benefit	139	12		11	29	12	14		37	11		11	37	9		12	36
15	Office supplies used	65			5	3	6	7		18			5	17	4	5		17
16	Depreciation office equip & building	509	42	42	43	127	42	42	43	127	42	42	43	127	42	43	42	128
17	Other Expenses	1229	50	52	103	245	103	60	103	268	127	103	103	333	145	114	125	385
18	Total Gen. & adm. Exp. (13-17)	3231	217	249	270	736	270	230	270	770	297	269	270	836	308	284	297	899
19	Total Operating Expense	4903	357	349	410	1116	410	384	410	1204	451	409	410	1270	433	430	450	1313
20	Net operating income (6 - 19)	2636	56	535	439	1030	34	66	204	304	141	294	264	699	206	210	189	605
21	Other income	500	42	42	42	125	42	42	42	125	42	42	42	125	42	42	42	125
22	Total Profit before profit tax	3136	98	577	481	1155	76	108	246	429	183	336	306	824	248	252	231	730
23	Profit Tax	941	29	173	144	347	23	32	74	129	55	107	92	247	74	76	59	219
24	Profit After Tax (22-23)	2195	68	404	337	809	53	75	172	300	128	235	214	577	173	176	161	511
IV - APPROPRIATION																		
25	Legal Reserve (5 % of 24)	110	3	20	17	40	3	4	9	15	5	12	11	29	9	9	8	26
26	Dividend	2085	65	383	320	768	50	72	163	285	123	223	203	548	165	167	153	485

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1	የዕርዳታ ምርቶች						
1.1	ፋፋ	871,476	72,559	72,559	72,559	72,998	72,559
1.2	ፋፋን	16,847,596	965,513	3,992,849	3,746,709	986,479	996,479
1.3	ዕርዳታ ውስጥ ዘገለገሉት	199,405	16,511	16,381	16,511	17,149	17,149
2	የግብር ምርቶች	77,918,477	1,054,583	4,081,759	3,879,779	1,086,572	1,086,137
2.1	ፋፋ	1,462,289	121,384	121,384	121,384	121,384	122,069
2.2	ፋፋ	1,683,934	99,289	99,289	99,289	153,699	153,699
2.3	ፋፋ	3,543,194	286,285	286,285	286,285	286,285	286,285
2.4	ፋፋ	54,719	4,560	4,560	4,560	4,560	4,560
2.5	ዕርዳታ ውስጥ ዘገለገሉት	518,544	37,039	37,039	37,039	37,039	37,039
2.6	ዕርዳታ ውስጥ ዘገለገሉት	564,781	19,342	19,342	19,342	19,342	19,342
2.7	ዕርዳታ ውስጥ ዘገለገሉት	1,020,348	23,102	46,204	23,102	46,204	46,204
2.8	ዕርዳታ ውስጥ ዘገለገሉት	116,873				13,148	13,148
2.9	ፋፋ	692,315	55,385	55,385	55,385	60,001	60,001
2.10	ፋፋ	3,081,976					
2.11	ፋፋ	2,953,250					
2.12	ፋፋ	7,300					
2.13	ፋፋ	15,698,523	646,386	667,489	646,386	749,070	788,464
2.14	ፋፋ	33,617,000	1,700,969	4,751,247	4,526,165	1,835,642	1,874,606
2.15	ፋፋ						
2.16	ፋፋ	5,136,559	490,308	232,480	456,950	466,960	513,659

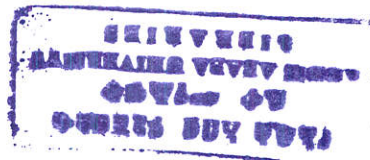
Year	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041	2042	2043	2044	2045	2046	2047	2048	2049	2050	2051	2052	2053	2054	2055	2056	2057	2058	2059	2060	2061	2062	2063	2064	2065	2066	2067	2068	2069	2070	2071	2072	2073	2074	2075	2076	2077	2078	2079	2080	2081	2082	2083	2084	2085	2086	2087	2088	2089	2090	2091	2092	2093	2094	2095	2096	2097	2098	2099	2100	2101	2102	2103	2104	2105	2106	2107	2108	2109	2110	2111	2112	2113	2114	2115	2116	2117	2118	2119	2120	2121	2122	2123	2124	2125	2126	2127	2128	2129	2130	2131	2132	2133	2134	2135	2136	2137	2138	2139	2140	2141	2142	2143	2144	2145	2146	2147	2148	2149	2150	2151	2152	2153	2154	2155	2156	2157	2158	2159	2160	2161	2162	2163	2164	2165	2166	2167	2168	2169	2170	2171	2172	2173	2174	2175	2176	2177	2178	2179	2180	2181	2182	2183	2184	2185	2186	2187	2188	2189	2190	2191	2192	2193	2194	2195	2196	2197	2198	2199	2200	2201	2202	2203	2204	2205	2206	2207	2208	2209	2210	2211	2212	2213	2214	2215	2216	2217	2218	2219	2220	2221	2222	2223	2224	2225	2226	2227	2228	2229	2230	2231	2232	2233	2234	2235	2236	2237	2238	2239	2240	2241	2242	2243	2244	2245	2246	2247	2248	2249	2250	2251	2252	2253	2254	2255	2256	2257	2258	2259	2260	2261	2262	2263	2264	2265	2266	2267	2268	2269	2270	2271	2272	2273	2274	2275	2276	2277	2278	2279	2280	2281	2282	2283	2284	2285	2286	2287	2288	2289	2290	2291	2292	2293	2294	2295	2296	2297	2298	2299	2300	2301	2302	2303	2304	2305	2306	2307	2308	2309	2310	2311	2312	2313	2314	2315	2316	2317	2318	2319	2320	2321	2322	2323	2324	2325	2326	2327	2328	2329	2330	2331	2332	2333	2334	2335	2336	2337	2338	2339	2340	2341	2342	2343	2344	2345	2346	2347	2348	2349	2350	2351	2352	2353	2354	2355	2356	2357	2358	2359	2360	2361	2362	2363	2364	2365	2366	2367	2368	2369	2370	2371	2372	2373	2374	2375	2376	2377	2378	2379	2380	2381	2382	2383	2384	2385	2386	2387	2388	2389	2390	2391	2392	2393	2394	2395	2396	2397	2398	2399	2400	2401	2402	2403	2404	2405	2406	2407	2408	2409	2410	2411	2412	2413	2414	2415	2416	2417	2418	2419	2420	2421	2422	2423	2424	2425	2426	2427	2428	2429	2430	2431	2432	2433	2434	2435	2436	2437	2438	2439	2440	2441	2442	2443	2444	2445	2446	2447	2448	2449	2450	2451	2452	2453	2454	2455	2456	2457	2458	2459	2460	2461	2462	2463	2464	2465	2466	2467	2468	2469	2470	2471	2472	2473	2474	2475	2476	2477	2478	2479	2480	2481	2482	2483	2484	2485	2486	2487	2488	2489	2490	2491	2492	2493	2494	2495	2496	2497	2498	2499	2500	2501	2502	2503	2504	2505	2506	2507	2508	2509	2510	2511	2512	2513	2514	2515	2516	2517	2518	2519	2520	2521	2522	2523	2524	2525	2526	2527	2528	2529	2530	2531	2532	2533	2534	2535	2536	2537	2538	2539	2540	2541	2542	2543	2544	2545	2546	2547	2548	2549	2550	2551	2552	2553	2554	2555	2556	2557	2558	2559	2560	2561	2562	2563	2564	2565	2566	2567	2568	2569	2570	2571	2572	2573	2574	2575	2576	2577	2578	2579	2580	2581	2582	2583	2584	2585	2586	2587	2588	2589	2590	2591	2592	2593	2594	2595	2596	2597	2598	2599	2600	2601	2602	2603	2604	2605	2606	2607	2608	2609	2610	2611	2612	2613	2614	2615	2616	2617	2618	2619	2620	2621	2622	2623	2624	2625	2626	2627	2628	2629	2630	2631	2632	2633	2634	2635	2636	2637	2638	2639	2640	2641	2642	2643	2644	2645	2646	2647	2648	2649	2650	2651	2652	2653	2654	2655	2656	2657	2658	2659	2660	2661	2662	2663	2664	2665	2666	2667	2668	2669	2670	2671	2672	2673	2674	2675	2676	2677	2678	2679	2680	2681	2682	2683	2684	2685	2686	2687	2688	2689	2690	2691	2692	2693	2694	2695	2696	2697	2698	2699	2700	2701	2702	2703	2704	2705	2706	2707	2708	2709	2710	2711	2712	2713	2714	2715	2716	2717	2718	2719	2720	2721	2722	2723	2724	2725	2726	2727	2728	2729	2730	2731	2732	2733	2734	2735	2736	2737	2738	2739	2740	2741	2742	2743	2744	2745	2746	2747	2748	2749	2750	2751	2752	2753	2754	2755	2756	2757	2758	2759	2760	2761	2762	2763	2764	2765	2766	2767	2768	2769	2770	2771	2772	2773	2774	2775	2776	2777	2778	2779	2780	2781	2782	2783	2784	2785	2786	2787	2788	2789	2790	2791	2792	2793	2794	2795	2796	2797	2798	2799	2800	2801	2802	2803	2804	2805	2806	2807	2808	2809	2810	2811	2812	2813	2814	2815	2816	2817	2818	2819	2820	2821	2822	2823	2824	2825	2826	2827	2828	2829	2830	2831	2832	2833	2834	2835	2836	2837	2838	2839	2840	2841	2842	2843	2844	2845	2846	2847	2848	2849	2850	2851	2852	2853	2854	2855	2856	2857	2858	2859	2860	2861	2862	2863	2864	2865	2866	2867	2868	2869	2870	2871	2872	2873	2874	2875	2876	2877	2878	2879	2880	2881	2882	2883	2884	2885	2886	2887	2888	2889	2890	2891	2892	2893	2894	2895	2896	2897	2898	2899	2900	2901	2902	2903	2904	2905	2906	2907	2908	2909	2910	2911	2912	2913	2914	2915	2916	2917	2918	2919	2920	2921	2922	2923	2924	2925	2926	2927	2928	2929	2930	2931	2932	2933	2934	2935	2936	2937	2938	2939	2940	2941	2942	2943	2944	2945	2946	2947	2948	2949	2950	2951	2952	2953	2954	2955	2956	2957	2958	2959	2960	2961	2962	2963	2964	2965	2966	2967	2968	2969	2970	2971	2972	2973	2974	2975	2976	2977	2978	2979	2980	2981	2982	2983	2984	2985	2986	2987	2988	2989	2990	2991	2992	2993	2994	2995	2996	2997	2998	2999	3000
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የ2000 በጀት አመት ወርሃዊ የምርት ዕቅድ

ሀ/ የምርት ዕቅድ በቶን

የሚሰራባቸው ቀናት		20	6	20	20	22	20	22	20	20	18	21	22	23
ተ.ቁ.	የምርት ዓይነት	ወራት												
		ሀምሌ	ነሐሴ	መስከረም	ጥቅምት	ህዳር	ታህሳስ	ጥር	የካቲት	መጋቢት	ሚያዝያ	ግንቦት	ሰኔ	የዓመት ዕቅድ
	ሀ/ በዋና ፋብሪካ													
1	የዕርዳታ ምርቶች													
1.1	ፋፋ	16.65	16.65	16.65	16.75	16.65	16.66	16.66	16.66	16.66	16.66	16.66	16.66	206
1.2	ፋሚክስ	365.40	1511.10	1434.60	377.10	377.10	387.90	361.80	363.50	363.40	278.10	278.10	277.90	5870
1.3	ዕድገት ወተት በፕላስቲክ	0.41	0.41	0.41	0.43	0.43	0.42	0.41	0.41	0.41	0.41	0.41	0.41	6.2
	ጎድምር	382.47	1528.16	1451.67	394.28	394.18	404.98	378.88	380.58	380.48	295.18	295.18	294.98	6551.00
2	የግንድ ምርቶች													
2.1	ፋፋ	17.10	17.10	17.10	17.10	17.20	17.20	17.20	17.20	17.20	17.20	17.20	17.20	206
2.2	ዱብ	25.00	25.00	25.00	38.70	38.70	38.80	38.80	38.80	38.80	38.80	38.80	38.80	424
2.3	ሴራፋም	19.30	19.30	19.30	19.30	19.30	19.40	19.40	26.40	19.40	19.30	19.30	19.30	280
2.4	ፋሚክስ	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	10
2.5	ዕድገት ወተት በፕላስቲክ	1.00	1.00	1.00	1.20	1.20	1.20	1.20	1.20	1.20	1.20	1.20	1.20	12
2.6	ሰገራ ዱቄት ባለ 1 ኪ.ግ.	3.00	3.00	3.00	5.00	15.00	19.00	15.40	15.40	15.30	15.30	15.30	15.30	146
2.7	ሰገራ ዱቄት ባለ 5 ኪ.ግ.	6.00	12.00	6.00	12.00	12.00	40.00	30.00	29.40	29.40	29.40	29.40	29.40	268
2.8	ሰገራ ዱቄት ባለ 50 ኪ.ግ.	-	-	-	4.50	4.50	4.50	4.50	4.40	4.40	4.40	4.40	4.40	40
2.9	ፋቪና	12.00	12.00	12.00	13.00	13.00	13.00	12.50	12.50	12.50	12.50	12.50	12.50	130
2.10	ፍሊክስ	-	-	-	-	-	20.23	20.23	31.83	31.93	31.93	31.93	31.93	290
2.11	ሰናክ	-	-	-	-	-	19.69	19.69	32.09	32.09	32.09	32.19	32.19	207
2.12	የአኩሪ አተር ወተት	-	-	-	-	-	-	0.10	0.10	0.20	0.20	0.20	0.20	1
	ጎድምር	164.24	92.40	164.24	164.24	180.67	164.24	180.67	164.24	164.24	147.82	172.45	180.67	1897
	ጠ/ድምር	734.03	1620.56	734.03	734.03	807.43	734.03	807.43	734.03	734.03	660.62	770.73	807.43	8478
	የምርት ቅሬት													185
3	ሊደረስበት የሚችል የምርት አቅም አጠቃቀም በ%	980.98	8294.29	980.98	980.98	1079.08	980.98	1079.08	980.98	980.98	882.88	1030.03	1079.08	11330
	ሰ/ በአር. ቲ. ፒ. 1													74.8
1	ሰገራ ዱቄት	167.81	79.91	159.82	159.82	175.80	159.82	175.80	143.81	143.81	143.81	143.81	143.81	1438



የ2000 በጀት ዓመት የምርት ዕቅድ
በየሩብ ዓመቱ
ለ/ የምርት ዕቅድ በዋጋ

ተ.ቁ.	የምርት ዓይነት	1ኛ ሩብ ዓመት	2ኛ ሩብ ዓመት	1ኛ ግማሽ ዓመት	3ኛ ሩብ ዓመት	9 ወር	4ኛ ሩብ ዓመት
	ሀ/ በዋና ሩብሪክ						
1	የዕር ዳጋ ምርቶች						
1.1	ፋፋ	217,677	218,161	435,838	217,821	653,659	217,817
1.2	ፋሚክስ	8,749,071	3,017,823	11,766,894	2,876,722	14,643,615	2,203,981
1.3	ዕድገት ወተት በፕላስቲክ	49,373	51,048	100,420	49,452	149,873	49,532
	ን/ድምር	9,016,121	3,287,032	12,303,152	3,143,995	15,447,148	2,471,329
2	የንግድ ምርቶች						
2.1	ፋፋ	364,153	365,572	729,725	366,282	1,096,007	366,282
2.2	ዱቤ	297,866	461,493	759,359	462,288	1,221,646	462,288
2.3	ሴራፋም	858,857	860,340	1,719,197	967,141	2,686,337	858,857
2.4	ፋሚክስ	13,680	13,680	27,360	13,680	41,040	13,680
2.5	ወተት በቀርቆሮ	111,117	137,014	248,131	137,014	385,209	133,344
2.6	ወተት በሰ 1 ኪ.ግ.	0	150,866	150,866	178,332	387,223	177,558
2.7	ሰንደ ዱቂት በሰ 5 ኪ.ግ.	92,409	246,424	338,833	341,913	680,745	339,603
2.8	ሰንደ ዱቂት በሰ 50 ኪ.ግ.	0	39,445	39,445	38,860	78,305	38,568
2.9	ፋቪና	166,156	180,002	346,158	173,079	519,236	173,079
2.10	ፋሊክስ	0	311,711	311,711	1,294,199	1,605,910	1,476,066
2.11	ሰናክ	0	290,688	290,688	1,238,268	1,528,957	1,424,323
2.12	የአኩሪ አተር ወተት	0	0	0	1,720	1,720	2,580
	ን/ድምር	1,962,261	3,057,265	5,019,526	5,212,804	10,232,330	5,466,222
	ጠ/ድምር	10,978,382	6,344,296	17,322,678	8,356,800	25,679,478	7,937,552
	ለ/ በአር. ቲ. 1						
1	ሰንደ ዱቂት	5,860,347	1,447,576	7,307,923	1,027,312	8,335,234	1,424,228

የ2000 በጀት ዓመት የምርት ዕቅድ
በየሩብ ዓመቱ
ሀ/ የምርት ዕቅድ በቶን

የሚሰራባቸው ቀናች		46	62	108	62	170	61
ተ.ቁ.	የምርት ዓይነት	1ኛ ሩብ ዓመት	2ኛ ሩብ ዓመት	1ኛ ግማሽ ዓመት	3ኛ ሩብ ዓመት	9 ወር	4ኛ ሩብ ዓመት
	በ/ በዋና ፋብሪካ						
1	የዕርዳታ ምርቶች						
1.1	ፋ.ፋ.	56.0	50.1	100.0	50.0	150.0	50.0
1.2	ፋ.ሚክስ	3311.1	1142.1	4,453.2	1088.7	5,541.9	832.1
1.3	ሰድገት ወተት በፕላስቲክ	1.2	1.3	2.5	1.2	3.8	1.2
	ጎድምር	3362.3	1193.4	4555.7	1139.9	5695.7	885.3
2	የንግድ ምርቶች						
2.1	ፋ.ፋ.	51.3	51.5	102.8	51.6	154.4	51.6
2.2	ዱቤ	75.0	116.2	191.2	116.4	307.6	116.4
2.3	ሴሪ/ም	57.9	58.0	115.9	65.2	181.1	57.9
2.4	ፋ.ሚክስ	3.0	3.0	6.0	3.0	9.0	3.0
2.5	ፋ.ሚክስ	3.0	3.0	6.0	3.0	9.0	3.0
2.6	ሰንደ. ዱቄት ባለ 1 ኪ.ግ.	15.0	39.0	54.0	46.1	100.1	45.9
2.7	ሰንደ. ዱቄት ባለ 5 ኪ.ግ.	24.0	64.0	88.0	88.8	176.8	88.2
2.8	ሰንደ. ዱቄት ባለ 50 ኪ.ግ.	0.0	13.5	13.5	13.3	26.8	13.2
2.9	ፋ.ቪና	36.0	39.0	75.0	37.5	112.5	37.5
2.10	ፋ.ሴክስ	0.0	20.2	20.2	84.0	104.2	95.8
2.11	ሰናክ	0.0	19.7	19.7	83.9	103.5	96.5
2.12	የአኩሪ አተር ወተት	6.0	0.0	0.0	0.4	0.4	0.6
	ጎድምር	265.20	427.81	693.01	593.84	1286.86	610.15
	ጠ/ድምር	3627.49	1621.26	5248.76	1733.77	6982.53	1495.48
3	ሊደርስበት የሚችል	2256.26	2256.25	4512.52	2992.00	7504.52	3041.55
	የምርት አቅም አጠቃቀም በ%	160.77	133.86	116.32	57.95	93.04	49.18
	ለ/ በአር. ቲ. ፒ. 1						
1	ሰንደ. ዱቄት	407.54	495.44	902.97	367.58	1270.55	487.45

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፡ብሊክሎ ክኸብሩ ኢወሊሆፖኸወ፡ ብወላኤ ህጋዊ/ኦፖወዊ •

$\frac{1}{\sqrt{2}} \begin{pmatrix} 1 & i \\ 0 & 1 \end{pmatrix}$

Уважаемый Александр Иванович! В ответ на Ваше письмо от 12.01.2023 г. сообщаем, что Ваше заявление о приеме на работу в ООО «Сибирская энергетическая компания» рассмотрено. В настоящее время на предприятии отсутствуют вакансии для приема на работу. С уважением, Генеральный директор ООО «Сибирская энергетическая компания» В.А. Сидоров.

3. $\gamma_{ab} \rightarrow \gamma_{ab} - \frac{1}{2} \eta_{ab} \gamma_{cd} \gamma^{cd}$ $\rightarrow \gamma_{ab} - \frac{1}{2} \eta_{ab} \gamma$ •

[illegible]

U6

$$\therefore \psi_{\text{total}} = \psi_{\text{orbital}} \psi_{\text{spin}} = \psi_{\text{orbital}} \psi_{\text{spin}}$$

፡ ከፊት

plan/ ˈplæn/

[illegible]

שלום

FROM THE
 DEPT. OF
 ARABIA UNIVERSITY
 JERUSALEM

ከሐምሌ 1/1993 እስከ ሰኔ 30/1994 ድረስ

ዓመቱ የምርት ዕቅድና ክንውን

በምርት ዓይነትና በመጠን

በዋናው ፋብሪካ

የምርት ዓይነት	መለኪያ	የ ም ር ት መ ጠ ን												የ1994 በጀት ዓመት ዓመታዊ የምርት መጠን		
		የ1ኛ ሩብ ዓመት			የ2ኛ ሩብ ዓመት			የ3ኛ ሩብ ዓመት			የ4ኛ ሩብ ዓመት					
		ዕቅድ	ክንውን	አፈጻጸም %	ዕቅድ	ክንውን	አፈጻጸም %	ዕቅድ	ክንውን	አፈጻጸም %	ዕቅድ	ክንውን	አፈጻጸም %	ዕቅድ	ክንውን	አፈጻጸም %
ፋሚክስ ዕርዳታ	ቶን	1837.18	1327.05	72.20	1940.7	1144.9	58.90	1811.30	188.55	10.4	1914.85	760.20	39.70	7504	3420.70	45.6
ፋፋ ዕርዳታ	ቶን	202.22	3	1.50	213.63	-	-	199.38	1.20	0.6	210.77	1.00	0.50	826	5.20	0.6
ፋፋ የንግድ	ቶን	40.64	55.152	135.70	42.93	47.304	110.18	40.07	30.24	75.5	42.36	35252	83.20	166	167.948	101.2
ዱቤ የንግድ	ቶን	43.57	39.65	91.00	46.02	30.75	66.80	42.95	25.8	60.1	45.46	25.85	56.90	178	122.05	68.6
ሴሪፋም	ቶን	55.81	19.8156	35.50	58.95	45.9564	77.90	55.02	23.4696	42.6	58.22	282996	48.60	228	117.541	51.6
ዕድገት ወተት በቆርቆር	ቶን	3.67	0.7452	20.20	387	-	-	3.61	-	-	3.85	3.132	81.40	15	3.8772	25.8
ዕድገት ወተት በኃላስቲክ	ቶን	1.21	-	-	1.29	-	-	1.20	-	-	1.3	1.05	80.80	5	1.05	21.0
ፋሚክስ የንግድ / ባለ 500 ግራም/	ቶን	5.38	8.0405	148.60	5.67	5.688	100.30	5.30	2.172	40.9	5.65	0.24	4.20	22	16.1405	73.4
ሽር	ቶን	0.97	-	-	1.02	-	-	0.95	0.242	25.5	1.06	-	-	4	0.242	6.1
ስንዴ ዱቂት ባለ 1 ኪ.ግ	ቶን	21.30	18.595	87.30	22.5	1475	65.50	21.00	-	-	22.2	14.235	64.10	87	47.58	54.7
ስንዴ ዱቂት ባለ 5 ኪ.ግ	ቶን	20.07	19.42	96.80	21.21	11.54	54.40	19.79	-	-	20.93	9.5	45.40	82	40.46	49.3
የምርት ቅሬት	ቶን	85.93	17.445	20.30	90.78	101.955	112.31	84.72	55.027	65.0	89.57	106.878	119.30	351	281.305	80.1
		2232.02	1491.47	66.80	2357.8	1300.90	55.20	2200.60	271.67	12.30	2326.65	878.75	37.80	9117	3942.80	43.2

ድምሩ የምርት ቅሬታን አይጨምርም፡፡

የምርት ዓይነት	መለኪያ	የ ም ር ት መ ጠ ን												የ1994 በጀት ዓመት ዓመታዊ የምርት መጠን		
		የ1ኛ ሩብ ዓመት			የ2ኛ ሩብ ዓመት			የ3ኛ ሩብ ዓመት			የ4ኛ ሩብ ዓመት					
		ዕቅድ	ክንውን	አፈጻጸም %	ዕቅድ	ክንውን	አፈጻጸም ም %	ዕቅድ	ክንውን	አፈጻጸም %	ዕቅድ	ክንውን	አፈጻጸም %	ዕቅድ	ክንውን	አፈጻጸም %
ስንዴ ዱቂት አርቲ. ፒ.1	ቶን	341.81	103	30.1	398.78	184.99	46.4	346.99	122.65	35.3	388.42	214.85	55.3	1476	625.49	42.38

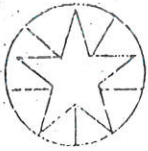
የ1994 በጀት ዓመት ዓመታዊ የምርት ሽያጭ ክንውን
በምርት ዓይነት፣ በመጠንና በዋጋ



የምርት ዓይነት	መለኪያ	ሽያጭ በመጠን			ሽያጭ በ፣000፣ ብር			የ1994 በጀት ዓመት ሽያጭ ከ 1993 በጀት ዓመት ሽያጭ ጋር በመተኛ ሲነጻጸር	
		ዕቅድ	ክንውን	አፈጻጸም %	ዕቅድ	ክንውን	አፈጻጸም %	በመጠን %	በብር %
ፋፋ ዕርዳታ	ቶን	826	4.20	0.5	4626	21.86	0.5	-	-
ፋፋ የንግድ	ቶን	166	165.74	99.8	1027	967.46	94.2	113	105.0
ዱቤ የንግድ	ቶን	178	120.34	67.6	749	485.77	64.9	78.7	72.9
ፋሚክስ ዕርዳታ	ቶን	7504	3516.60	46.9	25288	10777.72	42.6	49.6	39.1
ፋሚክስ የንግድ		22	17.96	81.6	107	84.58	79	103	99.1
ዕድገት ወተት በቆርቆር	ቶን	5	0.95	19	159	4.8	3	-	-
ዕድገት ወተት በፕላስቲክ	ቶን	15	3.55	23.7	511	151.15	29.6	58	58.0
ሴሪፋም	ቶን	228	135.75	59.5	2853	1705.35	59.8	112	113.6
ባለ አዋዲን የሸንብራ ዱቄት	ቶን	4	0.62	15.5	16	2.85	17.8	113.3	30.5
ስንዴ ዱቄት በኩንታል	ቶን	200	260.75	130.4	534	622.33	116.5	2730.4	2086.0
ስንዴ ዱቄት ባለ 1 ኪ.ግ	ቶን	87	49.21	56.6	281	140.42	50	66	51.9
ስንዴ ዱቄት ባለ 5 ኪ.ግ	ቶን	82	40.62	49.5	265	112.86	42.6	56	43.5
የምርት ሽያጭ ድምር		9317	4316.29	46.30	36416.00	15077.15	41.4	56.1	47.7

ተረፈ ምርት	ቶን	351	206.09	58.7	100	87.38	87.4	69	102.8
ሌሎች	ቶን	-	-	-	70	100.57	143.6	-	-
ድምር		351	206.09	58.7	170	187.95	231	69	102.8
ጠቅላላ ድምር		9668	4522.38	105.00	36586.00	15265.10	272.40	125.10	150.50

* ሽያጩ 5 % ታክስን አያካትትም፡፡



ፋፋ ምግብ አክሲዮን ማህበር
FAFFA FOOD SHARE COMPANY



ውስጣዊ ጥያቄ ወጽ
Internal Memorandum

ለ ገንደ መምሪያ

ቀን 13/01/2000

ምርትና ቴክኒክ መምሪያ

ፋይናንስ መምሪያ

አስተዳደር መምሪያ

ኦዲት አገልግሎት

ጥራት ቁጥጥርና ማረጋገጫ አገ.

ንባብና ማኔጅመንት ሊገጽ/ርግ አገ.

ከ ዋና ሥራ አስኪያጅ
From

[Handwritten signature]

ቁጥር 01/96/2000

ጉዳዩ የተፈቀደ የ2000 በጀት ዓመት ለመመለስ
Subject:

በፕራይቪታይዜሽንና የመንግሥት የልማት ደርጅቶች ተቆጣጣሪ አጀንሲ ተፈቅዶ የተላከለን የ2000 በጀት ዓመት ግብዓት ያገለግላል በጀትና መርሃ ግብር ከዚህ ጋር ተያይዞ የተላከለችው ብርሃን በዚህ መሠረት የሚፈለግባችሁን እንድትፈጽሙና ስለአፈጻጸሙም ያዩወቅቱ በሚቀርቡ የአፈጻጸም ሪፖርቶች ውስጥ እያካተታችሁ እንድታቀርቡ እንገባለን።

የፋፋ ምግብ አክሲዮን ማህበር
የፋይናንስ መምሪያ
14/01/2000

*Cost and Inv. Dept.
14/01/2000*



የኢትዮጵያ ፌዴራላዊ ዲሞክራሲያዊ ሪፐብሊክ
የፌዴራል ዲሞክራሲያዊ የመንግሥት የልማት ድርጅቶች
ተቆጣጣሪ ኤጀንሲ

The Federal Democratic Republic of Ethiopia
Privatization and Public Enterprise Supervising Agency

ቀን 30 ነሐሴ 1999

Date

ቁጥር: መ/አ/ደ/66-206/9/40

Ref. No.

ለፋፋ ያምንብ አ/ማ

የዳይሬክቶሬት ቦርድ

አዲስ አበባ

ጉዳዩ:- የ2000 በጀት ዓመት ግብ፣ ካፒታል በጀትና መርሃ ግብርን

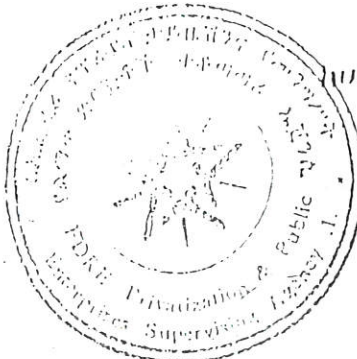
ስለመግለጫ

የ1998-2001 አካል በሆነው የ2000 በጀት ዓመት የድርጅቶችው ዝርዝር ዕቅድ ላይ የማኒጅመንትና የቦርድ ተወካዮች በተገኙበት በመ/ቤታችን ውይይት መደረጉ ይታወቃል። በዚህም መሠረት የ2000 በጀት ዓመት የኦፕሬሽን ግብ፣ ካፒታል በጀትና ሁሉን አቀፍ የማሻሻያ ፕሮግራም ዕቅድ እንዲሁም የዳይሬክቶሬት ቦርድ ድርጅቱን የሚመራበትና የሚቆጣጠርበት መርሃ ግብር፣ የሚሰጥም ግቦች እና የሪሴስ ማኒጅመንት ዕቅድ አስፈላጊው መሻሻል ተደርጎበት ተቀባይነት አግኝቷል።



ስለሆነም የሀደተውን የ2000 በጀት ዓመት ግብ፣ ካፒታል በጀትና ሁሉን አቀፍ የማሻሻያ ፕሮግራም እንዲሁም የዳይሬክቶሬት ቦርድ መርሃ ግብር፣ የሚሰጥም ግቦች እና የሪሴስ ማኒጅመንት ዕቅድ በዚህ ደብዳቤ ሸፈነት የላክን መሆኑን እየገለጽን በአፈጥሮ ላይ ተገቢውን ዘቅታል እንዲያረጋ እናስታውቃለን።

አባሪ:- 32 ገፅ



መላእክታ ጋር

[Signature]

መስፍን ሙስገታ
ም/ሮ ዳይሬክተር