

CHAPTER – III

Analysis of Expenditure & Income

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Introduction

The various types of expenditure are related with profit and loss A/c. The manner in which the result of operation i.e. profit or loss is arrived at is disclosed in a statement of account known as the profit and loss A/c. The primary object of this account is to present the details of various items of income and expenditure. Which have contributed to the making of the profit or loss after these items are grouped under significant heads.

There are two important expenditure

- 1) Capital Expenditure
- 2) Revenue Expenditure

1) Capital Expenditure :

Capital expenditure is restricted to that expenditure which increases the quantity of fixed assets, improves quality of fixed assets and results in the replacement of fixed assets for e.g.

- 1) Amount spent on the acquisition of plant, machinery, tools, fixtures etc. for equipment .
- 2) Amount spent on the installation of lights and fans.
- 3) Cost of trade-marks, patents, copyrights, pattern and designs.

All capital expenditure transferred to Balance-sheet.

2) Revenue Expenditure :

Revenue Expenditure is the expenditure which results in the acquisition of goods or services which are either sold or wholly consumed in the current accounting period. For e.g.

- 1) Expenses on the purchase of raw material, freight, cartage, insurance etc.
- 2) All administrative expenses, i.e. rents, salaries, postage, stationary etc.

- 3) Any loss incurred on sale of fixed assets, Interest on loan.

After making of profit or loss account the main expenditure of this patsanstha are on printing and stationary. Interest, office salary and depreciation, other expenditure include advertising light bill.

Some analysis of expenditure are made under the following heads.



Analysis of Expenditure

In Thousand

Expenditure	1999-2000		2000-2001		2001-2002		2002-2003		2003-2004	
	Rs.	%	Rs.	%	Rs.	%	Rs.	%	Rs.	%
Interest paid	35.193	51.06	90.894	61.57	166.482	61.41	242.354	80.68	267.999	77.09
Commission	6.037	8.75	6.507	4.40	4.485	1.65	6.575	2.18	5.759	1.65
Administration	27.688	40.17	50.219	34.01	100.095	36.92	51.435	17.12	73.873	21.25
Total Payment	68.918	100	147.620	100	271.062	100	300.364	100	347.631	100
Profit	38.111	--	54.328	--	43.321	--	Loss	--	4.624	
Total	107.029	--	201.948	--	314.383	--	300.364	--	352.255	

Source – Annual Report.

1) for the year 1999-2000

During this year interest paid constitute Rs. 35.193. which shows 51.06% of total payment. However commission was Rs. 6.037 and percentage was 8.75 % of total payment administration expenses includes stationary, staff payment, travelling, postage, general expenses etc. Rs. 27.688 and percentage of total payment was 40.17 %. The percentage of interest paid were higher such as 51.06% in this year.

2) For the year 2000-2001

During this year interest paid amount was Rs. 90.894. It was increased as compared to previous year percentage of total payment was 61.57 %. Commission was Rs. 6.507 and percentage was 4.40 % of total payment. Commission paid amount was increased but percentage of total payment was decreased as compared to previous year administration expenses was Rs. 50.219 and percentage of total payment was 34.01 % as compared to previous year amount was increased and percentage was decreased.

3) **For the year 2001-2002**

During this year interest paid constitute Rs. 166.482. Which shows 64.41 % of total payment. However commission paid was Rs. 4.485. Commission paid amount was decreased as compared to pervious year and percentage was also decreased, administration expenses was Rs. 100.095 and percentage was 36.92 % total payment.

4) **For the year 2002-2003**

During this interest paid amount was Rs. 267.999 and percentage of total payment was 77.09 % . The amount of interest paid was increased as compared to previous year and percentage

was decreased as compared to previous year. Commission paid Rs. 5.759 and percentage of total payment was 1.65 % the amount was decreased and percentage was also decreased as compared to previous year administration expenses Rs. 73.873 and percentage of total payment was 21.25 %. The amount was increased and percentage was also increased as compared to previous year.

5) For the year 2003-2004

During this interest paid amount was Rs. 267.999 and percentage of total payment was 77.09%. The amount of interest paid was increased as compared to previous year and percentage was decreased as compared to previous year. commission paid Rs. 5.759 and percentage of total payment was 1.65 % the amount was decreased and percentage was also decreased as compared to previous year administration expenses Rs. 73.873 and percentage of total payment was 21.25%. The amount was increased and percentage was also increased as compared to previous year.

Analysis of Expenditure over the year

In Thousand

Year	Interest Paid	Increase Decrease	%	Commission	Increase/ Decrease	%	Adminis- Tration exp.	Increase/ Decrease	%
1999-2002	35.193	--	--	6.037	--	--	27.668	--	--
2000-2001	90.894	55.701	158.27	6.507	0.47	7.78	50.219	22.551	81.50
2001-2002	166.482	75.588	83.16	4.485	-2.022	-31.07	100.095	49.876	99.31
2002-2003	242.354	75.872	45.57	6.575	2.09	46.59	51.435	48.66	48.61
2003-2004	267.999	25.645	10.58	5.759	-0.816	-12.41	73.873	22.438	43.62

Interest Paid

Interest paid is a periodic expenses, incurred for borrowings like term loans, working capital loans, fixed deposits and unsecured loans provided by promoters. Present patsanstha paid interest for loans and deposits. In year 1999-2000 is the base year. In the year 2000-2001 amount was increased Rs. 55,701. it was Rs. 90,894. Interest payment constitutes major part of the expenditure as deposits are main source of income of this patsanstha. Certain percentage of interest has to pay to the depositors . In the year 2001-2002 increased amount was Rs. 75,588 and percentage was 83.16 %. In the year 2002-2003 increased amount was Rs. 75.872 and percentage was 45.57 %. In the year 2003-2004 increased amount was Rs. 25.645 and percentage was 10.58.

The amount of interest paid was higher in the year 2003-2004 it was Rs. 267.999. and percentage was higher in the year 2000-2001.

The lowest amount of interest paid in the year 1999-2000 and percentage was lower in the year 2003-2004.

Commission paid

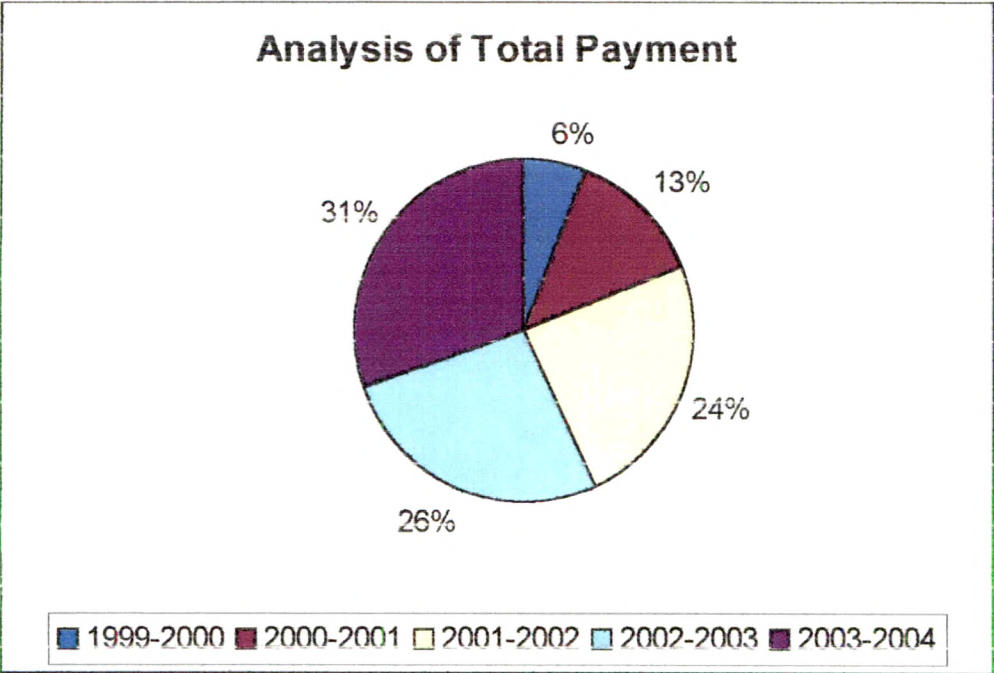
Present patsanstha paid commission for pigmi deposit and other deposits. In the year 1999-2000 was a base year. In the year 2000-2001 amount was increased Rs. 0.47 and percentage was 7.78 %. In the year 2001-2002 amount of commission paid was decreased Rs. 2.022 and percentage was 31.07 %. In the year 2002-2003 amount was increased Rs. 2.09 and percentage was also increased 46.59 %. In the last year amount was decreased Rs. 0.816 and percentage was also decreased.

The highest amount of commission paid in the 2002-2003. The lowest amount of commission paid in the 2001-2002.

Administration Expenses

Administration expenses include Debit side of profit and loss accounts. It includes Traveling exp., Commission to agent, Advertisement exp., Electricity charge, Telephone exp., Repair & Maintenance, Rent, Postage and telegram all these exp. included in administration exp.

In the year 1999- 2000 was a base year. In the year 2000-2001 amount was increased Rs. 22,551 and percentage was 81.50 %. In the year 2001-2002 amount of administration exp. was Rs. 100.095 it was increased Rs. 49,876 as compared to previous year. In the year 2002-2003 amount was increased Rs. 48.66 but percentage was decreased 48.61 %. In the last year amount was increased Rs. 22.438 but percentage was decreased. Highest amount of administration exp. in the year 2001-2002 it was Rs. 100.085. Lowest amount Rs. 27,668 in the year 1999-2000.



Interpretation :

The above pie-chart explain the percentage of total payment with the expenses. In the year 1999-2000 expenditure was 6%, because of low membership and transaction was specific area occurred. In the next year rate of expenses was increased, it was 13% in the year 2001-2002 Expenses was 24% next year it was 26% and in last year it was 31%.

When analyzed total expenditure understood position of profit and loss accounts. Interest paid, commission paid and administration expenses are main part of debit side of profit and loss account.

Income

The excess of revenue / income over its expenditure is called profit. The patsanstha has earned profit over its several year due to its tremendous increase in deposits, the interest charged on loan and some percentage of commission earned on Banks. The effect of increase in profits results in increase in percentage of dividends, Reserve funds and increase in other funds, obviously the credit of increase in profit goes to extra efforts made by all employees, managers, agents, pigmi agents and support of customers etc. It has definitely increased the good will of patsanstha.

Analysis of Income

In Thousand

Income	1999-2000		2000-2001		2001-2002		2002-2003		2003-2004	
	Rs.	%	Rs.	%	Rs.	%	Rs.	%	Rs.	%
Interest received	105.149	98.24	192.622	95.38	283.904	90.30	185.040	75.93	168.461	47.82
Bank Interest	0.823	0.76	8.337	4.12	29.845	9.49	58.004	23.80	183.345	52.04
Other Income	1.057	0.98	0.989	0.48	0.634	0.20	0.647	0.26	0.449	0.12
Total Income	107.029	100	201.948	100	314.383	100	243.691	100	352.255	100
Loss	--	--	--	--	--	--	56.673	--	--	--
Total	107.029	--	201.948	--	314.383	--	303.364	--	352.255	--

Interpretation

1) In the year 1999-2000

During this year interest received constitute Rs. 105.149, which shows 98.24 % of total income. However Bank interest was Rs. 0.823 and percentage was 0.76 % other income includes transfer of share fees & other miscellaneous income was Rs. 1.057 and percentage of total income was 0.98 % . The percentage of interest received was higher it was 98.24 %.

2) For the year 2000-2001

During this year interest received amount was Rs. 192.622 and percentage of total payment was 95.38. Bank interest was constitutes Rs. 8.337 and percentage of total income was 4.12 %. Bank interest compared to previous year it was increased other income was Rs. 0.989 and percentage of total income was 0.48 % as compared to previous year it was decreased and percentage was also decreased.

3) For the year 2001-2002

During this year interest received amount was Rs. 283.904 and percentage of total income was 90.30 % as compared to previous year it was increased but percentage of total income was decreased compared to previous year. Bank interest amount was Rs. 29.845 lot of change in this amount compared to previous year percentage of total income was 9.49 % it was also increased other income amount was Rs. 0.634 and percentage of total income was 0.20. It was decreased compared to previous years.

4) For the year 2002-2003

During this year interest received amount was Rs. 185.040 and percentage of total income was 75.93 % as compared to

previous year it was decreased and percent age was also decreased. Bank interest amount Rs. 58.004 and percentage was 23.80 % compared to previous year it was increased double and percentage also increased. Other income amount Rs. 0.647 and percentage was 0.26 % as compared to previous year this change was normal amount was increased but normal proportion.

5) For the year 2003-2004

During this year interest received amount was Rs. 168.401 and percentage was 47.82, compared to previous amount was very decreased and percentage was also decrease because investment and deposits of other Institution was decreased. Bank interest amount Rs. 183.345 and percentage of total income was 52.04 % compared to previous year it was increased rate of increasing was fast because of amount proportion was increased to other Banks so, Bank interest was increased. Other income amount Rs. 0.449 and percentage of total income was 0.12 % compared to previous year it was decreased.

Analysis of Income over the year

In Thousand

Year	Interest Received	Increase Decrease	%	Bank Interest	Increase/ Decrease	%	Other Income	Increase/ Decrease	%
1999-2002	105.149	--	--	0.823	--	--	1.057	--	--
2000-2001	192.622	87.473	83.18	8.337	7.514	913.00	0.989	- 0.068	- 6.43
2001-2002	283.904	91.282	47.38	29.845	21.508	257.00	0.634	- 0.355	- 35.89
2002-2003	185.040	- 98.864	- 34.82	58.004	28.159	94.35	0.647	0.013	2.05
2003-2004	168.461	- 16.461	- 8.95	183.345	125.341	216.04	0.449	- 0.198	- 30.60

1) In the year 1999-2000

During this year absolute figures were as shown in the table.

2) In the year 2000-2001

During this year Interest received amount increased Rs. 87.473 and percentage was 83.18 % over this year amount was increased due to loan given members and non-members Bank interest amount Rs. 7.514 and percentage was 913 % other income was also decreased Rs. 0.068 and percentage was 6.43 %

3) In the year 2001-2002

During this year Interest received amount was increased Rs. 91.282 and percentage was 47.38 % it was decreased compared to previous year. the amount of Bank was increased Rs. 21.508 and percentage was also increased it was 257 %. The amount of other income was decreased Rs. 0.355 but percentage was also increased compared to previous year.

4) In the year 2002-2003

During this year amount of interest received was decreased Rs. 98.864 and percentage was also decreased. Bank interest amount was Rs. 28.159 and percentage was 94.35 % as compared to previous year amount was increased but percentage was decreased. Other income amount was increased Rs. 0.013 and percentage was 2.05 % compared to previous year amount was decreased and percentage was also decreased.

5) In the year 2003-2004

During this year interest received amount was decreased Rs. 16.575 percentage was 8.95 % compared to previous amount was decreased and percentage was also decrease. In this year amount of Bank interest Rs. Increased Rs. 125.341 and percentage was also



increased 216.04 % other income decreased Rs. 0.198 and percentage was 30.60 % compared to previous year amount was decreased but percentage was increased.

Conclusion

The proportion of expenditure of any type of patsanstha should be minimum to earn more amount of profit. The expenditure in the patsanstha quite not high as compared to their income, but in the year 2002-2003 the amount of expenditure quite high as compared to income and patsanstha suffered loss. In the next year 2003-2004 patsanstha controlled his expenditure and could archived profit