

***CHAPTER FIFTH***

## **CHAPTER 5**

### **ANALYSIS OF EXPENDITURE**

#### **INTRODUCTION**

Each and every business unit requires expenses to carry out the day to day operations. Expenses may be defined as the cost of services provided to an undertaking and the notional cost of the owned assets.

Expenditures are classified into two groups

Operating Expenses

Non operating Expenses

#### **OPERATING EXPENSES**

These are the expenses incurred in the course of normal conduct of business. These expenses are incurred to carry on business smoothly.

Operating expenses are classified into following categories.

#### **ADMINISTRATIVE EXPENSES**

These are the expenses pertaining to the general office administration of an organization. Following expenses are administrative expenses.

Office rent, rates, taxes, printing and stationery, depreciation, salary.

#### **FINANCIAL EXPENSES**

These are the expenses pertaining to the rising of finance. e.g. Interest paid on deposit, debenture and loans. It also includes other incidental expenses incurred for raising the finance. Such as underwriting commission of brokers etc.

#### **SELLING AND DISTRIBUTION EXPENSES**

These are the expenses incurred for the purpose to increase and maintain the sales, to distribute and deliver the goods.

e.g. Salaries and salesman commission, advertisement, packing charges delivery van expenses, showroom expenses, warehouse, rent etc.

**TABLE NO. 5.1**  
**TOTAL EXPENSES**

	2000-01	2001-02	2002-03	2003-04	2004-05
Operating expenses	48,848	49,001	56,622	64,328	61,830
	(56.59)	(84.78)	(88.72)	(55.48)	(73.41)
Non operating exp	37,469	8,796	7,202	51,602	22,400
	(43.41)	(15.22)	(11.28)	(44.52)	(26.59)
Total	(56.59)	(84.78)	(88.72)	(55.48)	(73.41)
	(100)	(100)	(100)	(100)	(100)

SOURCE ANNUAL REPORTS

**TABLE NO. 5.1**

The table shows the analysis of Total Expenses of Gokul Sahakari Doodh Utpadak Sanstha Ltd., during the period covered under study 2000 to 2005.

The table shows that the amount of total expenses for the year 2000-01 is Rs. 86,317 out of which operating expenses are Rs.48,848, and non-operating expenses are Rs.37,469. It means that operating expenses are 56.49% and non-operating expenses are 43.41% of total expenses.

The table shows that the amount of total expenses for the year 2001-02 is Rs. 57,797 out of which operating expenses are Rs.49,001, and nonoperating expenses are Rs.8,796. It means that operating expenses are 84.78% and nonoperating expenses are 15.22% of total expenses.

As compare to the last year amount of operating expenses have increased by Rs. 153 and nonoperating expenses have decreased by Rs.28,673 for current year.

The table shows that the amount of total expenses for the year 2002-03 is Rs. 63,824 out of which operating expenses are Rs.56, 622 and non operating expenses are Rs.7,202. It means that operating expenses are 88.72% and nonoperating expenses are 11.28% of total expenses.

As compare to the last year amount of operating expenses have increased by Rs. 7,621and nonoperating expenses have decreased by Rs.1,594 for the current year.

The table shows that the amount of total expenses for the year 2003-04 is Rs. 1,15,930 out of which operating expenses are Rs.64,328 and nonoperating expenses are Rs.51,602. It means that operating expenses are 55.48% and nonoperating expenses are 44.52% of total expenses.

As compare to the last year amount of operating expenses have increased by Rs. 7,706and nonoperating expenses have increased by Rs.44,400 for the current year.

The table shows that the amount of total expenses for the year 2004-05 is Rs. 84,230 out of which operating expenses are Rs.61,830,and non operating expenses are Rs.22,400. It means that operating expenses are 73.41% and nonoperating expenses are 26.59% of total expenses.

As compare to the last year amount of operating expenses have decreased by Rs. 2,498and nonoperating expenses have decreased by Rs.29,202 for the current year.

It can be concluded that the total expenses for the year 2001-02,2002-03,2004-05 have decreased due to decrease in the nonoperating expenses. Total expenses for the year 2003-04 have increased due to increase in the operating and nonoperating expenses.

**TABLE NO.5.2**  
**OPERATING EXPENSES**

	2000-01	2001-02	2002-03	2003-04	2004-05
Administrative	46,368	36,946	49,541	56,422	56,217
Expenses	(94.92)	(75.40)	(87.49)	(87.70)	(90.92)
Financial	280	5,988	2,990	1,825	1,496
Expenses	(0.58)	(12.22)	(5.28)	(2.84)	(2.42)
Selling	2,200	1,818	1,895	3,916	2,059
Expenses	(4.50)	(3.71)	(3.35)	(6.09)	(3.33)
Notional	-	4,249	2,196	2,165	2,058
Expenses	-	(8.67)	(3.88)	(3.37)	(3.33)
Total	48,848	49,001	56,622	64,328	61,830
	(100)	(100)	(100)	(100)	(100)

SOURCE ANNUAL REPORTS

**TABLE NO.5.2**

The table shows the analysis of Total Operating Expenses of Gokul Sahakari Doodh Utpadak Sanstha Ltd., during the period covered under study 2000 to 2005.

The table shows that the amount of total operating expenses for the year 2000-01 is Rs. 48,848 out of which Administrative expenses are Rs.46,368, Financial expenses are Rs.280, Selling expenses are Rs.2,200 . It means that

Administrative expenses are 94.92%, Financial expenses are 0.58% , and Selling expenses are 4.50% of total operating expenses.

The table shows that the amount of total operating expenses for the year 2001-02 is Rs. 49,001 out of which Administrative expenses are Rs.36,946, Financial expenses are Rs.5,988, Selling expenses are Rs.1,818 . and notional expenses are Rs.4,249. It means that Administrative expenses are 75.40% ,Financial expenses are 12.22% , Selling expenses are 3.71% ,and notional expenses are 8.67% of total operating expenses

As compare to the last year operating expenses have increased due to increase in the amount of financial and notional expenses by Rs.5,708 &Rs.4,249 respectively for the current year.

The table shows that the amount of total operating expenses for the year 2002-03 is Rs. 56,622 out of which Administrative expenses are Rs.49,541, Financial expenses are Rs.2,990, Selling expenses are Rs.1,895 and notional expenses are Rs.2,196. It means that Administrative expenses are 87.49% ,Financial expenses are 5.28% , Selling expenses are 3.35% ,and notional expenses are 3.88% of total operating expenses

As compare to the last year operating expenses have increased due to increase in the amount of Administrative and Selling expenses by Rs.12,595 &Rs.77 respectively for the current year.

The table shows that the amount of total operating expenses for the year 2003-04 is Rs. 64,328 out of which Administrative expenses are Rs.56,422, Financial expenses are Rs.1,825, Selling expenses are Rs.3,916 and notional expenses are Rs.2,165. It means that Administrative expenses are 87.70%, Financial expenses are 2.84% , Selling expenses are 6.09% ,and notional expenses are 3.37% of total operating expenses

As compare to the last year operating expenses have increased due to increase in the amount of Administrative and Selling expenses by Rs.6,881

&Rs.2,021 respectively for the current year. Financial and notional expenses have decreased by Rs.1,165 and Rs.31 respectively.

The table shows that the amount of total operating expenses for the year 2004-05 is Rs. 61,830 out of which Administrative expenses are Rs.56,217, Financial expenses are Rs.1,496, Selling expenses are Rs.2,059 and notional expenses are Rs.2,058. It means that Administrative expenses are 90.92% ,Financial expenses are 2.42% , Selling expenses are 3.33% ,and notional expenses are 3.33% of total operating expenses

As compare to the last year operating expenses have decreased due to decrease in the amount of Administrative , Selling expenses, financial and notional expenses by Rs.205, Rs.1,857, Rs.329 & Rs.107 respectively for the current year.

It can be concluded that the amount of operating expenses increased for the year 2000-01 to 2003-04 due to increase in the amount of administrative, financial, selling and notional expenses.

In the year 2004-05 amount of operating expenses have decreased due to decrease in administrative, financial, selling, and notional expenses.

**TABLE NO. 5.3**  
**ADMINISTRATIVE EXPENSES**

	2000-01	2001-02	2002-03	2003-04	2004-05
Salary	31,500	23,180	27,050	28,500	30,150
	(67.92)	(62.74)	(54.60)	(50.51)	(53.63)
Audit fees	5,887	-	5,141	5,770	4,000
	(12.69)		(10.38)	(10.23)	(7.12)
Office Expenses	180	1,149	442	1,208	694
	(0.39)	(3.10)	(0.89)	(2.14)	(1.23)
Stationary	2,084	1,763	3,385	5,328	4,429
	(4.50)	(4.77)	(6.82)	(9.44)	(7.88)
Bonus	2,625	3,000	3,000	2,450	5,200
	(5.67)	(8.12)	(6.05)	(4.34)	(9.25)
Meeting expenses	479	1,468	2,813	2,901	2,367
	(1.05)	(3.97)	(5.67)	(5.14)	(4.21)
Binding Postage	-	2,600	2,500	2,680	108
		(7.04)	(5.45)	(4.75)	(3.05)
Visit fees	-	160	110	40	-
	-	(0.44)	(0.22)	(0.07)	-
Rent	2,275	-	2,100	1,025	1,414
	(4.92)	-	(4.25)	(1.82)	(2.51)
Electricity	1,338	3,375	2,160	3,070	4,490
	(2.88)	(9.15)	(4.36)	(5.44)	(7.99)
Typing	-	248	840	1,940	1,142
	-	(0.67)	(1.69)	(3.44)	(2.03)
Total	46,368	36,946	49,541	56,422	56,217
	(100)	(100)	(100)	(100)	(100)

SOURCE ANNUAL REPORTS

**TABLE NO.5.3**

The table shows the analysis of Total Administrative Expenses of Gokul Sahakari Doodh Utpadak Sanstha Ltd., during the period covered under study 2000 to 2005.

The table shows that the amount of total Administrative expenses for the year 2000-01 is Rs.46,368 out of which maximum amount spent on payment of

salary i.e. 67.92% of total administrative expenses, minimum amount spent on office expenses i.e. 0.39% Administrative expenses.

The table shows that the amount of total Administrative for the year 2001-02 is Rs.36,946 out of which maximum amount spent on payment of salary i.e. 56.27% of total administrative expenses. As compare to the last year percentage of salary is less for current year.

The table shows that the amount of administrative expenses for the year 2003-04 is Rs.56,422 out of which maximum amount spent on payment of salary i.e. 50.51% of total administrative expenses. As compare to the last year amount of administrative expenses have increased due to increase in the amount of salary, stationery, meeting expenses, typing, electricity. It is unfavorable.

The table shows that the amount of administrative expenses for the year 2004-05 is Rs.56,217 out of which maximum amount spent on payment of salary i.e. 53.63% of total administrative expenses. As compare to the last year amount of administrative expenses have decreased due to decrease in the amount of legal and management charges, nonpayment of visit fees for current year.

It can be concluded that the administrative expenses have decreased for the year 2001-02 because of nonpayment of rent, audit fees, legal charges. It is favorable.

The amount of administrative expenses have increased in the year 2002-03, 2003-04, 2004-05 due to increase in the amount of audit fees, meeting expenses. It is unfavorable.

**TABLE NO. 5.4**  
**FINANCIAL EXPENSES**

	2000-01	2001-02	2002-03	2003-04	2004-05
Education fund	100	-	-	100	-
	(35.72)	-	-	(5.48)	-
Risk fund	-	600	600	600	600
	-	(10.02)	(20.06)	(32.82)	(40.11)
Bank Charges	180	1,362	1,290	555	396
	(64.28)	(22.75)	(43.15)	(30.42)	(26.47)
Professional tax	-	-	500	570	500
	-	-	(16.73)	(31.23)	(33.42)
Dividend	-	4,026	-	-	-
	-	(67.23)	-	-	-
Difference in salary	-	-	600	-	-
	-	-	(20.06)	-	-
Total	280	5,988	2,990	1,825	1,496
	(100)	(100)	(100)	(100)	(100)

SOURCE ANNUAL REPORTS

**TABLE NO.5.4**

The table shows the analysis of Total Financial Expenses of Gokul Sahakari Doodh Utpadak Sanstha Ltd., during the period covered under study 2000 to 2005.

The table shows that the amount of total financial expenses for the year 2000-01 is Rs.280 out of maximum amount spent on payment of Bank Charges i.e. 64.28% of total financial expenses .

The table shows that the amount of total financial expenses for the year 2001-02 is Rs.5,988 out of maximum amount spent on payment of dividend i.e. 67.23% of total financial expenses.

As compare to the last year amount increased due to increase in the amount of dividend and bank charges. It is favorable.

The table shows that the amount of total financial expenses for the year 2002-03 is Rs.2,990 out of maximum amount spent on payment of Bank charges Rs. 1290 i.e.43.15% of total financial expenses.

As compare to the last year amount decreased due to nonpayment of amount of dividend and education fund. It is unfavorable.

The table shows that the amount of total financial expenses for the year 2003-04 is Rs.1,825 out of maximum amount spent on payment of Risk fund Rs.600 i.e.32.87% of total financial expenses.

As compare to the last year amount decreased due to nonpayment of amount of dividend. It is unfavorable.

The table shows that the amount of total financial expenses for the year 2004-05 is Rs.1,496 out of maximum amount spent on payment of Risk fund Rs.600 i.e.40% of total financial expenses.

As compare to the last year amount decreased due to nonpayment of amount of dividend and education fund. It is unfavorable.

It can be concluded that the financial expenses for the year 2001-02 is increased due to payment of dividend and bank charges which favorable.

Financial expenses for the year 2000-01 have decreased due to the nonpayment of risk fund, dividend and professional tax etc. it is favorable.

**TABEL NO.5.5**  
**SELLING EXPENSES**

	2000-01	2001-02	2002-03	2003-04	2004-05
Cattle services	1,684	1,386	1,520	1,538	967
	(76.55)	(76.24)	(80.29)	(39.27)	(46.96)
Advertising	-	-	-	1,450	50
	-	-	-	(37.03)	(2.42)
Poster	-	-	-	40	-
	-	-	-	(1.03)	-
Traveling Exp.	516	432	375	888	667
	(23.45)	(23.76)	(19.79)	(22.67)	(32.39)
Total	2,200	1,818	1,895	3,916	2,059
	(100)	(100)	(100)	(100)	(100)

SOURCE ANNUAL REPORTS

**TABLE NO.5.5**

The table shows the analysis of Total Selling Expenses of Gokul Sahakari Doodh Utpadak Sanstha Ltd., during the period covered under study 2000 to 2005.

The table shows that the amount of total Selling expenses for the year 2000-01 is Rs.2,200 out of maximum amount spent on payment of Cattle Services Rs.1,684 i.e.76.55% of total Selling expenses which is favorable.

The table shows that the amount of total Selling expenses for the year 2001-02 is Rs.1,818 out of maximum amount spent on payment of Cattle Services Rs.1,386 i.e.76.24% of total Selling expenses which is favorable.

As compare to the last year amount of selling expenses have decreased due to decrease in the amount of traveling expenses which is favorable.

The table shows that the amount of total Selling expenses for the year 2002-03 is Rs.1,895 out of maximum amount spent on payment of Cattle Services Rs.1,520 i.e.80.29% of total Selling expenses.

The table shows that the amount of total Selling expenses for the year 2003-04 is Rs.3,916 out of maximum amount spent on payment of Cattle Services Rs.1,538 i.e.39.27% of total Selling expenses.

As compare to the last year amount of selling expenses have increased due to increase in the payment of amount of traveling expenses, poster which is unfavorable.

The table shows that the amount of total Selling expenses for the year 2004-05 is Rs.2,059 out of maximum amount spent on payment of Cattle Services Rs.967 i.e.46.96% of total Selling expenses.

As compare to the last year amount of selling expenses have increased due to increase in the payment of amount of Milko tester repairs.

It can be concluded that the amount of selling expenses for the year 2003-04 have increased with higher level due to payment of advertisement and poster which is unfavorable.

Selling expenses for the year 2001-02 have decreased due to nonpayment of advertising poster charges which is favorable.

TABLE NO. 5.6  
NOTIONAL EXPENSES

	2000-01	2001-02	2002-03	2003-04	2004-05
Depreciation	-	4,249	2,196	2,165	2,058

SOURCE ANNUAL REPORTS

TABLE NO.5.6

The table shows the analysis of Total Notional Expenses of Gokul Sahakari Doodh Utpadak Sanstha Ltd., during the period covered under study 2000 to 2005.

The table shows that the amount of notional expenses for the year 2001-02 is more i.e. Rs.4,249.

Notional expenses for the year 2004-05 have decreased up to Rs.2,058.

**TABLE NO. 5.7**  
**NON OPERATING EXPENSES**

	2000-01	2001-02	2002-03	2003-04	2004-05
Sundry exp.	1,075	6,906	4,040	1,684	-
	(4.55)	(78.52)	(56.09)	(3.26)	-
Doodh Diff,	35,764	-	-	47,389	20,824
	(95.45)	-	-	(91.84)	(92.96)
Gokul Yojana	-	-	2,512	1,933	1,000
	-	-	(34.88)	(3.75)	(4.46)
Diwali Gift	-	1,890	650	596	576
	-	(21.48)	(9.03)	(1.15)	(2.58)
<b>Total</b>	<b>37,469</b>	<b>8,796</b>	<b>7,202</b>	<b>51,602</b>	<b>22,400</b>
	(100)	(100)	(100)	(100)	(100)

SOURCE ANNUAL REPORTS

**TABLE NO.5.7**

Table shows the analysis of total no operating expenses of Gokul Sahakari Doodh Utpadak Sanstha Ltd., during the period covered under study 2000 to 2005.

The table shows that the amount of total no operating expenses for the year 2000-01 is Rs. 37,469 out of which maximum amount spent on doodh difference Rs.35,764 it means that 95.45% of total no operating expenses.

The table shows that the amount of total no operating expenses for the year 2001-02 is Rs. 8,796 out of which maximum amount spent on Sundry expenses 78.52% of total no operating expenses.

As compare to the last year the amount of no operating expenses have decreased by Rs.28,676 for the current year.

The table shows that the amount of total no operating expenses for the year 2002-03 is Rs. 7,202 out of which maximum amount spent on Sundry expenses 56.09% of total no operating expenses.

As compare to the last year the amount of no operating expenses have decreased due to nonpayment of doodh rate difference it is unfavorable.

The table shows that the amount of total no operating expenses for the year 2003-04 is Rs. 51,602 out of which maximum amount spent on Doodh difference 91.84% of total no operating expenses.

As compare to the last year the amount of no operating expenses have increased due to increase in the payment of doodh rate difference it is favorable.

The table shows that the amount of total no operating expenses for the year 2004-05 is Rs. 22,400 out of which maximum amount spent on Doodh difference 92.96% of total no operating expenses.

As compare to the last year the amount of no operating expenses have decreased due to the payment of sundry expenses it is unfavorable.

It can be concluded that the amount of no operating expenses have increased in the year 2003-04 due to increase in the amount of doodh rate difference. It is favorable.

In the year 2001-02,2002-03, amount of no operating expenses have decreased due to nonpayment of doodh rate difference and decrease in the amount of Diwali gift it is unfavorable.

## OPERATING RATIO

This ratio shows the percentage of the net sales that is absorbed by the cost of goods sold and operating expenses.

## INTERPRETATION

Naturally higher the ratio, the less favorable it is because it would leave a small margin to meet interest, dividends, and other corporate needs.

The ratio is calculated with the help of following formula

$$\text{Operating Ratio} = \frac{\text{Cost of goods sold} + \text{Operating expenses}}{\text{Net Sales}} * 100$$

## SIGNIFICANCE

The ratio is an index of the operating efficiency of the enterprise.

**TABLE NO. 5.8**  
**OPERATING EXPENSES**

YEARS	Cost of goods sold+operating exp	Net sales	Ratio
2000-01	67,634	79,003	85.60
2001-02	6,04,849	6,24,966	96.78
2002-03	6,85,936	7,40,434	92.63
2003-04	6,12,296	6,60,035	92.81
2004-05	4,62,656	4,63,009	99.92
		Average ratio	93.54

SOURCE ANNUAL REPORTS

**TABLE NO.5.7**

The table shows the operating ratio of Gokul Sahakari Doodh Utpadak sanstha Ltd., for the period covered under study 2000-2005.

On the basis of the calculation given in the above table it is clear that the average operating ratio is 93.54 in the ratio declines the efficiency. Therefore above ratio shows reasonable margin of profit.