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CONSULTANCY DEVELOPMENT IN

INVESTMENT ADVISORY CENTRE

OF PAKISTAN, PHASE II

DP/PAK/84/021

PAKISTAN

Report of the Financial Consultant

Prepared for the Government of Pakistan
by the United Nations Industrial Development Organization,
acting as executing agency for the United Nations Development Programme

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ABSTRACT: This report was prepared by the Financial Consultant in the project "Consultancy Development in Industrial Advisory Centre of Pakistan, Phase II" (DP/PAK/84/021) for three months' assignment from 17 February 1985 to 9 May 1985.

GENERAL COMMENTS: Definition of terms used in the Report

ADEQUATE: Sufficient to enable the reasonable completion of any given task.

INADEQUATE: The resources available do not provide the minimum requirements necessary to reasonably complete the task in hand; e.g., the training, language ability and machinery (manual and 20 year-old model electric typewriters) when combined are inadequate with regard to accuracy, timeliness, presentation and format. The repetitiveness of editing copy requires excessive time.

NOTE: All remarks and opinions in this Report are intended to refer exclusively to the consultant's discipline; i.e., finance. Where specialised the sub-section discipline should be remarked upon. Any notation referring to a discipline other than in the consultant's domain is inadvertent and should be considered as an operational inference.

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IACP

I. Background

"The increasing demand for IACP's services combined with (a) shortage of experienced professionals called for a detailed analysis of (the) IACP's present status in respect (to) its potential and future development."

....."under DP/PAK/75/062 (the IACP was trained primarily in .the)..techniques of project preparation.(and) the establishment within (the) IACP of an industrial consultancy service capability together with the respective strengthening of staff capacities...was strongly recommended."

"The (IACP) though now able to rely on the services of a number of professionals with experience in the elaboration of feasibility studies, does not dispose of staff having industrial consulting experience in.....financial management."

....."It is to be noted that no other consultancy service of this (i.e., industrial consultancy) type exists in Pakistan at present. The Government endorsed the recommendation of the industrial consulting firm to establish (an) industrial consultancy (capacity) in.....financial management.....within (the) IACP and UNDP assistance was requested for this purpose."

"The services of (a)...Chief Technical Adviser...will provide field and Backstopping services to develop (the) IACP's consultancy capacities(;) including (,) organisation and methodologies, carry(ing) out in-plant consulting assignments as the vehicle for on-the-job training of national staff and implement the formal training of national staff at its headquarters. .....Specifically (,) the (services and assistance of the Chief Technical Adviser) will cover.....finance....."

....."the project will provide inputs in two priority areas: (a) strengthening the operation and training capability of (the) IACP (and) (b) increasing productivity and improving the overall performance of existing industrial plants."

II. Objectives

The project's objectives is to strengthen and establish within the IACP of an industrial consultancy services capability together with the respective strengthening of staff capacity. The project also aims at increasing productivity and improving the overall performance of existing industrial plants.

The financial consultant's duties were expected to: introduce and carry out training schemes in financial management and analysis for IACP staff (including application of computers; provide, together with IACP staff, ad hoc advice to selected enterprises, aiming at improvement of financial management and operation of such plants; participate in diagnostic activities at plant level and train local staff in this technique; participate in the definition of a medium-term plan for improving IACP capability in the field of financial management and analysis.

Please note that financial consultancy (in an industrial and commercial mode) is available in Pakistan via the local chartered accountancy companies and their internationally associated companies.

The Chief Technical Adviser was not on station for the duration of the consultant's assignment. As a consequence all actions undertaken were of an ad hoc nature; there having been neither prior planning, formulation of agenda, identification of IACP consultancy capabilities nor training requirements etcetera.

The significant negative impact was on that of time necessarily expended in performing the basic organisation tasks; e.g., preparation of a Work Plan, extended preparation of elementary training and diagnostic background documents, delays encountered in arranging field visits to enterprises, delays encountered in the selection of a particular enterprise for the envisioned diagnostic action and general administrative/ secretarial services delays.

III. Implementation Framework

A. Ad hoc Field Visits

Field work began on 17-02-85 (the working week of the IACP is Sunday through Thursday, inclusive). Project planning was undertaken in consultation with the Project Director and it was determined that the scope of industrial enterprises included within the work would be limited to the Textile Industry. A full Work Plan was developed in the first week of the assignment. This Work Plan was subsequently revised owing to organisational and plannin[illegible] [illegible]i-culties, See Appendix 10.

A background review to establish the nature of Pakistani business conditions organisation, financial, accounting and regulatory requirements, See Appendix 13, was undertaken in the second week of the assignment.

A preliminary assessment of the capabilities of the IACP to undertake financial consultancy in an industrial and commercial enviornment prompted the development of a number of training guides, See Appendices 1, 2, 3, 4, 5, and 6. The preparation of these documents was initiated in the third week of the assignment. The third week also marked the beginning of field visits to selected textile mills in the Karachi area. These trips were arranged through the good offices of the APTMA (All Pakistan Textile Manufacturers Association) and the Sind Textile Commissioner. While generally informative the locations visited were basically unsuitable as the mill locations did not have available basic financial data (nor for that matter basic marketing data). This information was available at the company's head offices which were(with two exceptions) at entirely separate locations (measured in miles). See Appendix 7.

Weeks four, five and six were originally scheduled to be those for diagnostic work at Karachi area enterprise(s) as selected through the good offices of APTMA and The Textile Commissioner. The activity itself began at the beginning of the sixth week (the delay in the selection of an enterprise and presumably the acceptance as well is unexplained). Week four and five were utilised in the further development of training documents, preparation of a preliminary report to UNIDO, Vienna and in co-ordination meetings with selected Ministry of Industry agencies and other Institutions. The results of the diagnostic activity for the enterprise in question are compiled in a Business Survey Report, the financial sections of which are included as a separate case study.

Week number seven was appended to week number six in order to satisfactorily complete the delayed diagnostic undertaking. Thus the planned (Work Plan at Appendix 10 travel into the Punjab Province and associated visits to enterprises in this region was cancelled.

Week eight was utilised to follow-up with the companies included in the field visits of week three in order to establish the framework for additional diagnostic work. Two additional enterprises requested the professional services of the UNIDO consultant with the current and continuing assistance of the IACP counterpart. Week eight was also utilised for the preparation of the Draft Final Report.

Weeks nine through twelve were used in the preparation of guidelines and recommendations for the companies (private sector), see Appendix 8, which were reviewed during the course of the Project, in presenting seminars to the IACP staff and in the preparation of the Draft Final Report (2nd Version) and its respective Appendices.

Follow-up visits to two companies were undertaken to provide them with consultancy services, as well as to meet the needs of training of the IACP counterpart. The two companies, in particular, are relatively positive towards consultancy services and expressed an interest in the activities being undertaken by the project.

Like many events that initially seem to be of secondary or tertiary importance, the field visits came to be of extraordinary value and importance. In particular, two of the companies visited solicited the assistance of the consultant in establishing an integrated business systemology. Both firms are privately held limited companies with second generation management who recognise the desirability of controlled growth and the necessity of organised, defined and flexible systems. See Appendix B and C for details.

The primary benefit to the project's objectives is that one of the companies has agreed at the consultant's suggestion to allow the consultant's IACP counterpart to continue to participate in the installation of the consultant's designed systems following the departure of the consultant. This will obviously provide a continuing on-the-job training for the counterpart in an atmosphere conducive to industrial consultancy; viz., the company has requested professional assistance and will fully co-operate in the definition of the problem.

It is possible that the second company will also be responsive to the same type of arrangement in the future. The limiting factor being the time and experience of the IACP counterpart in undertaking one job at a time.

B. Preparation of Training Documents

In view of the elementary and restricted financial and systems background of the IACP counterpart, it became necessary to prepare basic training documents. Included in these are the Case Studies from the IACP arranged diagnostic action and from the two instances cited at Appendix 8 of this report.

Additional training will, in the opinion of the consultant, be necessary upon the completion of the consultant's assignment. To facilitate this training (and in part to establish the framework for this training) the consultant has made recommendations for the expansion and modernisation of the IACP library selections and the consultant has also reviewed applicable course work at the Institute of Business Administration of the University of Karachi. The recommendations are presented in the respective appendices.

As is presented elsewhere in the report the consultant strongly recommends the recruitment of an appropriately qualified and experienced professional staff if the objectives of the project are to be met within a reasonable time frame. Failure to do so will require a minimum of two years to properly train the existing IACP staff (as represented by the IACP counterpart) to undertake basic industrial level financial consultancy.

C. Diagnostic Work

The diagnostic activities included review of accounting systems and evaluations of the companies' business planning facilities for the first one and a half weeks.

It was revealed that the companies visited did not possess adequate accounting systems and were not aware of the deficiencies.

Some of the companies would require a new system of accounting. The consultant suggested to the companies that feasibility studies be undertaken with the participation of the IACP counterpart, for the purpose of disclosing to him the studies and analyses of company's basic accounting system needs undertaken by professional firms.

D. Preparation of Case Studies

The Case Study presented at Appendix 8A represents the diagnostic work performed for the "arranged" field diagnostic action, as per the Work Plan. The Case Studies at Appendix 8B and C are in reality preliminary work plans for the establishment of elementary business systems at the two companies and were primarily arranged so as to benefit the Consultant's Counterpart in providing practical experience. It is the intent that the preliminary work plans continue after the departure of the Consultant.

The Case Studies can be used as training documents by the IACP staff.

E. Seminar Presentations

Seminar presentations were held on the following dates for IACP staff members:

1.) 25-04-85

2.) 02-05-85

3.) 06-05-85

The participants were of variable numbers (ranging from 5 to 15) and multi-disciplinary (covering the full range of IACP staff disciplines). The minimum time for the seminars was two hours and extended past three. The interest of the participants seemed keen especially with regard to diagnostic work and the associated techniques and methods.

Please see Appendix 23 for details of the Seminar presentations.

- Because of differing levels of experience and disciplinary background and a general deficiency in familiarity with business (private sector) and business systems (integrated or stand-alone) it is unlikely that the use of seminars as a teaching/training technique would be particularly successful other than in a long-term, planned and prepared environment. An alternative to this would be to establish small study groups, on the order of five to seven persons, with the objective of establishing a training framework and by then studying on a point by point case by case basis. This format also allows for greater participation by the study group members and would probably cause less interference with the day to day tasks and responsibilities of the IACP staff members.

IV. Viability of Project Objectives

A. Client Base

Although difficult, if not impossible, to demonstrate empirically; owing to the unreliability of statistical data, it is apparent that there is a recognised need for good quality, professional industrial/commercial consultancy in Pakistan.

The work undertaken during the course of this project was mainly limited to the "organised" sector of the textile industry. The industry itself is less than forty years old and has shown signs of dynamism in the past (mainly it appears to be true in a "sellers" market condition). The changes in the marketplace (competition and a marked deterioration in the quality of the Pakistani product...domestic and export) have pointed-out the need for an organised, planned approach to business activities. This need is perceived by the second generation of company management as is to a certain extent the need to transform business activities from one of "trading" to one of "entrepreneural nature.

This base of potential clients can be exploited and it is the opinion of the consultant that the exploitation should move in the direction of introducing through the activities of an agency such as the IACP an integrated business planning systemisation.

There is already evidence of private consultancy firms moving into the void and it is the opinion of the consultant that the industrial/commercial capability of the IACP to participate in this field should be rapidly expanded.

As currently constituted it would seem unreasonable to expect more than a marginal impact on the "unorganised" or cottage sector of the textile industry at this time. For the IACP to be meaningfully engaged in this sector would require a basic reorganisation within the business and regulatory infra structure.

B. Consultancy Service

There is as noted some evidence of private consultancy services being directly requested or being made available to private industry. It is not a feature of the scope of this project to measure the extent of these services but its impact upon the project objectives can be surmised. Where there is a demonstrable need (market) the need (market) will be satisfied (and if not properly approached the need will be glutted.

It would seem that a choice of sorts faces the continuing development of IACP industrial consultancy capabilities; viz., to which client base does the IACP services wish to address itself. The participation of a quasi-govern mental agency in the marketplace may present problems of implementation; both with regard to an economically acceptable level of access and to the responsiveness of the client with regard to information needs of the consultant. There may in fact be resistance to the initial efforts of marketing the concept of industrial consultancy being undertaken by the IACP.

To the extent possible and reasonable, the institutional infrastructure should encourage the development of the consultancy capability and this service should move rapidly to build a reputation of solid achievement in the business community.

C. Responsive IACP Resources

In order to meet the market need for professional industrial/commercial consultancy it would be necessary for the IACP to enhance its resources (both staff and equipment). It is planned that in the near future the IACP will acquire a computer (ICL System 20). In addition to needing a multi-terminal network (to provide for easy access by IACP staff) the Consultant also suggests that the IACP recruit an MIS professional in order to train the existing and future IACP staff. In addition to the MIS professional it is suggested that two programmer/analysts be recruited to provide the technical support necessary in systems design activity.

IACP

D. UNIDO Consultancy Assistance

In the absence of an appropriately qualified national to assume the role and duties of Senior Financial Consultant as provided at Appendix 16, it is the opinion of the consultant that UNIDO or similar international agency should in consultation with the appropriate national authorities consider the renewed appointment of a suitably qualified financial consultant.

With the successful recruitment of staff as included in Appendix 15 and the complementary training of existing staff as included at Appendix 20, it is the opinion of the consultant that a minimum period of one year would be necessary to implement the objectives of the Project.

V. Summary

A. Conclusion

In the present circumstances of IACP, there would be limited capability to undertake professional industrial/commercial services in the field of finance. It is necessary to strengthen and upgrade the capability of IACP staff in industrial consultancy work.

Although the consultant's activities would have contributed to achieve the objectives, it would require medium and long-term assistance to implement several advices and recommendations which include recruitment of professional staff for training IACP staff, introduction of computer systems and recruitment MIS professionals, and implementation of the programmes for diagnostic work, etc.

B. Recommendations

1. To acquire the minimal capabilities to undertake industrial/commercial consultancy (in a financial role) it would be necessary to recruit a professional staff as remarked upon in Appendices 15, 16 and 17.

2. To complement the above recruitment effort it is also recommended that the existing IACP staff receive training as presented in Appendix 20.

3. The IACP should acquire an in-house computer systems facility (in-process) with a multi-terminal configuration both to provide internal MIS training and for the future utilisation in the development of client information systems. It may eventually prove to be possible to develop business system models for the presentation to clients. An automated word processing facility also should be installed to provide for the professional preparation of its reports and studies.

4. To enhance its staff resources, IACP should recruit a senior MIS professional (specialised in the design, development and implementation of automated systems) and two programmer/analysts to provide technical back-up.

5. The Phase One of the project Recommendations and Comments should be re-examined and to the extent possible further implemented (it being the opinion of the Consultant that the Phase One Report Recommendations have not been implemented). This recommendation is based upon a review of the Final Report of the private consultancy firm engaged to undertake Phase I of the Project and the opinion of the Consultant that the recommendations of the cited Report have not been implemented.

6. It is further recommended that the IACP continue its participation in the diagnostic work initiated at Appendices 8, A,B and C (to the extent possible) for the benefit of the Consultant's counterpart's experience and to enhance the IACP's relationship with the private sector business community as well as to disseminate industrial consultancy services.

(To the extent possible, Consultant will be available to provide continued assistance to the IACP counterpart in the implementation of the programs at Appendix 8 B and C...on a volontary basis).

7. It is further recommended that the basis of Phase II of this project be re-evaluated in light of the following opinion of the Consultant:

OPINION: The single most important or <u>significant</u> problem or <u>question</u> facing or <u>underlying</u> this Project is: What will be the response of the <u>Market</u> (in this case, the private limited and public limited but closely held companies) to a situation in which a quasi-governmental agency;viz., the IACP, offers its services to that private market in whatever industrial/commercial consultancy role.

This country underwent, within brief memory, a nationalisation of industries. To what extent these actions were of an expropriatory nature is not within the scope of this Project. However, the Consultant has repeatedly encountered references and allusions to these events. The occurance of nationalisation may, in no small part, have had and continues to have a negative effect on the <u>under-capitalisation</u> of the companies the Consultant has reviewed during the course of this Project.

Additionally, it is not to be unexpected that private industry would prefer to remain at least at arms length from the government or any agency or sub-agency thereof. Without complete access to information and the plans of these private companies a consultant's hands are tied. He/they cannot provide the services to which he is contracted. It is a conundrum: the private sector needs and wants a professional consultancy service and the government, thru the ministry, and a sub agency of the ministry, wants to develope the capability of providing the desired service; but the private sector does not want to disclose the information that would be necessary for the "consultant" to successfully undertake the work.

It is also necessary to note that the context of this report and the opinions expressed in same concern only the "organised" private sector which may be no more than 25 to 30 percent of the total textile industry in Pakistan. There would be even more difficult constraints in penetrating the "unorganised", a better w[illegible] be "unregulated", sector.

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Appendix 1

GENERAL FRAMEWORK OF FINANCIAL OPERATIONS
WITHIN A COMPANY ALONGWITH COMPATABLE PLANS

FINANCIAL PLANNING	COST ACCOUNTING	MANUFACTURING PLAN	MARKEING PLAN
FINANCIAL ANALYSIS		MATERIAL REQUIREMENTS PLANNING	
BUDGETING	INVENTORY CONTROL		
RESPONSIBILITY BUDGETING		PURCHASING	
GENERAL ACCOUNTING			
	DESIGN	MANUAL SYSTEMS	
CONSOLIDATIONS			
		AUTOMATED SYSTEMS	
AUDITING: FINANCIAL OPERATIONAL EDP SYSTEMS			
TREASURY OPERATIONS			

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Appendix 2

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General Organisation and Financial Questionnaire

1. Q: Detail the number of financial staff, their duties, training, experience and education. (Make the distinction in disciplines). e.g., cost accounting, general accounting, planning and analysis, etc.

2. Q: Is there a computer in use? (Determine model and configuration) What applications are currently on line? What additional applications are planned? When?

3. Q: What is the type of business organisation: Entrepreneur, Partnership, Corporation (Public Limited or Private Limited) Joint Ventures?

4. Q: What were the basic results of operations for the past five years? (Gross sales, discounts and other deductions, net sales, gross margin, distributable profit before tax and structure.

5. Q: Within general limits, detail the capital equipment used within the manufacturing process and the method(s) of depreciation. What is the average age of the capital equipment (segragate into categories if necessary)? Display historical cost, accumulated depreciation and replacement cost.

6. Q: Does the company create and use an annual business plan and does it measure the results (PLAN VS Actual) in a periodic, analytical manner?

7. Q: Is the company vertically or horizantally integrated Describe?

8. Q: What is the company capital appropriation plan for the next 5 years?

9. Q: Does the Company utilise a Financial Policies and Procedures Manmual. Similarly, is there an Operations Manmual for each distinct Department (Financial and Non-Financial)?

10. Q: What is the debt structure of the company? Long and short-term?

11. Q: What is the capacity utilisation of the compays manufacturing equipment?

12. Q: How large in the direct and indirect labour force ? Classify by years of employment (by subgroupe as necessary; e.g., skilled, unskilled, technical, administrative, maintenance, accounts. etc.)

13. Q: Is there a Quality Control (QA) Department? What is the cost accounting treatment for QA costs? What is the cost accounting treatment for a refected batch? What is the frequency of rejection of raw materials?

14. Q: How are the books of account maintained?

15. Q: Is there a separate purchasing department?

16. Q: is there a separate incoming goods department?

17 Q: Is there a separate outgoing goods or shipping department?

18. Q: Is there a separate customer service dep rtment?

19. Q: Is there a separate export services department?

20. Q: Is there a separate treasury department?

21. Q: Is there a separate internal audit department?

22. Q: Are there adequqte separation of duties in the general accounting deparment?

23. Q: Is there an excess and/or obsolete inventory analysis? How often are general inventories taken? Are they observed by independent auditors?

24. Q: Are provisions made for bad debts? Describe policies and procedure for their determination and classification. What is the is the Days Sales Outstanding (DSO)?

Where possible, compare the company DSO with industry or country standards.

25. Q: What is the current accounts payable pay-back period?

26. Q: Does the company use accrual accounting?

27. Q: Determine the number of accounting transactions per day/month for the following:

<u>General Ledger:</u> (A/R, A/P, Other)

<u>Production Control Cost Accounting:</u> (Inventor control; work-in-process batch control)

<u>Order Entry:</u> (Sales & inventroy control)

28. Q: Determine the number of manufacturing batches processed per day/month. Determine the number of work-stations within each manufacturing process. Describe.

29. Q: How many product lines are within the manufacturing capacity of the company? How many product lines are typically in production? Specify and schedule.

30. Q: What percentage (but more usefully, what types) of raw materials are inter changeable to multiple product lines? Specify and schedule.

31. Q: Does the company maintain an up-to-date organisation chart? If so, obtain a copy and list key individuals. If no, construct one (show staff down to direct labour supervisor level then number of workers supervised).

32. Q: Does the company engage a firm of public accountants? Name? Describe annual services performed.

33 Q: Is the company listed on a public stock exchange? Obtain details (registrar, banks, authorised and issued shares, voting and non-voting stock, the distribution of the shares and the date of the annual stock holders meeting. Also, dividends declared record (5 year period) and the stock exchange performance record for the current (or past) fiscal year.

34. Q: Is there a responsibility budgeting system utilised by all departments? Are clearly defined and quantified objectives assinged to each department and significant sub-department)?

35. Q: Is there a fixed asset register maintained? Describe.

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Training/Explanatory Attachment to
General Organisation and Financial Questionnaire

1. Q: Detail the number of financial staff, their duties, training, experience and education. (Make the distinction in disciplines). e.g., cost accounting, general accounting, planning and analysis, etc.

This will provide the personnel background essential to understanding the capabilities and standing of the financial staff.

Note: This is not intended to create an adversary relationship between the consultant and plant staff so ask the questions discretely and deferentially.

It will also show the degree of specialisation within the staff and point out areas of (omission or commission) emphasis within the company. And it will provide insight as to the possibility of cross training financial staff.

2. Q: Is there a computer in use? (Determine model and configuration) What applications are currently on line? What additional applications are planned? When?

If no computer the obvious question is; do you plan to acquire one? If yes, what feasibility studies are in progress to choose a model/configuration? And what applications are planned?

If answer is yes, then additional questions are to be oriented towards what percent of the computer capacity is being used and for

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what applications? And then what future applications are being planned and when will they come on-line?

Of additional significance is the methodology used by the company in the design of automated systems. Is a computer steering committee being used? Are the systems designs being driven by USER COMMITTEES with the programmer/analyst used as a service (not the driving force)?

3 Q: What is the type of business organisation: Entrepreneur, Partnership, Corporation (Public Limited or Private Limited) Joint Ventures?

Each of these "types" of business organisation have different forms of accounting treatment. They also have (usually) different management structures and styles and authorities. It is useful to have this data, as it will save time and give insight into the company's business behavior.

4. Q: What were the basic results of operations for the past five years? (Gross sales, discounts and other deductions, net sales, gross margin, distributable profit before tax and equity structure.

This is basically intended to give a fast and dirty overview of the company's operations so that perhaps a trend can be spotted. It also establishes the basis for further questions. If for instance sales have dramatically increased but gross margin has decreased we may formulate some questions as to why. (For example the gross sales

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may be heavily discounted or there may be many returns of merchandise because of product quality (QA) problems, this would show-up in the net sales line).

Distributable profit before tax when compared to gross margin or gross manufacturing margin may highlight heavy selling expenses. Distributable profit after tax may highlight heavy financial expenses.

Note: These analyses depend upon how the company presents its Profit & Loss Statement (the format). It may be necessary to search for more detailed account balances and to reclassify and arrange their presentation for analysis purposes.

The equity structure may show heavy capital surplus contributions (indicating that the company was under capitalised). A review of the equity vis-a-vis short and long-term debt may indicate that the company is under capitalised. A fast return on equity calculation can also be derived to indicate the degree of profitability to the shareholders (and then reference to the type of business organisation may become significant to the analysis).

5. Q: Within general limits, detail the capital equipment used within the manufacturing process and the method(s) of depreciation. What is the average age of the capital equipment (segregate into categories if necessary)? Display historical cost, accumulated depreciation and replacement cost. (If replacement cost is not available, recommend that it be calculated as it is a significant factor in the preparation of a capital Appropriations Plan)

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For the textile industry this will presumably be looms/spindles dyeing and bleaching machinery, mercerising, sewing machines, printing machinery, etc.

What is important here is to determine the age of the capital equipment, to see if there are any tax incentive and/or accelerated depreciation methods available and as an important adjunct to see what the replacement cost would be. (If there is a capital Appropriations Plan, tie the replacement costs to the (A.P.). With reference to the tax incentive/depreciation, there may also be investment credits available just as there might also be import restriction on machinery or even quotas. It would be good to detail all pertinent government regulations effecting the capital equipment appropriations plan of the industry (and particular company) in question (it is useful background data and may assist in formulating recommendations).

6. Q: Does the company create and use an annual business plan and does it measure the results (PLAN VS Actual) in a periodic, analytical manner?

Here, is the straight forward question as to whether or not the company in question publishes a Business Plan. To qualify it should show, by month or at least by quarter, a Line Item P/L Statement; with subsidiary schedules supporting each Line Item. Sales should be supported by units or quantities of planned sales. Next, does the PLAN show a comparison to actual results (how often and is an

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analysis prepared showing deviations from the PLAN P/L along with an explanation of the causes of the differences? Next we want to know if the plan is periodically revised to reflect changes of market response to the plan? Are Cash Flow projections modified? Are the Manufacturing and Investory Control Plans modified?

7. Q: Is the company vertically or horizontally integrated? Describe.

Vertical integration, for example in the textile industry, could include all or part of the following:

A- Land upon which cotton is grown and harvested/baled.

B- Transportation of cotton to ginning mills.

C- Ginning Mills.

D- Manufacture of by-products (Seed Cake).

E- Transportation of milled cotton.

F- Manufacture of yarn.

G- Manufacture of finished fabric.

H- Distribution of finished yarn/fabric for sale, as such,

To Jobbers,
To Own Outlets, or
To Retail 3rd Party.

I- Manufacture of garments, towels, tents etc.

J- Distribution of garments for sale,as such,

To Jobbers,
To Own Outlets, or
To Retail 3rd Party.

K- Export/warehousing of H and/or J.

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Horizontal integration would, for example, join any of the above facets with unlike industries that may/or may not complement each other:

Thus, the textile company could be grouped with:

- an Insurance Company
- Construction Company
- Cattle Breeders
- Soft Drink Manufacturers
- Heavy or Light Manufacturers etc.

The object of the question is: to trace the company's ability to compete; judge its management participation in that business facet of the Group's total business under examination; provide addtional data to evaluate the company's costs and profitability (perhaps income is deferred from the company being reviewed into one of its "sister" companies for tax or other operating reasons. This could significantly effect your evaluation, findings and recommendations.

8. Q: What is the company capital appropriation plan for the next 5 years?

If the company creates an annual business plan it should, besides consisting of the Profit and Loss Statement, also include a planned Balance Sheet. Since investment in machinery is quite expensive and requires long lead-times (for financing, receipt and installation) a capital appropriation plan should also be prepared (in addition to a cash flow projection). The indicated 5 years is arbitrary; it could be 10 or it could be 1; but it would be preferable for it to be of greater duration than 1 year. It should be

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supported by feasibility studies showing the impact on the marketing and manufacturing plans and should include a cash flow impact analysis.

9. Q. Does the Company utilise a Financial Policies and Procedures Manual. Similarly, is there an Operations Manual for each distinct Department (Financial and Non-Financial)?

Aside from indicating a well-organised and rationally run company the existence of such Manuals provides the framework within which employees may work (by defining routine operations and by exception identifying those which require executive decision action). The policies outline the broad scope of operations and responsibility guidelines. The Procedures explain how the individual tasks are to be undertaken/accomplished. If the Manuals are available, they will provide the consultant with an immediate background, thus saving time. If they do not exist, or are found to be out of date recommend their creation or modification.

For Example:

POLICY: "It is the policy of the company that accrual accounting shall be utilised".

PROCEDURE: "At the cut-off date of each, month interest payable shall be calculated and accrued as a current liability":

dr. Accrued Interest Expense

cr. Accrued Interest Payable

This entry shall be reversed as a post closing entry and the actual payment made as it is due.

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The Policies and Procedures Manuals also make an excellent teaching tool for new employees, cross training existing employees and as a guide to someone temporarily undertaking another employee's function because of emergency or annual leave.

10. Q. What is the debt strcture of the company? Long and short-term?

An important question and the answer will be significant to many lines of enquiry.

The financial cost of interest charges servicing the debt will probably represent the largest cost aside from cost of goods sold.

It may show that the company is under capitalised when analysed vis-a-vis the equity structure. The company may require reorganisation and the debt may need to be restructured.

The size of the long-term debt may impair the ability of the company in securing short-term financing/overdraft facilities.

The size of the overdraft may indicate a problem with the collection of current accounts receivable.

The size of overdraft may indicate that there is excess inventory, financed through such borrowings which may in turn indicate that insufficient or inefficient planning has gone into the purchasing, marketing/manufacturing plan (material requirements planning).

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11. Q: What is the capacity utilisation of the companys manufacturing equipment?

This is an extremely difficult question and the answers are't any easier. One way of approaching this is to schedule production for some preceding period (say 5 years) both by quantity and machine hours (if new machinery came on line during the period schedule separately). Note any peak production periods that differ from year on year. In other words try to segregate the anomalies.

A second way of doing it is to calculate the machine hours pc .ble (subtract routine maintenance) or do'nt subtract this assuming that routine maintenance is done off shift); deduct an average hours amount of down time (from a 5 year period say) assume full work crews and then calculate the amount of product that could be produced given the machine hours (use a standard product-mix from preceeding periods of production). Or rather than using a mix of product simply take each product line in turn and calculate how much of that particular product could be produced on each machine. So if a machine can perform two or more functions list each separately and calculate the capacity for each production function by each product line.

The object of the exercise other than to define capacity (which has cost accounting as well as break-even point implications) is to compare capacity with output. Idle time also has cost and break-even point implications. There may also be very relevant causes for under-capacity production:

1. Can't sell the product.

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2. Unavailable raw materials.
3. Lack of trained work staff.
4. Constant or erratic down-time.
5. Unavailable spare parts.
6. Unreliable power supply etc.

It could also be that the plant is running at full 1 shift capacity and that 2 or 3 shifts could profitably be undertaken. An analysis is necessary. It could also be that for either under or over capacity production (actual) that the plant should expand by acquiring new machinery (either to duplicate existing machinery or to modernise).

12. Q: How large in the direct and indirect labour force? Classify by years of employment (by subgroups as necessary; e.g., skilled, unskilled, technical, administrative, maintenance, accounts, etc.).

Direct (Years)
< 1
1 to 3
4 to 5
> 5

Indirect (Years)
< 1
1 to 3
4 to 5
> 5

Basically this is for memo information purposes only. The years employed classification is arbitrary. If a large percent is in the category >5, then expand the years employed classification to further detail that group.

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Such data can give a good idea as to the training/experience of the work force.

For further detail, expand the classification Direct/Indirect into Supervisors, Technicians, Line Workers, Clerks, etc.

If there is a clearly large percentage of labor in the classifications under 5 years of employment then an assumption may be made that either the company is new or there are some problems in turnover which could relate to management problems. It could also merely reflect the norm in the particular industry. But it is important to know.

13. Q: Is there a Quality Control (QA) Department? What is the cost accounting treatment for QA costs? What is the cost accounting treatment for a rejected batch? What is the frequency of rejection of raw materials?

The prime question is obviously is there a QA department? Given the publicity which Pakistani exports have attracted (re poor quality textiles and yarn) one department you would expect to see a QA Department.

A cost accounting system should detail work stations where an event occurs that changes the nature (and/or cost) of the raw or partially processed material. These work stations should also include those points of intervention and inspection by QA. These points of inspection represent a cost and should be included in the manufacturing route sheet.

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Likewise QA should inspect/pass or reject raw material as it comes through the door (incoming goods dock). In theory, work should not begin until the material has been QA passed. Rejection of raw material becomes a purchasing department retrieval/reimbursement problem.

Rejection of partially processed or finished goods becomes either a zero yield or salvage problem.

The incidence of rejection can indicate many things:

1. Inferior raw material purchases.
2. Inferior processing equipment/technique.
3. Poor supervision/workmanship, etc.

If there is not QA department the question to management is, shouldn't there be one?

If the company is too small to justify the cost perhaps a co-operation scheme of several small companies could pool together to engage an appropriate QA staff or agency. Investigate the government position in providing a "travelling" QA programme. It has been noted that a government/business scheme exists to verify the quality of export goods at the point of departure (at the docks). The time to provide for quality is at the factory during production.

14. Q: How are the books of account maintained?

Here we are speaking of the General Ledger and such subsidiary ledgers as exist. The object is to detai. each of the ledgers (write-up a schedule of them) and note whether they are:

1. Manual)
2. Office Machine Posted) ?
3. Automated)

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Then determine how often they are posted (what the source documents are), who authorises posting, what internal controls exist including separation of duties, how often totals are taken, to what Cross-reference are they taken for verification and is there a voucher system for disbursements, etc.

It would be best to show a schematic diagrame of accounting staff and their duties.

You will also want to observe and comment on the security or lack of it in the maintenance of the books of record and source documents.

15. Q: Is there a separate purchasing department?

16. Q: Is there a separate incoming goods department?

17. Q: Is there a separate outgoing goods or shipping department?

18. Q: Is there a separate customer service department?

19. Q: Is there a separate export services department?

20. Q: Is there a separate treasury department?

21. Q: Is there a separate internal audit department?

The objects of these questions are (1) familiarisation with the tasks and people who perform these functions; (2) understanding the paper work flows; (3) evaluation of internal controls and (4) getting a feel for how the company is organised and works together.

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Purchasing Department:

- are there lists of approved vendors?
- are records maintained on the discovered (actual) quality of purchased goods (rejection results)?
- are purchases scheduled to the manufacturing plan?
- in how many copies is the purchase order and what is the distribution of the copies and follow-up?

In-Coming Goods Department:

- what is the authorisation for receipt? (Purchase order copy?) (Other? Specify).
- are goods inspected on arival for quantity? what is procedure if too much or too little?
- are goods inspected by QA at this point or later? When? Segregated 'til inspected?
- how are goods transmitted to warehousing of raw materials? are stock control & QA tags used?
- what procedure is used to record incoming goods in inventory accounting records.

Outgoing Goods or Shipping Department:

- what is the authorisation to ship?
- what transmittal document is used from finished goods warehousing to shipping department?
- what procedure is used for recording relief in inventory accounting reocrds?
- what procedure for recording sales in accounting records?
- does the company use its own vehicles for delivery or a 3rd party transporter?

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Stock Control:

- are incoming goods/inventory (not QA inspected) segregated from approved inventory until inspected?
- what stock receipt system in used?
- how are issues of material to manufacturing recorded and controlled?
- what is the procedure for the recognition of work-in-process in accounting records at the cut-off date?
- What is the procedure for recognition of finished product:

  A) From manufacturing W-I-P to finished goods inventories stock control?

  B) In the inventory accounting records?

  Note: Cross-check between manufacturing records and stock control documents to verify.

Customer Service Department:

- is a copy of the sales voucher and receipted delivery document matched to ensure delivery?
- for export orders are export documents cross-referenced to sales voucher and perhaps bonded warehouse receipts?
- if the company supplies a Trading Co. intermediary what is the procedure to ensure timely delivery to 3rd party customer (if any)?
- what is the frequency of customer compaints and disposition by type?

Export Services Department:

- is a copy of sales voucher, delivery receipt and export documents maintained?

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- describe bonded warehouse arrangements and typical time constraints.
- describe export regulations and how these may impact recognition of sales, inventory control and cash flow. Also how are accounts receiveable effected.
- describe any irregular export operation/procedures.

Treasury Department:

- describe co-ordination with the export department transactions in foreign currencies.
- describe banking arrangements.
- describe the fiscal requirements related to sales (domestic and export).
- describe the fiscal requirements related to imported items.
- what is the procedure for collection of old accounts receivable.

Internal Audit Department:

If there is such a department, it should report directly to the MD or the Director Administration (who should report to the MD). The internal audit staff should not report to the Director Finance, although they may undertake work assigned by the Director Finance.

So aside from ad hoc projects, the internal auditor's job is to verify compliance with policies and procedures of the company and to spot check on the efficacy of internal controls (in any given situation the internal auditor may be required to originate internal control procedures).

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Financial Policies & Procedures. He may also be responsible for the rationalisation of inter departmental paper work.

The internal auditor can be a very important member of the financial/ operational staff. He can also liase with and assist the external auditors by preparing the documentation, prior to audit, for the annual stocktakle, and by undertaking periodic sample inventories during the year (perhaps on an ABC inventory classification basis).

The appropriately qualified internal auditor may also undertake security audits of EDP installations.

22. Q: Are there adequate separation of duties in the general accounting department?

This is a question of internal controls and can be cross-referenced to Q., 14. Here we are concerned with the organisation and size of the general accounting staff (and related departments) which either initiate or receive and maintain paper-work documentation. See also Q.38.

The objective is to evaluate the distribution of duties & responsibilities of the accounting staff to ensure the proper maintenance and protection of company assets and to ensure that all company liabilities are recorded.

So, for example, the same individual who records accounts receivable should not also be the same individual recording receipt of payment.

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That the person who prepare cheques for payment of accounts payable does not also post the accounts payable subsidiary ledger. That the person who acknowledges the receipt of inventory goods does not also record the inventory accounts.

When the size of the company does not justify the existence of a model accounting staff (for example; a chief accountant, a management accountant,payroll clerk, accounts receivable ledger clerk, accounts payable ledger clerk, sales register clerk, cashier, cost-accountant, fixed asset and inventory control clerk) the role of other departmental staff (purchasing, sales, stock-room, shipping/ receiving, production control etcetera) becomes important in ensuring that there is independent verification/cross-reference for each booked transaction.

23. Q: Is there an excess and/or obsolete inventory analysis? How often are general inventories taken? Are they observed by independent auditors?

An excess and obsolete inventory analysis is a measurement of inventory on-hand expressed in months as determined by the forward sales or marketing plan.

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Appendix 8

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So: $\dfrac{\text{X units of finished goods inventory}}{\text{projected sales for a defined forwarded period (expressed as units per month) average}}$ = Months Finished Goods on Hand

	1	2	3	4	5	6	7	8	9	10	11	12		Total
Forecast of Sales per month	100	130	110	90	90	95	100	100	120	150	110	100	$= \frac{1305}{12} =$	108.75 Avg. Monthly Sale.

And, if you have 2600 units on hand

Then,

you have 23.91 avg. months inventory on hand in finished goods $\left(\frac{2600}{108.75}\right)$

And if,

you also have in inventory or on order some quantity of raw material (which will be received during the forecast) which when processed would yield an additional 800 units of finished goods .

You then have,

An additonal 7.36 months finished goods inventory on-hand.

TOTAL: 31.27 months inventory on-hand.

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Having calculated the months inventory on-hand, the job of the management accountant is completed. It now requires a mangement decision to determine what is excess and what is (or could be) obsolete. This should be expressed in months and the financial implication is that a reserve (provision for excess and obsolete inventory) should be recorded to recognise the probability that the goods will not be sold or may possibly deteriorate or go out of style before they can be sold.

The analysis can also be used as a management tool in evaluating inventory control, manufacturing and marketing plans, the operating effectiveness of the purchasing department etc.

With regard to establishing a reserve, the Financial Policies and Procedures Manual (see, Q.No.9) could indicate (as a result of management decision) the following guidelines:

MONTHS INVENTORY ON-HAND	RESERVE REQUIREMENT
12 Months	25% reserve
18 "	50% "
24 but 18 Months	75% "
2 Years	100% obsolete reserve

The important result of the analysis is to recognise the fact that there is too much inventory. Establishing a reserve is not a solution

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merely the financial recognition of a problem that could impact the company's cash flow and needs an operational solution; i.e., find some way to sell the finished goods; cancel future purchases of raw material; etc.

There should be one formal stock-take each fiscal year (ideally this should take place as close to the year- as is reasonable). The stock-take should be supervised and audited by the external auditors so that any roll-forward that may be necessary can be based on their findings during the stock-take. The procedures for the stock-take should be prepared by the company (reference, the internal auditor, Q., No.21) and agreed with the external auditors well before the actual stock-take.

24. Q: Are provisions made for bad debts? Describe pol ies and procedure for their determination and classification. What is the is the Days Sales Outstanding (DSO)? Where possible, compare the company DSO with industry or country standards.

Quite simply a bad debt in an accounts receivable you don't expect to collect. Just as with excess inventory the recording of a provision to recognise this is not a solution. The obvious solution is to collect the amount due or instigate legal procedings to so do. The latter is the least acceptable because of the time and expense involved. Another solution is to investigate or determine the credit worthiness of the customer before the sale occurs.

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But, to fairly state the balance sheet and to generate an accurate cash flow projection the accounts receivable need to be aged and a management decision made as to the collectability of the individual accounts. Additionally an aged accounts receivable subsidiary ledger should be maintained by each customer so that if a debtor wants or does continue to order goods you will know to either stop shipment or to use the debtors need for additional merchandise as leverage in the collection of past due bills.

Needless to say, this is a subjective matter. Some people just take a long-time to pay. Also in today's economic climate payment is generally delayed so as not to adversely effect cash flow. So, periodically, the accounts receivable should be aged. This procedure is nothing more than noting the amount and date of sale and calculating the number of days outstanding from the date of sale to the date of the analysis. Management should express in the Financial Policies and Procedures Manual its appreciation of the ultimate collectibility of over-due accounts.

Also examine and document the terms of sale for domestic and export sales. This may reveal a cause for a large DSO. Are there consistently applied terms of sale?
So, for example the following guideline could be used:

MONTH ACCOUNT OVERDUE	RESERVE
3 Months	0%
3-6 "	25%
6-9 "	50%
9-12 "	75%
1 Year	100%

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And, of course, any account older than one year must be reclassified as a non-current asset.

25. Q: What is the current accounts payable pay-back period?

The opposite side of the coin to Q.No.24.

If current accounts payable are less than current accounts receivable, then the company is at least on the right road. If greate then the money comes from borrowing (long-term or short-term or possibly from an equity contribution). In any case, this is hot a healthy situation.

Examine the balance sheet with a view to the under capitalisation of the company.

26. Q: Does the company use accrual accounting?

This would normally be stated in the Financial Policies and Procedures Manuals. If not used, it should be because it provides for the proper, timely matching of income and expenses and subscribes to the accounting dictum of conservatism. So, if not used recommend that income and expense items be accrued. It is not necessary, from a management standpoint, to accrue expenses but not income. This is too conservative and does not properly match income and expenses.

If used, ensure that cut-off dates are observed and that the entries are properly reversed.

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27. Q: Determine the number of accounting transactions per day/month for the following:

<u>General Ledger:</u> (A/R, A/P, other)

<u>Production Control Cost Accounting:</u> (inventory control; work-in-process batch control)

<u>Order Entry:</u> (sales & inventory control)

The purpose here is to accumulate data in order to determine whether or not the use of a computer is justifiable or desirable.

28. Q: Determine the number of manufacturing batches processed per day/month. Determine the number of Work-Stations within each manufacturing process. Describe.

The purpose here is also to accumulate data in order to determine the justification and desirability of using automated systems.

It will also provide an outline of the cost-accounting system from which a route-slip audit of work-stations may be conducted. If no route slips or work-station format exists, it is greatly desirable that they be established as it is the basis of any cost-accounting system.

29. Q: How many product lines are within the manufacturing capacity of the company? How many product lines are typically in production? Specify and schedule.

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Here we are also looking at the parameters for establishing a cost accounting system (capacity, utilization, fixed expenses, variable expenses and subsequently a break-even point.

There is also an operational point of view involved. Why is full capacity not being utilised? Are fixed expenses fully recovered? What is the cost of idle machinery? Are records maintained to record reasons for machinery down-time; mechanical failure, electricity cut-off; operator obsenteeism. etc?

30. Q: What percentage (but more usefully, what types) of raw materials are inter changeable to multiple product lines? Specify and schedule.

This question is oriented towards inventory control and also to the conceptual background of the excess and obsolete inventory calculation. The obvious point related to the latter is that if an excess provision is to be taken against some type of finished good (product x) and that the raw material for the productionof X can be switched to product Y or W or Z etc., then the raw material need not be taken into the calculation of excess and obsolete for product X (although it may needs be for product Y, W or Z depending upon finished stock levels and forward sales projection of those products). If the latter situation exists, then the reserve should be taken against the product with the least projected forward sales.

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31. Q: Does the company maintain an up-to-date organisation chart? If so, obtain a copy and list key individuals. If not, construct one (show staff down to direct labour supervisor level then number of workers supervised).

Besides providing the names and positions of basic company contacts for your dignostic work, the organisation chart also provides a useful schematic of the company and who should be the key decison makers. You can also learn by exception i.e., what departments and positions are not listed and should the company have such departments and staff.

32. Q: Does the company engage a firm of public accountants? Name? Describe annual services performed.

Once again this is basic information. If yes, then you can review the Financial Reports and save some time in financial verification work. Organisational data and paper work flow charts may also be available from the work of external audittors.

You should, of course, undertake your own current year financial and accounting work and analyses. The relationship between two separate professional groups should be completely independent (and you may be reasonably sure that the public accountants will feel the same way and their audit working papers will not be available for your review).

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33. Q: Is the company listed on a public stock exchange? Obtain details (registrar, banks, authorised and issued shares, voting and non-voting stock, the distribution of the shares and the date of the annual stock holders meeting. Also, dividends declared record (5 year period) and the stock exchange performance record for the current (or past) fiscal year.

This is background information which should show how widely or narrowly held the stock is and of course its performance. The distribution of the shares may show that though a publicity quoted company it may be "closely held". This may have a significant impact on the company's business organisation and strategy.

34. Q: Is there a responsibility budgeting system utilised by all departments? Are clearly defined and quantified objectives assigned to each department and significant sub-department)?

Let's draw a distinction between budgeting and responsibility budgeting. Its a somewhat artificial difference because the quantification (in gross) is the same. The difference is in the technique and the detail.

Thus a budget may indicate a total amount of money to be spent in a year on, for example, selling expense (and generally speaking this expense would be reckoned to be incurred by the sales or marketing staff. However, responsibility budgeting would break-down this single line item expense

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into its detail; e.g., entertainment expense, travelling expense, trade fairs, and exhibitions, telephone and telex charges, promotional gifts, brochures, photographic, preparation, sales training seminars etc. Furthermore it would quantify expenses by sub-departments, e.g., Marketing (say by regional areas in Pakistani), Sind, Punjab etc. (and by export areas; say, North America, Europe, Far East Africa and the Middle East).

Furthermore the quantification would be by month and the individual responsible would review the expenditure and performance of his subordinates in light of the detailed budget just as his superior would review his performance vs budget. The key idea being the assignment of responsibility for the disbursement of funds. The responsibility budgeting system contains only expenditure. The comparative performance data comes from a separate but potentially integratable system (either manual or automated).

So it is necessary to establish the responsibility at a level of management that is conducive to the effective review and control of the expenditure (neither too high nor too low in the organisation network). This level will differ considerably depending upon the department concerned (for instance marketing vs plant maintenance) and the staffing of the departments. In the example, there may be 7 sales men each with a district sales area (say 2 export and 5 domestic) with the senior individual in each group also acting as domestic and export sales Manager and with 1 additional person as Sales Director. Here you would have a responsibility budgeting report for:

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1. Director of Sales
   Administration
   Sales.

2. Export Sales
   North America/Europe
   Africa, Middle East/Far East
   Administration (Performed by the Senior sales person).

3 Domestic Sales
   Areas
   1
   2
   3
   4
   5
   Administration (performed by the senior sales person)

The maintenance staff may consist of 7 people one of whom is the foreman and none are highly paid and whose duties are technical and cleaning. In which case the Responsibility Budget Report would be:

1. Maintenance
   Repairs/spare parts/
   preventative maintenance
   cleaning.

and this could be a sub-grouping within the factory manager's Responsibility Budget Report. Each report will indicate by sub-account and lead account the budgeted and actual expenditure by month, YTD and the annual budgeted total.

35. Q: Is there a fixed asset register maintained? Describe.

To begin with, if there is not such a register there should be. To great extent the fixed asset register pertains to depreciable capital

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items. Any non-depreciable asset is by definition an expense when incurred; the exception being what would be a non-depreciable, expensable item if purchased singly but when bought in bulk exceeds the company's financial policy capitalisable lower limit; e.g., a glass ashtray costing \$ 5 each when brought in a bulk order of 100 = \$ 500, and the lower capitalisable limit may be \$ 200, hence capitalise.

The information needed is as follows:

- Description of Asset
- Asset tag N°
- Historical Cost, Date Acquired
- Method of Depreciation
- Annual Depreciation
- Accumulated Depreciation
- Replacement Cost (Particular interest should be shown here and the cost should be revised annually. The company's capital appropriations plan should cross-reference this calculation).

Each asset should have an individual registry card, if a manual system is used. The physical presence of the capital items should be sampled and it should be noted if a machine is not in use (obviously shut-down not temporarily for maintenance).

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36. Q: Is there evidence of middle/lower management involvement and understanding of the conceptual background to business planning and strategy? Describe?

As is obvious, this is a subjective question requiring a subjective evaluation. It should be undertaken at the completion of the audit or review and will be, in essence, your professional assessment based on your judgement in having worked with the various members of the company's staff. The evaluation should be confidential and disclosed to the company's MD only with the concurance of the MD, JA P. So you must convince the MD, IACP, that Your judgement is valid and that the disclosure of the evaluation will serve a useful purpose. In any event it should be made a "Memo to the File" marked "Confidential, Not To Be Published".

Finance Audit Functions:

In the event that the company for which you are acting as consultant does not maintain a detailed set of books (or for which cost accounting is not detailed or does not correctly reflect work-stations) or the existing books and analyses are shown to be inaccurate, clumsy or incomplete, it may be necessary to establish the current financial position of the company. It may also be requested by the company that the IACP establish a model set of accounting records. It may also be that the document and paper work flows need to be revised or instituted.

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In any of the above cases if would be necessary that the IACP have financial auditing capabilities.

Additionally, and it cannot be stressed too much, the knowledge of the internal workings of a company generated by a financial and operational audit of that company is extremely useful, almost priceless. It is the fastest way find-out what a company does, how it does it and to identify new procedures or to develop modification to existing procedures in order to improve the efficiency and profitability if the company.

So, with these things in mind the following steps should be undertaken:

36. Prepare a flow chart for all paper work and documentation used by the company.

37. Pull a trial-balance

38. Build-up lead and subsidiary schedules

39. Selectively audit the paper work and documentation supporting the subsidiary and lead line items (start with a sample and expand where necessary).

40. Foot and cross-foot are company prepared analyses.

41. Recommend to the company that all material errors be corrected and booked.

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Appendix 4

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Model Chart of Accounts:

The COA in the integral accouting document for the design and use of any financial/accounting system. All assets, liabilities, equity, reserves and expenses are classified and recorded via the COA. All budgeting, planning and analysis systems are generaated by the classifications and regroupement of the subsidiary and lead accounts of the COA.

The preparation of a chart of accounts is individual to each company. Thus the definition of the COA must unit the operating needs of the company in question. To a great extent subsidiaries and/or abbiliaties of a company doing like or similar business may (and should) use the same COA, but there will always be exceptions and subsequent reclassification necessary at the comolidation level. To some extent separate companies engaged in similar commercial activity may use the same COA framework but there will be many exceptions of style, difference of approach, and scope.

Still it is necessary to become families with its organisation philosophy and it represents the starting point for the development of our working papers organisation. It is, more improtantly, the starting point for all financial auditing and analysis.

The chart of accounts in divided into the following major headings:

Assets
Liabilities
Equity

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The equity section in further expanded to include

Capital &
Retained Earnings.

and retained earnings in composed of

Revenues &
Expenses.

An additional heading is

Prior Year Retained Earnings

Which is a carry forward result of operations from preceeding years calculated from

Revenues &
Expenses.

From prior years operating results. Retained earnings is a balance sheet classification, revenues and expenses are profit and loss statement classifications.

So the manor headings are :

Assets
Liabilities
Capital
Retained Earnings (prior years)
Retained Earnings (current year)

Equity

Sub headings for the balance sheet:

ASSETS:

Current Assets:

Fixed Assets:

Other Assets:

LIABILITIES :

Current Liabilities:

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Long-Term Liabilities:
Reserves & Provisions:
Other Liabilities:

EQUITY:

CAPITAL:

RETAINED EARINGS:

Subheadings for the profit and loss statement are:

Revenues (Income):
Expenses:

Typically the COA will use a numeric and for alpha code system to identify the accounts (with the description of the account noted in the COA). This is for simplicities and organisations sabe (it also facilitates the eventual automation of the accounts system).

So.

Balance Sheet	Code	Subcode
ASSETS	1000	
Current Assets		1100
Fixed Assets		1200
Other Assets		1300
LIABILITIES	2000	
Current Liabilities		2100
Long-term Liabilities		2200
Reserves & Provisions		2300
Other Liabilities		2400

Continued on P/4

Balance Sheet	Code	Subcode
EQUITY	3000	
Capital		2500
Retained Earnings		2600
PROFIT & LOSS STATEMENT		
Revenues (income)	4000	4000 - 4900
Expenses	5000	5100 - 5900

Obviously depending upon the complexity of the accounting structure site of the company and the diversity of its assets, liabilities, equity, reserves and expenses the fields assigned to the various main and sub-headings can be perhaps the field in 5 digit on more with alpha characters to define subaccounts etc.

Each subcoded account will be further expanded to include its parts.

So:

	Sub Code	Subsidiary Code
Current Assets	1100	
Cahs in Banks		1110
Marketable Securities		1120
Accounts Receivable Trade		1130
Inventories		1140
Other		1150

Once again, depending upon the complexity of the accounting structure etc., the fields assigned to the subsidiary codes can be differeent.

Each subsidiary coded account will be further expanded to include its constituent parts.

	Subsidiary Code	Detailed Account Code
Cash in Banks	1110	
Payroll Account		1111
Operating Account		1112
Imprest Account		1113

There would alos be a title of the account (Habib Bank) and the significant digits of the bank account included in the description. The more bank accounts used by the company the more Detailled Account Codes used.

The further down the chain of the COA you progress and depending upon the complexity and number of accounts the more detailled the data in the COA be comes.

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Appendix 5

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COMMENTS FOR THE GENERAL DESIGN
OF A BUSINESS PLANNING SYSTEM

While perhaps unnecessary, I should point-out here that finance as a managerial service function is totally dependent upon the Marketing Plan (finance can and should of course rigorously question the efficacy of the Marketing Plan but there must be one to be begin the financial planning and analysis process) particularly as that Marketing Plan is expressed in units and where product mix can change owing to the interchangibility of raw materials. This dependence is apparent in at least the following two ways:

1. The Marketing Plan keys the Manufacturing Plan from whence variable costs and the consequent break even point is derived and cash flow planning begins.

and 2. In the analysis of the deviations from the Plan (Actual <u>vs.</u> Plan)

So lets talk about the PLAN.

First it is not immutable. It should in fact be changed when and where necessary during the course of the year; The changes (revisions)should however be made in an organised, periodic manner .

Thus PLAN	1	2	3	4	5	6	7	8	9	10	11	12
	P	P	P	P	P	P	P	P	P	P	P	P

As the actual results occur there will be deviations from the PLAN. These deviations should be analysed and explained.

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Also as the market reponds to the PLAN, the plan should be changed to reflect the response.

So, the marketing staff should revise their Plan and this should be reflected both in the Manufacturing and Financial Plans:

1	2	3	4	5	6	7	8	9	10	11	12	
p	r	r	r	r	r	r	r	r	r	r	r	=
a												

The analyst now has a combination of duties:

1. He analyses total actual vs. Plan.
2. He analyses Plan vs. Revision (this will be for historical purposes as well as documentation of the changes made to the plan in conjunction with the reasons/analysis/ explanning the revisions to the Plan.

As actual results occur:

1	2	3	4	5	6	7	8	9	10	11	12	
p	r	r	r	r	r	r	r	r	r	r	r	=
a	a	r2	r2	r2	r2	r2	r2	r2	r2	r2	r2	=
a	a	a	r3	r3	r3	r3	r3	r3	r3	r3	r3	=

Here, after 3 months Actual results, the analyst will prepare a quarterly analysis:

1. Actual vs. Plan.
2. Actual vs. Revision (includes p, r and r2).
3. Each month he will continue to analyse the Plan vs. the appropriate revisions for the reasons stated above.

The analyses are month on month and year to date (YTD)

2

The next thing to say is that as an additional aid to the strategy of the company the revisions should extend beyond the current annual plan into the next year pl-n.

Thus:

1 2 3 4 5 6 7 8 9 10 11 12 // 1 2 3....12

So by the end of the first Quarter 1985, the Marketing Plan should encompass not only the remaining 9 months of 1985 but the First Quarter 1986. So that as the year 1985 progresses, the 1986 Marketing and subsequent Manufacturing and Finacial Plans take shape.

Most companies typically come to year-end without a glimmer of what the next year's plan will be (other than a policy dictat that sales are to increase by x% and profit by y% and then the scramble begins by all departments to find a way to accomplish these goals). There is one all-mightly upheaval (lasting about 2 months) and the birth of the new plan occurs .... to great gnashing of teeth, hair pulling and nervous breakdowns.

While the above will not solve that problem it will keep everything on a rational basis and provide the floor from which the 1986 PLAN can be buil . It also has the wholesome effect of making people think before they speak.

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FORMAT FOR THE GENERAL
DESIGN OF A BUSINESS
PLANNING SYSTEM
10-03-1985
CTW

The financial plan reflects (quantifies) the marketing plan which in its turn has generated the manufacturing plan.

The format of the central feature of financial plan should closely resemble a set of working papers supporting a profit and loss statement.

Thus, page one of the financial plan should be a profit & loss statement by lead account, e.g.,

Exhibit A:

Gross Sales
Discounts & Other Deductions

(c) Net Sales
Cost of Goods Manufactured

(c) Gross Margin
Manufacturing variances (Overheads, Material, Labour)

(c) Net Manufacturing Margin
Other Variances
Selling Expenses
General & Edministrative expenses

(c) Gross Profit
Financial Expenses

(c) Net Distributable Profit before Tax
Tax Provision

(c) Net Distributable Profit after Tax

4/

The quantification (value in currency) should be displayed periodically as per management decision (the least being bianually, then quarterly, them monthly with the annual total whown). However the sub-schedules supporting this lead summary should be displayed monthly especially for data normally classifiable by such and an effort should be made to rationalise all data into monthly periods.

> Note: All operating assumptions and procedural techniques used in developing the financial manufacturing and marketing plans should be fully explained in a separate annex; e.g., prices, periodic price increases product launch dates, inflation rate cost impact, financial charges vis a vis cash flow projection etc.

The sub-schedules should reflect the detailled build-up of the lead accounts at exhibition-A , e.g.

Gross Sales Product Line	Unit Quantity	Price Per unit	Sales Value	Total Sales	Period
1001A					1
					2
					3
					4
					5
					6
					7
					8
					9
					10
					11
					12
	TOTAL			TOTAL	

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Discounts

Product Line	Total Sales	Total Quantity
1001 A	xxxx	xxxx

Policy: Company policy is to offer trade discounts of 5% for payment within 30 days. The take-up rate for this has histroically been 15% of sales: Thus (xxxx) (.15) (.05) = Discount, trade, product 1001 A.

Quantity discounts of 3% are offered on bulk sales of xxx quantity. Order book currently shows 2 such projected transactions:Thus Qty. (xxx) (2) (price) (.03) = Discount, quantity, product 1001 A.

Contingency: Competitor xyz is believed to be developing a process to produce an improved product comparable to our product 1001A. Competitor xyz will we believe go on stream at 01.08.xx. to retain company market share we envision a price discount of 8% until we can improve our product to equal tof co. xyz product. Thus: sales (01.08 Thru 31.12 xx) (.08) = Price discount, product 1001 A.

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Appendix 6

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Development of Working Paper Organisation

Balance Sheet

Assets

Current Assets
Cash in Banks (Current Account)
Cash in Banks (Depository Account)
Marketable Securities (Lower of Cost or Market)
Other Financial Instruments
Prepaid Expenses
Accounts Receivable Trade
Accounts Receivable Other
Inventories (Lower of Cost or Market)
Other Assets (specify)
Total Current Assets
Fixed Assets
Land (Historical Cost)
Buildings (Net of Depreciation)
Plant Facilities (Net of Depreciation)
Manufacturing Equipment (Net of Depreciation)
Office Furniture and Fixtures (Net of depreciation)
Vehichles (Net of Depreciation)
Leasehold Improvements (Net of Amortisation)
Total Fixed Assets
Non-Current Assets
Fixed-Term Deposit (Greater than one year)
Total Non-Current Assets
Total Assets

Liabilities

Current Liabilities
Accrued Interest Payable
Accrued Salaries, Social Charges and Other
Other Accruals
Accounts Payable Trade
Accounts Payable Other
Bank Overdrafts
Short Term Loans
Current Portion, Long Term Debt
Total Current Liabilities
Reserves, Provisions and Other Liabilities
Provision for Bad Debts Trade
Provision for Excess and Obsolete Inventory
Reserve, Valuation for Exchange Effect
Unclaimed Wages
Total Reserves, Provisions and Other Liabilities
Total Liabilities

Equity
Common Stock, Authorised and Issued at Par
Excess Capital Contribution
Appropriated Retained Earnings
Retained Earnings, Prior Years
Current Years Results
Total Equity

Development of Working Paper Organisation (continued)

The entire concept of maintaining a readable and adequately referenced and cross-referenced set of working papers is the systematic organisation of those papers from the first moment of work until the last. The object is to prepare the working papers in a consistent format so that any subsequent individual reading the papers can do so without assistance. Thus working paper preparation is not just for the individual's convenience but for the on-going convenience of the organisation, in this case the IACP.

Normally a job will have five major facets to it and to its (the jobs) documentation: A Scope Memo; An Audit Guide; An Audit Questionnaire; The Working Papers; and The Findings and Recommendations. This appendix will provide a guideline for the development of working paper organisation using the Balance Sheet from the preceeding page. Naturally the other facets listed above could be worked into the working paper organisation by a similar application of codes (as will follow).

From the Balance Sheet pull a Trial Balance. This document, Trial Balance, will be identified in the upper right hand corner of the analysis paper by the initial TB. Further subdivide the Trial Balance into its three constiuent parts; i.e., Assets, Liabilities and Equity and identify these documents(same position on the paper as with the Trial Balance) as TB-1, TB-2 and TB-3 respectively. From the TB's 1, 2 and 3, identify each constituent part with an unique initial, thus:

TB-1

Current Assets	Initial
Cash in Banks (Current Account)	100
Cash in Banks (Depository Account)	200
Marketable Securities	300
Other Financial Instruments	400
Prepaid Expense	500
Accounts Receivable Trade	600
Account Receivable Other	700
Inventories	800
Other Assets	900
Total Current Assets	

Development of Working Paper Organisation (continued)

Fixed Assets	Initial
Land	1000
Buildings	1100
Plant Facilities	1200
Manufacturing Equipment	1300
Office Furniture and Fixtures	1400
Vehicles	1500
Leasehold Improvements	1600
Total Fixed Assets	
Non-Current Assets	
Fixed-Term Deposit	1700
Total Non-Current Assets	
Total Assets	

The same process should be continued for TB-2 and TB-3 and it would be convenient to continue with 1800 for Accrued Interest Payable. So, when the process is completed each item within the Trial Balance will have a permanent identification. All future references to any of these identified items will carry with it the identification in the Trial Balance and the same will be true for any necessary cross reference where ever in the working papers.

Having pulled the Trial Balance, it will doubtlessly be necessary to perform detailled work. So, by example: TB-1, Cash in Banks (Current Account) 100. This "lead account" may consist of five separate bank accounts. So each of the bank accounts would be examined and possibly a bank reconciliation performed for each. The working paper organisation for this would be to identify each page with 100 and with a sub-designation such as 1. Thus each of the five pages would be identified as follows: $\underline{100}_{1}$, $\underline{100}_{2}$, $\underline{100}_{3}$, $\underline{100}_{4}$, $\underline{100}_{5}$. Each of the detailled accounts would cross reference back to TB-1,100. If there is still further detailled work to be performed or merely the need for extra pages to complete the work, then further expansion of the identification initial is all that is necessary; e.g., $\underline{100}_{1}$, A,B, or C.

Memos to the file can be referenced in conjunction with the identification initials of the financial work being performed and documented.

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Appendix 7

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INDUSTRY COVERAGE; KARACHI- AREA

Companies Visited (Plant Facilities)	Date of Visit
Star Textile Mills Limited (1)	03-03-85
Mohammad Farooq Textile Mills Limited (1)	04-03-85
Nakshbandi Industries Limited (2)	06-03-85
Sabcos Limited (5)	07-03-85
Omega Hosiery Mills Limited (3)	07-03-85
Nawabdin Garment Industry Limted (4)	11-03-85
Olympia Spinning & Weaving Mills Limited (6)	12-03-85
Al-Aman Industries Limited (2)	16-03-85

Footnotes:

(1) Companies manufacture fabric (from raw cotton, thru yarn, & Dyeing/printing process)

(2) Toweling manufacturers (from raw cotton, thru yarn & dyeing process)

(3) Manufactures finished garments (from yarn thru dyeing process)

(4) Manufactures finished garments (from purchased fabric)

(5) Manufactures towels (from purchased yarn), blankets (from purchased yarn), velvet, fur-liner, corduroy & carpets (from purchased yarn).

(6) Manufactures yarn (from raw cotton thru dyeing process)

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Responses to General Organisation and Financial Questionnaire

Re CASE STUDY 8A

ANSWERS:

1. Four persons. Chief Accountant; Accountant; two Accounts Assistants. These located in the Head Office which is a facility some twenty miles from the plant site. One person, Cost Accountant located at the plant and reporting to the Plant Director. General accounting duties are shared and separation of duties is adequate given the staff resources. Additionally the firm's external accountants perform "internal audit" reviews on various financial aspects of the firms duties. No firm personnel have any professional qualifications. Two have served with the firm for more than twenty years and the remaining three for under five years. There is no planning and analysis performed.

2. The plant facility undertook the use of a "micro" some years ago but the purchased (prepacked) software never became operational. No current use of automated facilities is envisioned.

3. The firm is a "closely held" Public Limited Company. Basically it is run in all of its aspects by the majority holding family.

4. Five Year data unavailable for the preceeding five year period (fiscal 83-84 data for the year ended 30 June 1984 not completed, audited). Five Year data for the preceeding five year period is separately presented.

5. No fixed asset register is maintained. Invoices, with historical cost, are maintained. No replacement cost data is maintained.

CASE STUDY 8A, Responses to GOFQ (continued).

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7. No vertical or horizontal integration. The plant produces YARN. It performs third-party dyeing and printing. It also purchases grey cloth on its own account which it then dyes and prints.

8. The company does not maintain a Capital Appropriations Plan, for five or any lesser annual period.

9. The company does not maintain a Financial Policies and Procedures Manual. Nor does it maintain any other noted manuals, procedures or guidelines.

10. The company utilises a 45 millione Rupee overdraft facility. Average monthly OD balance equals c. 25% of sales.

11. Data basically unavailable. One section (printing) operates at 100% but this is because of a prestage bleaching and dying bottleneck. Best guess is c. 50% plant wide.

12. Total 1,400 employees; roughly split between 1,100 Direct and 300 Indirect. Turnover rate would approximate 75 to 80 percent per annum.

13. There is a quality control unit in use. There is no cost accounting treatment applied from quality control. There is no particularised data on rejected material, merely a classification: WASTE.

14. The books are maintained at the Head Office with information flows allowing the recording of data coming from the plánt and from separate warehouses. All documents are handwritten and badly designed (insufficient space to record required data or no space provided at all and merely appended where possible). The books are recorded in ink.

CASE STUDY 8A, Responses to GOFQ (continued).

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15. Raw Materials are purchased by one individual based in the Head Office. Manufacturing stores and spare parts are purchased by one individual based at the plant. All other purchases are executed by departments or individuals as needed. There is no Purchase Requisition form in use.

16. There is a separate area/s for the receipt of raw material. There is als a separate area for the storage and disbursement of stores and spare parts. There is no systematic control.

17. There is a separate control procedure for goods to be exported. Basically all documentation is prepared and the goods are shipped directly from the plant to the port of embarkation. Domestically sold goods are collected at warehouses by the purchaser of the goods (usually a broker). These goods will have been shipped from the plant to the warehouse and the "broker" must collect his authorisation to receive from the Head Office prior to picking-up the goods.

18. No customer service department. Any large problem (expecially as it might deal with exported products) would be handled by a Director of the Company.

19. Yes, a separate export department is used. Three individuals who prepare the paperwork and documentation (all by hand..no typewriter). Bonded warehousing is also used.

20. No treasury facility in use. No cash flow projections undertaken. Merely an overdraft facility and a bank reconciliation performed.

21. No separate internal audit department; however two junior auditors from the Company's public accounting firm maintain an auditing function related to the proper recordation of data in the books of account.

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22. The size of the staff makes optimum separation of duties difficult. The use of the two external auditors to review the work undertaken by permanent staff is an excellent idea. It should probably be expanded by bringing on two full time employees to expand the permanent staff.

23. There is no excess and obsolete inventory analysis undertaken. There was no observed inventory control systemisation in place.

24. There is no days sales outstanding (DSO) analysis undertaken. Per management there is virtually no incidence of bad debts.

25. There is no accounts payable payback analysis undertaken. Additionally, as previously noted, there is no cash flow analysis undertaken.

26. Yes.

27. Data unavailable. No historical data accumulation.

28. Data unavailable. No manufacturing cost data available or maintained at any detailled level. No cost centres identified or used.

29. Yarn (cotton and blended). Fabric bleaching, dyeing and printing. Make to order. No historical data maintained.

30. Virtually none. Yarns (the principal activity of the Company) are not interchangeable.

31. No Organisation Chart is in use. Key department staffing has been noted and is in working papers.

32. Local country public accounting firm is engaged. Preparation/auditing of the Company's Annual Financial Statements. Also, as noted, the public accounting firm provides auditors to review the work of the permanent accounting staff on a daily basis. They are also used to review operations at the plant. No periodic physical inventory is undertaken. The Public Accounting Firm's international partner has been engaged to review the general and cost accounting of the company. No anticipated date for the presentation of findings.

33. As stated the company is a "closely held" public limited company. The company is therefore publicly listed. But the equity position of the company and in particular of the "family holdings" of the authorised and issued stock make it entirely unlikely that any movement on the exchange would effect the position of the company or its management and directors.

34. There is no budgeting system used by any department within the company. Hence there is no responsibility budgeting system in use either.

35. No fixed asset register is maintained.

36. There is no evidence, in fact the contrary, that any individuals other than the senior members of the family have anything to do with the conception or planning of the company. There would appear to be no participation in the operations of the company on any basis other than day to day routine affairs by any management other than the aforementioned family.

Recommendations

1. Establish a detailled chart of accounts (COA) for both general and manufacturing cost accounting applications.

2. Establish a standard General Ledger based general accounting system.

COMMENTS: The COA should be designed on an alpha-numeric based designation through sub-account level to provide for flexible expansion. The development of the COA and G/L will provide for an desirable account designation and identification of operational requirements. Additionally it will provide for the future automation of a general and cost accounting systems as well as establish the basis for a general budgeting and responsibility budgeting system.

3. Establish a Sales Register (indicating quantity and value) by specific product line...count or other detailled designation.

4. Establish an Inventory Ledger by specific commodity (indicating quantity and value) for Raw Material applicable to work-in-process and finished goods product lines...quality...and count.

5. Establish an Inventory Ledger by specific purchased product (indicating quantity and value) for Fabrics applicable to work-in-process and finished goods product lines...quality.

6. Establish an Inventory Ledger (indicating quantity and value..original) for 3d Party manufacture of Company produced yarns (by count) and the returned fabric (indicating quantity, value and cost)....by quality.

7. Redesign the Company's Sales Invoices to reflect the details of the sale consistent with inventory data and to provide for the enumeration of specific data transmitted on the document.

   COMMENT: The Sales Invoice for both domestic and export sales is an inadequate document. There is insufficient space for recording necessary data. As a general comment, all inter/intra company documentation needs to be redesigned.

8. Establish an inventory ledger (indicating quantity) for company processing of 3d party/ies goods by various manufacturing processing functions.

9. Maintain a salvage and waste category (indicating quantity) either in production control or quality assurance department and reconcile as necessary to the applicable inventory ledgers.

10. Establish a Purchases Ledger reflecting the data included ar recommendations 4 and 5.

11. Institute an inventory card system for all warehouse/inventory storage locations. Provide for the tagged identification of inventory when in storage. Also provide for the tagged identification; e.g., by route sheet, of raw material drawn from stores through the manufacturing process. Consider the adoption of batch identification with quality assurance dossier cross-reference.

12. Initiate a transactions volume documentation; i.e., quantify monthly transactions volume for all transactions executed at the plant or head office.

13. Initiate forms design (all documentation) which will provide for input space for all cross-referencable data. Consideration of appropriate multi-part paper should be included.

CASE STUDY 8A, Recommendations re Findings (continued)

14. Initiate design for books of account, subsidiary ledgers, journals and registers.

15. Design a trial balance format.

16. Develop a Financial Policies and Procedures Manual.

17. Develop a Manufacturing Accounting Policies and Procedures Manual.

18. Develop a General and Manufacturing Accounting Budgeting Manual.

19. Develop such other Operations/al Manuals as are appropriate to the Business Activities of the Companye.g., Purchasing, Production Control, Material Requirements Planning, Internal Auditing et cetera.

20. Investigate the feasibility of reorganising the accounting department (expansion of existing staff and the addition of a permanently employed internal audit staff).

21. Investigate the feasibility of consolidating the multiple locations of the company (plant, head office, warehousing) with consideration of maintaining the current head office facility as a representative office and show room only. Such consolidation will provide: eased communication, unity of document flow, unity of the accounting and future budgeting functions, facilitate future automation and its installation, unity of supervision and presence of directors.

22. Expand current work in the identification of manufacturing cost centers to include the accumulation of material and overhead costs to the currently collected machine and labor hours.

CASE STUDY 8B, Initial Program

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1. Prepare a diagram of the work layout:
   a. By machine or other work position,
   b. By workers. By supervisors.

2. Prepare a flow chart detailling the work flow.

3. Prepare a schedule of machines currently in production.

4. Determine the eight hour shift capacity of each machine and/or work position for each product line capable of being produced.

5. Prepare a schedule of machines available but not currently in production.

6. Determine a likely future point when the 3d floor will open for production and schedule the likely machines (currently available but not in production) as well as those machines not available and for which orders will have to be placed. Determine lead times for the receipt of ordered machines.

7. Same exercise for the 4th and 5th floors as requested at point 6.

8. Determine the standard terminology for production activities, and if they differ during the various phases of the production process, so indicate.

9. Prepare a schedule of the Company current product lines (be detailled).

10. Determine the likely expansion of product lines or capacity expansion of existing product lines over the next five years.

CASE STUDY 8B, Initial Program Continued

1. Prepare historical data on machines in use by hour of use daily. It will be necessary to introduce the use of a simple logging system.

2. Prepare historical data on :

   a. Actual production of products by product lines.

   b. Material usage.

   c. Electrical usage.

3. Identify all material and accessory uses and the associated costs (before application of labour and overheads).

4. Identify the manufacturing cost centers.

5. Identify the indirect cost centers. Costs will be designated by detailled expense.

6. Begin the process of accumulating costs for the production of each product line in manufacturing. Costs will be designated by the actual function performed.

7. Prepare a detailled Chart of Accounts (COA). These income and expenses are to reflect the above. Income designations will reflect sales by product line.

8. Prepare a manufacturing budget for a three month period.

9. Prepare an administrative budget for a three month period.

CASE STUDY 8C, Initial Program and Initial Program Continued

NOTE: Same as at CASE STUDY 8B

Appendix 9

FIXED ASSETS, FISCAL YEARS INDICATED

Y. INDUSTRIES LIMITED (000's Rs.)

ITEMS	1982 1983	1981 1982	1980 1981	1979 1980	1978 1979	1977 1978	1976 1977
Assets: Total, Prior year, Cost	72616	55973	50322	47478	45295	43644	
ons	8380	16643	5651	2844	2183	1651	
ation (1962 Adjustment)	2100	2100	2100	2100	2100	2100	
lated Depreciation	(39265)	(34705)	(30902)	(27989)	(25268)	(22552)	
Assets: Total, Prior year (net)	43831	40011	27171	24433	24310	24843	
t Years:							
n	12918	8380	16643	5734	2865	2183	
als	(82)	-	-	(83)	(21)	-	
iation	(4917)	(4560)	(3803)	(2913)	(2721)	(2716)	
SUB TOTAL	7919	3820	12840	2738	123	(533)	
Assets Total (Net)	51750	43831	40011	27171	24433	24310	

PRIOR YEAR ADJUSTMENTS

M.P.H.Y. INDUSTRIES LIMITED

ITEMS	1982 1983	1981 1982	1980 1981	1979 1980	1978 1979	1977 1978	1976 1977
Exper Relating to prior year	(126274)	-	-	-	-	-	-
Excess Provision for Taxation of prior year written back	580624	-	-	-	-	-	-
Gratuity Accrued	-	(1200288)	-	-	-	-	-
Under Provision of Import Duty	-	(34961)	-	-	-	-	-
Arrear Charges of Social Security	-	-	-	(46468)	-	-	-
Demurrage Refunded	-	-	19631	-	-	-	-
Adjustment in Respect of Export Rebate for year ended 30-9-1979 Previously Accounted on Cash Basis Now Accounted on Accrual Basis	-	-	-	148890	-	-	-
O t h e r s	-	-	12991	5000	8399	-	-
TOTAL:-	454350	(1235249)	6640	107422	8399	-	-

ADMINISTRATIVE EXPENSES

U.P.N.Y. INDUSTRIES LIMITED.

ITEMS	1982 1983	1981 1982	1980 1981	1979 1980	1978 1979	1977 1978	197[illegible] 197[illegible]
Directors Remuneration	-	-	-	-	-	-	960[illegible]
Salaries, Bonus & Gratuity	2271479	1411536	1445264	1187856	1085038	964205	1007[illegible]
Printing and Stationery	199404	173242	138833	75870	46556	72669	50[illegible]
Charities and Donations	-	737023	454882	391193	187836	120637	199[illegible]
Travelling	149782	305080	298224	216619	2825[illegible]7	186[illegible]26	156[illegible]
Conveyance and Cartage	269554	192950	209695	208166	220696	-	-
Audit Fees	17120	15000	15000	15000	20000	10000	10[illegible]
Electricity	72421	54373	14461	7879	5854	18119	68
Postage, Telephone & Telex	336935	271021	212998	193321	219235	158603	8063
Rent, Rates and Taxes	361910	462485	355123	370981	390443	218579	18538
Legal and Professional Charges	54395	112890	62200	51400	47776	42000	3638
Vehicle Running & Maintenance	195742	430766	448024	372587	299722	263142	23797
Other Expenses	225043	226475	229539	168772	172024	289200	12106
Employee's Old Age Benefits	-	-	-	-	-	84145	4981
Depreciation, Other Assets	281420	212453	215522	204987	127390	111629	7933
TOTAL	4435205	4605294	4099765	3464631	3105077	2544454	231657

-3-

COST OF SALES

[illegible].Y. INDUSTRIES LIMITED.

ITEMS	1982 1983	1981 1982	1980 1981	1979 1980	1978 1979	1977 1978	[illegible] 76-77
[illegible]aterial Consumed:							
[illegible]ening Stock	6955022	17781423	6678501	8100774	1947504	2764481	2303169
[illegible]urchase	64036957	54787880	63520300	39939481	44738138	30339256	34567240
SUB-TOTAL	70991979	72569303	70198801	48040255	46685642	33103737	36870409
[illegible]s:							
Cost of Rawmaterial Trade	5097969	12531462	9138881	3354463	4899715	1068222	7585095
C[illegible]ng Stock	2480733	6955022	17781423	6678501	8100774	1947505	2764481
SUB-TOTAL	7578702	19486484	26920304	10032964	13000489	3015727	10349576
[illegible]tal [illegible]wmaterial Consumed	63413277	53082819	43278497	38007291	33685153	30088010	26520833
[illegible]cals and Dyes consumed	9899076	3718148	2168951	3892081	3911070	5650092	3271931
[illegible]s and spares consumed	4247149	4432121	3881913	2247879	2669746	[illegible]031733	3309792
[illegible]ries, wages and other Benfits	15060031	13245761	11237161	9[illegible]23872	7998205	6978[illegible]50	7376646
[illegible] Fuel and water	14692183	8273329	3701070	3256265	1954930	2058023	2400303
[illegible]r and Maintenance	393140	372005	621249	882196	1006110	619143	283960
[illegible]ance	252499	395452	232842	190416	686213	154399	141687
[illegible] Expenses	993423	1035411	771256	732467	691601	584321	317388
[illegible]e Duty	2397532	1784440	1406574	-	-	-	-
[illegible]ciation	4701444	4346822	35874[illegible]	2743193	2614204	2604[illegible]83	2652858
TOTAL INPUTS	116049754	90686308	70886980	60975660	55217232	51768154	46275398
[illegible] in Process Last Year	2724999	1957438	1011106	710099	1012551	1825538	2147007
This Year	1561239	2724999	1957438	1011106	710099	1012551	1825538
SUB-TOTAL	1163760	(767561)	(946332)	(301007)	302452	812987	321469
[illegible] of Goods Manufactured	117213514	89918747	69940648	60374653	55519684	52581141	46596867
[illegible]hed Goods Last year	1845957	4506551	1893170	943698	1418181	2356113	4185939
This year	7514570	1845957	4506551	1893170	943698	1418180	2356113
SUB-TOTAL	(5668613)	2660594	(2613381)	(949472)	474483	937933	1829826
TOTAL	111544901	92579341	67[illegible]27267	59725181	55994167	53519074	48426693
[illegible]t Rebate	(182856)	(553485)	(512385)				
TOTAL	111362045	92025856	66814882				
[illegible]of Rawmaterial Trade	5097969	12531462	9138881				
TOTAL	116460014	104557318	75953763				

FIXED ASSETS (SUB-GROUPING TOTAL)

[illegible]Y. INDUSTRIES LIMITED — Amount in '000' Rs.

ITEMS	1982-1983	1981-1982	1980-1981	1979-1980	1978-1979	1977-1978
ial Equipment and Tools	3370	3004	1385	1359	1319	1300
Additions	730	366	1618	26	40	19
Disposals	-	-	-	-	-	-
Depreciation	(1482)	(1253)	(1039)	(910)	(859)	(805)
Prior year)	2618	2117	1964	475	500	514
Additions	-	730	366	1618	26	40
Disposals	-	-	-	-	-	-
Depreciation	-	(229)	(214)	(129)	(51)	(54)
SUB-TOTAL :	-	501	152	1489	(25)	(14)
ical Equipment and Tools (t year)	-	2618	2116	1964	475	500
Equipment and Furniture	2432	2136	1631	1364	1093	947
Additions	449	296	505	350	292	146
Disposals	(82)	-	-	(83)	(21)	-
Depreciation	(1410)	(1195)	(982)	(767)	(597)	(490)
(Prior year)	1389	1237	1154	864	767	603
Additions	-	449	296	505	350	292
Disposals	-	(82)	-	-	(83)	(21)
Depreciation	-	(215)	(213)	(215)	(170)	(106)
SUB-TOTAL	-	152	83	290	97	165
Equipment and Furniture Total (t year)	-	1389	1237	1154	864	768

FIXED ASSETS (SUB-GROUPING TOTAL)

M.F.M.Y INDUSTRIES LIMITED — Amount in '000'

ITEMS	1982-1983	1981-1982	1980-1981	1979-1980	1978-1979	1977-1978	1976-1977
Building	17114	14739	11167	9824	8311	7357	
Revaluation	170	170	170	170	170	170	
Additions	1561	2375	3572	1343	1513	954	
Disposal	-	-	-	-	-	-	
Depreciation	(8241)	(7063)	(5927)	(4929)	(4217)	(3576)	
ilding Total (Prior year)	10604	10221	8982	6408	5777	4905	
Additions	-	1561	2375	3572	1343	513	
Disposals	-	-	-	-	-	-	
Depreciation	-	(1178)	(1136)	(998)	(712)	(641)	
SUB-TOTAL	-	383	1239	2574	631	872	
ilding Total (current year)		10604	10221	8982	6408	5777	
lant and Machinery	58079	52737	41790	37775	36754	35690	
Revaluation	1930	1930	1930	1930	1930	1930	
Additions	10177	5342	10[illegible]	4015	1021	1064	
Disposals	-	-	-	-	-	-	
Depreciation	(33048)	(29754)	(26757)	(24295)	(22315)	(20397)	
lant and Machinery Total (P.Y.)	-	30255	27910	19425	17390	18287	
Additions	-	10177	5342	10947	4015	1021	
Disposals	-	-	-	-	-	-	
Depreciation	-	(3294)	(2997)	(2462)	(1980)	(1918)	
SUB TOTAL	-	6883	2345	8485	2035	(897)	
lant and Machinery total (urrent Year)	-	37138	30255	27910	19425	17390	

MFMY; REVIEW OF EQUITY/LIABILITIES SECTION BALANCE SHEET;
FISCAL YEARS 1978 THRU 1983 INCLUSIVE, (000's)

Description	1982 1983	1981 1982	1980 1981	1979 1980	1978 1979	1977 1978	MEMO 76-77
Authori Capital:							
One (1) Million Shares Par Rs.10/EA.							
Issued (As Follows):							
1. 200K; Fully Paid-Cash	2000	2000	2000	2000	2000	2000	
2. 300K; (A) Rs. 3 paid-cash	900	900	900	900	900	900	
(B) Rs. 7 paid from (1) Capital Reservaton Revaluation of Co.	2100	2100	2100	2100	2100	2100	
3. 200L; Issued as fully paid, Rs. Rs. 10/ Ea., bonus shares	2000	2000	2000	2000	2000	2000	
TOTAL SHARE CAPITAL	7000	7000	7000	7000	7000	7000	7000
Reserve, issue bonus shares	700	-	-		-	-	-
General Reserve (2) (3)	2145	2145	2145 75	2145 (75)	2145 (75)	2145 (75)	2185 (75)
Unappropriated Retained Earnings	4037	3312	4325	1617	1149	531	(2358)
TOTAL EQUITY	13882	12457	13470	10762	10294	9676	6827
Long-Term Loan	4643						
Deferred Liabilities	1552	1567		1549	2219	2886	3726
Reserves:-	6195	-	75	75	75	75	-
Current Liabilities:							
Bank Borrowings	38439	34190	36148	20859	11101	7425	12002
Creditors & Accruals	19810	17190	30607	8669	12908	10138	11425
Due to associated undertakings	6629	13072	-	-	-	-	-
Other	2515 (4)	1333	1347	4037	2649	2457	1878
TOTAL CURRENT LIABILITIES	67389	65785	68102	33565	26658	20020	25305
TOTAL LIABILITIES	73584	67352	68177	35189	28952	22981	29031
	87466	79809	81647	45951	39246	32657	35858

(1) at 31-12-62 the assets were revalued of follows:
Buildings 170
Plant Machinery 1930 2100

(2) Reclassifies a Reserve, i.e. 75 which is an Exchange G/L Provision.

(3) The 2145 General Reserve is not GAAP. Keep in Equity; O/b unappropriated RE.

(4) Includes current portion of LT Lt debt due.

Description	1982 1983	1981 1982	1980 1981	1979 1980	1978 1979	1977 1978	MEMO 76-77
Sales	110255	96085	67326	63727	56414	52195	46275
Servicing Charges	21274	24532	11227	6634	7360	10686	7956
NET SALES	131529	120617	78553	70361	63774	62881	54231
Cost of Goods Sold	116460	104557	65228	59725	55994	53284	48427
GROSS MARGIN	15069	16060	13325	10636	7780	9597	5804
Administrative Expenses	4435	4605	4100	3465	3105	2544	2317
Selling/Distribution Expenses	2142	2300	1676	2193	1729	1531	795
Financial Charges	7595	8247	4706	3183	2375	2272	2521
Other (WPP)	75	-	142	136	48	163	27
Total Related Expenses	14247	15152	10624	8977	7257	6510	5660
OPERATING PROFIT	822	908	2701	1659	523	3087	144
Other Income	149	15	-	952	387	2	369
NET PROFIT BEFORE ADJUSTMENT	971	923	2701	2611	910	3087	513
Prior year Adjustment	454	(1235)	7	(1200) 107	(300) 8	(200) -	- (675)
NET INCOME	1425	(312)	2708	1518	618	2889	(162)
Prior Year Retained Earnings	3312	4325	1618	1149	531	(2358)	(2197)
Net Distributable Profit	4737	4013	4326	2667	1149	531	(2359)
Proposed Dividend	(3) (700)	(700)	-	(1050)	-	-	-
Unappropriated Retained Earnings	4037	3313	4326	1617	1149	531	(2359)
(1) Local Sales (Domestic)	101955	74187	60288	51677	39503	40377	
Export Sales	2592	7269	7151	12050	16911	11818	
Brokerage & Commissions	(351)	(249)	(113)	?	?	?	
(2) Sales of Rawmaterial	6059	14877	?	?	?	?	
TOTAL SALES	110255	96084	67326	63727	56414	52195	
(2) Sales of Rawmaterial	6059	14877	?	?	?	?	
Cost of Rawmaterial Traded	5098	12531	9832	3354	4900	1068	
GROSS MARGIN	961	2346	?	?	?	?	

(3) Reserve for Issue of Bonus Stock.

M.P.M.Y. INDUSTRIES LIMITED

OTHER INCOME

ITEMS	1982 1983	1981 1982	1980 1981	1979 1980	1978 1979	1977 1978	1976 1977
Insurance Claim	110400	15000	-	28941	361431	1994	35097
Profit on Sales of Car	35908	-	-	22340	24104	-	-
Interest	-	-	-	1106	1591	-	-
Sale of Obsolete Spares and Accessories of Machinery	-	-	-	900000	-	-	338140
Loss on Sales of Fixed Assets	-	-	-	-	-	-	(4756)
TOTAL	149308	15000	-	952387	387126	1994	368483

MPMY: REVIEW OF ASSETS SECTION BALANCE SHEET; FISCAL YEARS 1978 THRU 1983 (000's)

Description	1982 1983	1981 1982	1980 1981	1979 1980	1978 1979	1977 1978	MEMO 76-77
Fixed Assets (Plant, Machinery, Land)	51750	43831	40011	27171	24433	24310	24843
Long Term Deposits, Prepaids and Deferred Costs.	1831	3321	-	-	50	50	50
Long Term Loans	156	119	-	-	-	-	-
TOTAL NON-CURRENT ASSETS	53737	47271	40011	27171	24483	24360	24893
Current Assets							
Stores & Spares(1)	4866	11688	9453	1798	1725	892	1089
Stock in Trade(2)	11537	11526	24245	9583	9755	4378	6946
Sundry Debtors	612 13563	6208	1617	1183	1388	1379	1022
Advances	2665	3049	5916	5837	1147	1199	1406
Deposits, Prepaids, Other A/R	168	-	342	329	143	206	405
Cash	300	67	62	52	607	241	99
TOTAL CURRENT ASSETS	33731	32538	41636	18781	14763	8296	10966
TOTAL ASSETS	87468	79809	81647	45952	39246	32656	35859

(1) Defined as Average Cost

(2) Raw Material — FIFO
Work in Process — Lower of Average cost or Market
Finished Goods — Average Cost

8-A

FINANCIAL EXPENSES

M.P.M.Y. INDUSTRIES LIMITED.

ITEMS	1982 1983	1981 1982	1980 1981	1979 1980	1978 1979	1977 1978	1976 1977
Interest on Long-Term Loan	38973	-	25831	432982	304657	441716	491239
Interest on Bank Overdraft	6214373	6033545	4246224	2721674	2051136	1817624	1977140
Bank Charges & Commission	12653	17944	12304	23858	4299	10358	6911
Interest on Workers Profit Participation Fund	3546	3191	7766	4238	14395	2393	-
Interest on Short Term Loan	1325659	2029212	414109	-	-	-	-
Guarantee Commission	-	-	-	-	-	-	45450
Loss on Exchange Now Written Off	-	242424	-	-	-	-	-
Less: Replised Gain on Repayment of Loan	-	75433	-	-	-	-	-
SUB-TOTAL		166991		-	-	-	-
TOTAL:	7595204	8246883	4706234	3182752	2374487	2272 09	2520740

-5-

SELLING AND DISTRIBUTION EXPENSES

M.P.M.Y INDUSTRIES LIMITED

ITEMS	1982 1983	1981 1982	1980 1981	1979 1980	1978 1979	1977 1978	1976 1977
Advertisement	97277	2[illegible]14	100628	20730	25790	10579	12310
Packing and Forwarding	1797010	1781427	1575712	2038268	1539015	1360835	611550
Export Expenses	247590	497407	617590	-	-	-	-
Brokerage and Commission	-	-	-	134399	164638	144716	169879
Others	-	-	-	-	-	14727	1245
TOTAL	2141877	2299548	2293930	2193397	1729443	1530857	794984

MEKY; REVIEW OF PROFIT & LOSS STATEMENT;
FISCAL YEARS 1978 THRU 1983 (000's)

Description	1982 1983	1981 1982	1980 1981	1979 1980	1978 1979	1977 1976	MEMO 76-77
Sales	110255	96085	67326	63727	56414	52195	46275
Servicing Charges	21274	24532	11227	6634	7360	10686	7956
NET SALES	131529	120617	78553	70361	63774	62861	54231
Cost of Goods Sold	116460	104557	65228	59725	55994	53284	48427
GROSS MARGIN	15069	16060	13325	10636	7780	9597	5804
Administrative Expenses	4435	4605	4100	3465	3105	2544	2317
Selling/Distribution Expenses	2142	2300	1676	2193	1729	1531	795
Financial Charges	7595	8247	4706	3183	2375	2272	2521
Other (WPF)(5)	75	-	142	136	48	163	27
Total Related Expenses	14247	15152	10624	8977	7257	6510	5660
OPERATING PROFIT	822	908	2701	1659	523	3087	144
Other Income	149	15	-	952	387	2	369
NET PROFIT BEFORE ADJUSTMENT	971	923	2701	2611	910	3087	513
Prior year Adjustment/s	454	(1235)	7	(1200) 107	(300) 8	(200) -	- (675
NET INCOME	1425	(312)	2708	1518	618	2889	(162
Prior Year Retained Earnings	3312	4325	1618	1149	531	(2358)	(2197
Net Distributable Profit	4737	4013	4326	2667	1149	531	(2359
Proposed Dividend	(3)(700)	(700)	-	(1050)	-	-	-
Unappropriated Retained Earnings	4037	3313	4326	1617	1149	531	(2359
(1) Local Sales (Domestic)	101955	74187	60288	51677	39503	40377	(4)
Export Sales	2592	7269	7151	12050	16911	11818	
Brokerage & Commissions	(351)	(249)	(113)	-	-	-	
(2) Sales of Raw Materials	6059	14877	(4)	-	-	-	
TOTAL SALES	110255	96084	67326	63727	56414	52195	
Sales of Raw	6059	14877	-	-	-	-	
Cost of Raw	5098	12531	9832	3354	4900	1068	
GROSS MARGIN	961	2346	-	-	-	-	

(3) Reserve for Issue of Bonus Stock.
(4) Data unavailable.
(5) Workers Profit Participation Fund.

MPMY; REVIEW OF EQUITY/LIABILITIES SECTION BALANCE SHEET;
FISCAL YEARS 1978 THRU 1983 INCLUSIVE, (000's)

Description	1982 1983	1981 1982	1980 1981	1979 1980	1978 1979	1977 1978	[illegible] 76-7[illegible]
Authorised Capital:							
One (1) Million Shares Par Rs.10/ per share							
Issued (As Follows):							
1. 200K; Fully Paid-Cash	2000	2000	2000	2000	2000	2000	
2. 300K; (A) Rs. 3 paid-cash	900	900	900	900	900	900	
(B) Rs. 7 paid from Capital Reserve on Revaluation of Co. (1)	2100	2100	2100	2100	2100	2100	
3. 200K; Issued as fully paid, Rs. 10/ Sa., bonus shares	2000	2000	2000	2000	2000	2000	
TOTAL SHARE CAPITAL	7000	7000	7000	7000	7000	7000	70[illegible]
Reserve, issued bonus shares	700	-	-	-	-	-	-
General Reserve (2) (3)	2145	2145	2145 75	2145 (75)	2145 (75)	2145 (75)	21[illegible] (7[illegible]
Unappropriated Retained Earnings	4037	3312	4325	1617	1149	531	(235[illegible]
TOTAL EQUITY	13882	12457	13395	10762	10294	9676	682[illegible]
Long-Term Loan	4643						
Deferred Liabilities	1552	1567		1549	2219	2886	37[illegible]
Reserves:-	6195	-	75	75	75	75	-
Total Non-Current Liabilities	6195	1567	75	1624	2294	2961	3726
Current Liabilities:							
Bank Borrowings	38435	34190	36148	20859	11101	7425	120[illegible]
Creditors & Accruals	19810	17190	30607	8669	12908	10138	1142[illegible]
Due to Associated Undertakings	6629	13072	-	-	-	-	-
Other	2515 (4)	1333	1347	4037	2649	2457	187[illegible]
TOTAL CURRENT LIABILITIES	67389	65785	68102	33565	26658	20020	253[illegible]
TOTAL LIABILITIES	73584	67352	68177	35189	28952	22981	290[illegible]
TOTAL LIABILITIES & EQUITY	87466	79809	81572	45951	39246	32657	358[illegible]

(1) At 31-12-62 the assets were revalued of follows:

Buildings	170	
Plant Machinery	1930	2100

(2) Reclassifies a Reserve, i.e. 75 which is an Exchange G/L Provision.

(3) The 2145 General Reserve i[illegible] not GAAP. Keep in Equity; as Unappropriated RE.

(4) Includes current portion o[illegible] LT debt

COST OF SALES

M.P.M.Y. INDUSTRIES LIMITED.

ITEMS	1982 1933	1981 1982	1980 1981	1979 1980	1978 1979	1977 1978	MEMO 76-77
Raw Material Consumed:							
Opening Stock	6955022	17781423	6678501	8100774	1947504	2764481	2303169
Purchase	64036957	54787880	63520300	39939481	44738138	30339256	34567240
SUB-TOTAL	70991979	72569303	70198801	48040255	46685642	33103737	36870409
Less:							
Cost of Raw Material Trade	5097969	12531462	9138881	3354463	4899715	1068222	7585095
Closing Stock	2480733	6955022	17781423	6678501	8100774	1947505	2764481
SUB-TOTAL	7578702	19486484	26920304	10032964	13000489	3015727	10349576
Total Raw Material Consumed	63413277	53082819	43278497	38007291	33685153	30088010	26520833
Chemicals and Dyes Consumed	9899076	3718148	2158951	3892081	3911070	5650092	3271931
Stores and spares Consumed	4247149	4432121	3881913	2247879	2669746	3031733	3309792
Salaries, ages and other Benefits	15060031	13245761	11237161	9023872	7998205	6978050	7376646
Power Fuel and Water	14692183	8273329	3701070	3256265	1954930	2058023	2400303
Repair and Maintenance	393140	372005	621249	882196	1006110	619143	283960
Insurance	252499	395452	232842	190416	686213	154399	141687
Other Expenses	993423	1035411	771256	732467	691601	584321	317388
Excise Duty	2397532	1784440	1406574	-	-	-	-
Depreciation	4701444	4346822	3587467	2743193	2614204	2604383	2652858
TOTAL INPUTS	116049754	90686308	70886980	60975660	55217232	51768154	46275398
Goods in Process Last Year	2724999	1957438	1011106	710099	1012551	1825538	2147007
This Year	1561239	2724999	1957438	1011106	710099	1012551	1825538
SUB-TOTAL	1163760	(767561)	(946332)	(301007)	302452	812987	321469
Cost of Goods Manufactured	117213514	89918747	69940648	60374653	55519684	52581141	46596867
Finished Goods Last Year	1845957	4506551	1893170	943698	1418181	2356113	4185939
This Year	7514570	1845957	4506551	1893170	943698	1418180	2356113
SUB-TOTAL	(5668613)	2660594	(2613381)	(949472)	474483	937933	1829826
TOTAL	111544901	92579341	67327267	59725181	55994167	53519074	48426693
Export Rebate	(182856)	(553485)	(512385)				
TOTAL	111362045	92025856	66814882				
Cost of Raw MaterialTrade	5097969	12531462	9138881	(1)	(1)	(1)	(1)
TOTAL	116460014	104557318	75953763				

(1) Data unabailable

IACP

M.F.M.Y. I[illegible]USTRIES LIMITED. ADMINISTRATIVE EXPENSES

ITEMS	1982 1983	1981 1982	1980 1981	1979 1980	1978 1979	1977 1978	197[illegible] 197[illegible]
Directors Remuneration	-	-	-	-	-	-	960[illegible]
Salaries, Bonus & Grautity	2271479	1411536	1445264	1187856	1[illegible]038	964205	10075[illegible]
Printing and Stationery	199404	173242	138833	75870	46556	72669	501[illegible]
Charities and Donations	-	737023	454882	391193	187836	123637	19908[illegible]
Travelling	149782	305080	298224	216619	282507	186526	156354
Conveyance and Cartage	269554	192950	209695	208166	220696	-	-
Audit Fees	17120	15000	15000	15000	20000	10000	10000
Electricity	72421	54373	14461	7879	5854	18119	6817
Postage, Telephone & Telex	336935	271021	212998	193321	219235	158603	80631
Rent, Rates and Taxes	361910	462485	355123	370981	390443	218579	185386
Legal and Professional Jharges	54395	112890	62200	51400	47776	42000	36385
Vehicle Running & Maintenance	195742	430766	448024	372587	299722	263142	237976
Othe: Expenses	225043	226475	229539	168772	172024	289200	121068
Employee's Old Age Benefits	-	-	-	-	-	84145	49813
Depreciation, Other Assets	281420	212453	215522	204987	127390	111629	79334
TOTAL	4435205	4605294	4099765	3464631	3105077	2544454	2316573

SELLING AND DISTRIBUTION EXPENSES

M.P.M.Y INDUSTRIES LIMITED

ITEMS	1982 1983	1981 1982	1980 1981	1979 1980	1978 1979	1977 1978	1976 1977
Advertisement	97277	20714	100628	20730	25790	10579	12310
Packing and Forwarding	1797010	1781427	1575712	2038268	1539015	1360835	611550
Export Expenses	247590	497407	617590	-	-	-	-
Brokerage and Commission	-	-	-	134399	164638	144716	169879
Others	-	-	-	-	-	14727	1245
TOTAL	2141877	2299548	2293930	2193397	1729443	1530857	794984

FINANCIAL EXPENSES

M.F.M.Y. INDUSTRIES LIMITD.

ITEMS	1982 1983	1981 1982	1980 1981	1979 1980	1978 1979	1977 1978	1976 1977
Interest on Long-Term Loan	38973	-	25831	432982	304657	441716	491239
Interest on Bank Overdraft	6214373	6033545	4246224	2721674	2051136	1817624	1977140
Bank Charges & Commission	12653	13944	12304	23856	4299	10358	6911
Interest on Workers Profit Participation Fund	3546	3191	7766	4238	14395	2393	-
Interest on Short Term Loan	1325659	2029212	414109	-	-	-	-
Guarantee Commission	-	-	-	-	-	-	45450
Loss on Exchange Now Written Off	-	242424	-	-	-	-	-
Less: Recognised Gain on Repayment of Loan	-	75433	-	-	-	-	-
SUB-TOTAL		166991		-	-	-	-
TOTAL:	7595204	8246883	4706234	3182752	2374487	227209	2520740

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OTHER INCOME

M.P.M.Y. INDUSTRIES LIMITED

ITEMS	1982 1983	1981 1982	1980 1981	1979 1980	1978 1979	1977 1978	1976 1977
Insurance Claim	110400	15000	-	28941	361431	1994	35099
Profit on Sales of Cars	38908	-	-	22340	24104	-	-
Interest	-	-	-	1106	1591	-	-
Sale of Obsolete Spares and Accessories to Machinery	-	-	-	900000	-	-	338140
Loss on Sales of Fixed Assets	-	-	-	-	-	-	(4756)
TOTAL	149308	15000	-	952387	387126	1994	368483

[illegible]: REVIEW OF ASSETS SECTION BALANCE SHEET; FISCAL YEARS 1978 THRU 1983 (000's)

Description	1982 1983	1981 1982	1980 1981	1979 1980	1978 1979	1977 1978	[illegible] 76-7[illegible]
Fixed Assets (Plant, Machinery&Land)	51750	43831	40011	27171	24433	24310	248[illegible]
Long Term Deposits, Prepaids and Deferred Costs.	1831	3321	-	-	50	50	5[illegible]
Long Term Loans	156	119	-	-	-	-	-
TOTAL NON-CURRENT ASSETS	53737	47271	40011	27171	24483	24360	248[illegible]
Current Assets							
Stores & Spares (1)	4866	11688	9453	1798	1725	392	108[illegible]
Stock in Trade (2)	11557	11526	24245	9583	9755	4378	694[illegible]
Sundry Debtors	612 13563	6208	1617	1183	1388	1379	102[illegible]
Advances	2665	3049	5916	5837	1147	1199	14[illegible]
Deposits, Prepaids, Other A/R	168	-	342	329	143	206	4[illegible]
Cash	300	67	62	52	607	241	[illegible]
TOTAL CURRENT ASSETS	33731	32538	41636	18781	14763	8296	1096[illegible]
TOTAL ASSETS	87468	79809	81647	45952	39246	32656	358[illegible]

(1) Defined as Average Cost

(2) Raw Material — FIFO
Work in Process — Lower of Average cost or Market
Finished Goods — Average Cost

FIXED ASSETS, FISCAL YEARS INDICATED

M.P.M.Y. INDUSTRIES LIMITED

(000's Rs.)

ITEMS	1982 1983	1981 1982	1980 1981	1979 1980	1978 1979	1977 1978	1976 1977
Fixed Assets: Total, Prior year, Cost	72616	55973	50322	47478	45295	43644	
Additions	8380	16643	5651	2844	2183	1651	
Revaluation (1962 Adjustment)	2100	2100	2100	2100	2100	2100	
Accumulated Depreciation	(39265)	(34705)	(30902)	(27989)	(25268)	(22552)	
Fixed Assets: Total, Prior year (net)	43831	40011	27171	24433	24310	24843	
Current Year:							
Addition	12918	8380	16643	5734	2865	2183	
Disposals	(82)	-	-	(83)	(21)	-	
Depreciation	(4917)	(4560)	(3803)	(2913)	(2721)	(2716)	
SUB TOTAL	7919	3820	12840	2738	123	(533)	
Fixed Assets Total (Net)	51750	43831	40011	27171	24433	24310	

FIXED ASSETS (SUB-GROUPING TOTAL)

M.F.M.Y. INDUSTRIES LIMITED | Amount in '000' Rs.

ITEMS	1982 1983	1981 1982	1980 1981	1979 1980	1978 1979	1977 1978
Electrial Equipment and Tools	3370	3004	1385	1359	1319	1300
Additions	730	366	1618	26	40	19
Disposals	-	-	-	-	-	-
Depreciation	(1482)	(1253)	(1039)	(910)	(859)	(805)
Total(Prior year)	2618	2117	1964	475	500	514
Additions	-	730	366	1618	26	40
Disposals	-	-	-	-	-	-
Depreciation	-	(229)	(214)	(129)	(51)	(54)
SUB-TOTAL :	-	501	152	1489	(25)	(14)
Electrical Equipment and Tools (Current Year)	-	2618	2116	1964	475	500
Office Equipment and Furniture	2432	2136	1631	1364	1093	947
Additions	449	296	505	350	292	146
Disposals	(82)	-	-	(83)	(21)	-
Depreciation	(1410)	(1195)	(982)	(767)	(597)	(490)
Total (Prior year)	1389	1237	1154	864	767	603
Additions	-	449	296	505	350	292
Disposals	-	(82)	-	-	(83)	(21)
Depreciation	-	(215)	(213)	(215)	(170)	(106)
SUB-TOTAL	-	152	83	290	97	165
Office Equipment and Furniture Total (Current year)	-	1389	1237	1154	864	768

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FIXED ASSETS (SUB-GROUPING TOTAL)

M.P.M.Y INDUSTRIES LIMITED — Amount in '000'

ITEMS	1982 1983	1981 1982	1980 1981	1979 1980	1978 1979	1977 1978	1976 1977
Building	17114	14739	11167	9824	8311	7357	
Revaluation	170	170	170	170	170	170	
Additions	1561	2375	3572	1343	1513	954	
Disposal	-	-	-	-	-	-	
Depreciation	(8241)	(7063)	(5927)	(4929)	(4217)	(3576)	
Building Total (Prior year)	10604	10221	8982	6408	5777	4905	
Additions	-	1561	2375	3572	1343	1513	
Disposals	-	-	-	-	-	-	
Depreciation	-	(1178)	(1136)	(998)	(712)	(641)	
SUB-TOTAL	-	383	1239	2574	631	872	
Building Total (current year)		10604	10221	8982	6408	5777	
Plant and Machinery	58079	52737	41790	37775	36754	35690	
Revaluation	1930	1930	1930	1930	1930	1930	
Additions	10177	5342	10947	4015	1021	1064	
Disposals	-	-	-	-	-	-	
Depreciation	(33048)	(29754)	(26757)	(24295)	(22315)	(20397)	
Plant and Machinery Total (P/Y)	-	30255	27910	19425	17390	18287	
Additions	-	10177	5342	10947	4015	1021	
Disposals	-	-	-	-	-	-	
Depreciation	-	(3294)	(2997)	(2462)	(1980)	(1918)	
SUB TOTAL	-	6883	2345	8485	2035	(897)	
Plant and Machinery Total ((Current Year)	-	37138	30255	27910	19425	17390	

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PRIOR YEAR ADJUSTMENTS

M.F.M.Y. INDUSTRIES LIMITED

ITEMS	1982 1983	1981 1982	1980 1981	1979 1980	1978 1979	1977 1978	1976 1977
Expenses Relating to Prior Year	(126274)	-	-	-	-	-	-
Excess Provision for Taxation of Prior Year written back	580624	-	-	-	-	-	-
Gratuity Accrued	-	(1200288)	-	-	-	-	-
Under Provision of Import Duty	-	(34961)	-	-	-	-	-
Arrear Charges of Social Security	-	-	-	(46468)	-	-	-
Demurrage Refunded	-	-	19631	-	-	-	-
Adjustment in Respect of Export Rebate for Year Ended 30-09-1979 Previously Accounted on Cash Basis Now Accounted on Accrual Basis	-	-	-	148890	-	-	-
Others	-	-	12991	5000	8399	-	-
TOTAL:-	454350	(1235249)	6640	107422	8399	-	-

Appendix 10

WORKPLAN
(21-02-1985)
PROJECT DP/PAK/84/021 (PHASE-II)
UNIDO/IACP KARACHI (PAKISTAN)

Week No.	From - To	Activity Mr. Wood	Activity Mr. Hein
0.	17 to 21 February	Preparatory work (Together)	
1.	24 to 28 February	Desk research on textile industry and economic situation of Pakistan (Together)	
2.	03 to 07 March	Visit of plants in Karachi area (Together)	
3.	10 to 14 March	Diagnostics of selected plants in Karachi area (Separatedly)	
4.	17 to 21 March	Continued	
5.	24 to 28 March	Continued	
6.	31 March to 04 April	Travel to Punjab	Travel to Punjab
7.	07 to 11 April	Travel to Islamabad	Travel to Islamabad
8.	14 to 18 April	Mr. Wood writes preliminary report and visit institutions in Karachi	Mr. Hein visit institutions in Karachi
9.	21 to 25 April	Training sessions finance	Open
10.	28 Apr. to 02 May	Open	Open
11.	05 to 09 May	Mr. Wood to arrive in Vienna on 9-5-85	Open
12.	12 to 16 May	--	Mr. Hein writes preliminary report
13.	19 to 23 May	--	Training sessions marketing
14.	26 to 30 May	--	Open
15.	02 to 06 June	--	Mr. Hein to arrive in Vienna on 06-06-1985

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Appendix 11

Week No.	Period Covered	Activity per Original Plan (dtd 20-02)	Activity per First Revision (dtd 21-02)	Activity per Second Revision (dtd 14-03)	Comments re Second Revision
1.	17-21 FEB	Preparatory Work.	Preparatory Work.	Preparatory Work.	Same; see Note a.
2.	24-28 FEB	Desk Research, Textile Industry and PAK Economy.	Desk Research, Textile Industry and PAK Economy.	Desk Research, Textile Industry and PAK Economy.	Same; see Note b.
3.	03-07 MAR	Field Visits, Plants in Karachi Area.	Field Visits, Plants in Karachi Area.	Field Visits, Plants in Karachi Area.	Extended; see Not c.
4.	10-14 MAR	Visits to Institutions in Karachi; NLT 14-03 choose diagnostic site.	Diagnostic in selected plant/s in Karachi area.	Diagnostic in selected plant/s in Karachi area.	Delayed. No site made available. S Note d.
5.	17-21 MAR	Travel to Punjab Province.	Continue Diagnostic.	Diagnostic Continued.	Delayed. No site made available.
6.	24-28 MAR	Begin diagnostic in selected plant/s Karachi area.	Continue Diagnostic.	Diagnostic Continued.	Diagnostic initiated. See Note e.
7.	31 MAR-04 APR	Continue Diagnostic.	Travel to Punjab Prov.	Travel to Punjab Prov.	Cancelled. Contin Diagnostic.
8.	07-11 APR	Continue Diagnostic.	Travel to Islamabad.	Visits to Institutions in Karachi.	Cancelled. Prepar Case Studies. See Note f.
9.	14-18 APR	Draft Report: Financial Consultant.	Draft Report: Financial Consultant.	Travel to Islamabad.	Cancelled. Begin Draft Report: FC.
10.	21-25 APR	Training Sessions in Form of Seminar/s.	Training Sessions in Form of Seminar/s.	Draft Report: Financial Consultant.	Complete Draft Re Send by Pouch 24-
11.	28 APR-02 MAY	Open.	Open.	Training Sessions in Form of Seminar/s.	Set-up Continuing Training for Coun part. See Note g.
12.	05-09 MAY	Completion of Financial Consultant's Assignment.	Completion of Financial Consultant's Assignment.	Completion of Financial Consultant's Assignment.	Training Sessions Form of Seminars Completion of FC' Assignment. See N h.

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Notes to Workplan

NOTES REFERENCE	NOTE COMMENT
a.	The preparatory work consisted primarily of the preparation of the Workplan in consultation with the Project Director. Also included was the initial orientation, moving into and setting-up the office facilities provided and in securing unaccompanied and lost baggage.
b.	For the financial consultant the desk research was primarily reviewing financial statements(Annual Reports) of selected textile companies (Public Limited but in reality closely held) and in absorbing the institutional and regulatory infrastructure of Pakistan, See Appendix 13.
c.	The planned period for the field visits extended through 12-03 owing to an inability to secure appointments with the companies. See Appendix 7.
d.	No reason or cause for the delay available. The time was well spent however in the preparation of training documents for the IACP counterpart.
e.	The diagnostic activity was somewhat erratic. After an initial meeting with the company Chairman it required considerable effort to secure additional appointments (the telephone was an impossible tool and it was necessary to resort to the use of telexes). A Case Study is presented at Appendix 8 C.
f.	During the period of weeks four and five the consultant responded to the request of one particular company visited during the activity of week four (spill-over) in ~~reviewing and analysing~~ the business system needs of that company. The IACP counterpart was unfortunately unavailable for this work as it occured during the weekends (fridays and saturdays). The result of the activity is included at Appendix 8 A. Additionally there is the possibility of future on the job training for the IACP counterpart at this company. See Appendix 20 and Section III., D., of the Draft Report.
g.	With reference to the above, Note f., and the noted Appendices therein, the consultant also pursued a request from another of the company's included in the field visits at week three. From this has emerged a program wherein the consultant will establish the framework for the development of an integrated business system within the concerned company and the IACP counterpart will be available and able to work with the company in the implementation of these systems upon the departure of the consultant.
h.	The Project Director will upon his return from an official trip undertake to organise his staff for the presentation of financially oriented seminars. It has been agreed that there will be two of these; the first to establish the framework of financial/operational consultancy and the second to explore specific areas of interest based upon the feedback from the staff members following the first seminar.

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Appendix 12

Assessment of IACP In-House Library Facilities

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The Consultant undertook to review the books in the IACP library with a view to establishing the availability of a full range of up-to-date reference works for the training and use by the IACP staff (with particular reference to the IACP financial staff). As can be seen from the attached listing, the books available are quite old and the scope of the books available for financial consultancy (on an industrial basis) is severely limited.

A complete review of the library facility should be undertaken (possibly in coordination with the Institute of Business Administration, University of Karachi) and a selection of late edition accounting (general, cost and managerial), operations research, MIS, financial planning/analysis, budgeting and auditing (financial, operational and EDP) books should be made and periodically updated.

Sl. No.	Name of Book	Author	Edition
1.	Layout Planning Techniques	Jhon. R. Immer	1950
2.	Operational Research, '75	K.B. Haley	1976
3.	Program Budgeting	David Noyick	1967
4.	Capital Investment Appraisal	Jan W. Harrison	1973
5	Financial Reporting Practices	Kh. Amjad Saeed	1971 - II
6.	Investment Analysis & Management	John W. Bowyer	1972 - [illegible]
7.	A Quantitative Framework for Financial Management	D.E. Peterson	1969
8.	Capital Budgeting (Long Term Assets Selection)	Jerome S. Osteryoung	—
9.	Basic Business Finance (Text & Cases)	Pearson Hunt	1966 - III
10.	Financial Management	Robert W. Johnson	1966 - III
11.	Management Accounting Approach	Don Hellriegel. John W. Slocum	1974
12.	Finance for the Non-Accounting	L.E. Rockley	1970-76-97-III
13.	Management Accounting Principles	Robert N. Anthony	1965
14.	Discounted Cash Flow	M.G. Wright	1975 - II
15.	A Prime on Budgeting	C. Oliver Wellington	1949
16.	Financial Management Hand Book	(Gower Press)	1972
17.	Co-operative Management & Administration	(Kunding-Geneva)	1960
18.	International Financial Management	Charles N. Henning	1978
19.	Economic & Financial Analysis of Capital Investment	G.T. Stevens, Jr.	1979
20.	Managerial Accounting	Harold Bierman, Jr.	1972
21.	Management Control Systems (Cases and Reading)	Robert N. Anthony & John Dearden	1965
22.	Management for Business & Industry	Claude S. George Jr.	1954

(2)

No. Sl.	Name of Book	Author	Edition
23.	Management System Working Concepter & Practices	Adrian M. Mc Donough & Leonard J. Garrett	1965
24.	The Management Process (Theory, Research & Practice)	John B. Miner	1973
25.	Business Administration (Int. to Manag. App.)	Arthur M. Weimer	1966 -III
26.	Principles of Personnel Management	Edwin B. Flippo	1966 - II
27.	International Hand Book of Management	Karl E. Ettinges	1965
28.	Bettes Management	George A. Melanson	-
29.	Problems in Marketing Research	H.C. Barksdale	1963
30.	Int. to Business American Enterprises in action	Theodore J. Sielaff	1961
31.	Inventory of Training Possibities in Europe	-	-
32.	A Concept of Agribusiness	John H. Davis	1957
33.	Practical Financial Statement Analysis	Roy A. Foulke	1972 -VI
34.	Hand Book of Personnel Management & Labor Relation	Dale Yoder	1958
35.	Policy Formulation & Administration	George Albert Smith Jr.	1955
36.	Management Can be Human	Harvey Stowers	-
37.	Organizational Behavior & Management	Donald E. Porter	1968
38.	Hand Book of Modern Personnel Administration	Joseph J. Famularo	-
39.	Consumer and Commercial Credit Management	Robert. H. Cole.	1968
40.	Management Training in Pakistan	Irshad H. Khan	-

(3)

Sl. No.	Name of Book	Author	Edition
41.	The Administration	Glover & Howes	1957 III
42.	Marketing Financial Services	Colin McIver & Geoffrey Naylor	1980
43.	Higher Management Control	T.G. Rose	—
44.	Management Development	National Productivity of India	—
45.	Policy Making & Executive Action	Thomes J. Mc.Nichols	1959
46.	Management & the Worker	F.J. Roethlisberger	1939
47.	Behind the Executive Mask.	Alfred J. Marrow	1964
48.	Education for Business in a Developing Society	Amar N. Agarwala	1969
49.	Investor Relations The Co. & its Owners. (American Management Association)	(American Management Association)	1963
50.	Management of the Personal Selling Function	Charles S. Coodman	
51.	Corporate Administration in Pak.	Ghulam M. Kherati	1976
52.	Comparative Marketing	Robert Bartels	1963
53.	Purchasing & Materials Management	Lamer Lec Jr.	1974
54.	Financial Ratios Analysis & Prediction	M. Tamari	1978
55.	Administrative System Management	Pemberton & Gibson	1968
56.	Management in Perspective	Schlender, Scott, Filley	1965
57.	Times Study Manual	Norbert Lloyd Enrick	1960
58.	Management on the Industrial World	Harbison & Myers	1959
59.	Administrative Intelligence Information System	Preston P. Le Breton	1969

(4)

Sl. No.	Name of Book	Author	Edition
60.	Management in Industry	Claude . S. George Jr.	
61.	Operational Research 78	K.B. Haley	1978
62.	Fundamentals of Industrial Management	Alfred H. Bornemann	1963
63.	Industrial Economics Theory & Evidence	Donald A. Hay & Derek	1979
64.	The Theory & Management of System	Johnson, Karl & Rosenzweig	1963
65.	Introduction to Industrial Management	Franklin E. Folts	1954
66.	Management for Modern Families	Gross & Grandall	
67.	Hand Book of Industrial Engineering & Management	William Grant Lreson	1955
68.	Hand Book of International Marketing	Alexander O. Stanley	1963
69.	Introduction to Export Market Research	ITC UNCTAD/GATT	1970
70.	Principles of Management	VOICH-Wrer	1968
71.	Introduction to Business	Paul. G. Hustings	1968
72.	Financial Management An Analytical Approach	J. Robert Lindsay	1967
73.	Principles of Management A Modern Approach	Henry H. Albers	1961
74.	Financial Analysis Principles & Procedures	Jerry A. Viscione	1977
75.	Marketing Management A Behavioral Systems Approach	George A. Field	1966
76.	Marketing & Advertising	Hector Loza	1961

(5)

Sl. No.	Name of Book	Author	Edition
77.	The Marketing Process	Manley Howe Jones	1965
78.	Office & Administrative Management	C.L. Littlefield	1965
79.	Marketing & Society (Text & Cases)	Ronaled R. Gist	1971
80.	Marketing Management & Information	Joseph W. Newman	1967
81.	Marketing Principles. Broadened Concept	William G. Nickels	1978
82.	Marketing Management Information System	Petrocelli	1977
83.	Development of Markets for new Materials	E. Raymond Corey	1956
84.	Managerial Introduction to Marketing	Thomas A. Staudt -	1965
85.	Quantitive Analysis of Financial Decisions	James C.T. MAO	1969
86.	Management of Public Enterprises in Pakistan	Dr. Anwar H. Siddiqui	1979
87.	How to Apply Strategy in Profit Planning	B.H. Walley	1971
88.	Buying Behavior & Marketing Decision	Chester R. Wasson	1968
89.	Motion & Time Study Design & Measurement of Work	Ralph M. Burnes	1937
90.	The Income Tax Ordinance 1979 (Amended & upto date 1984-85)		1985
91.	The Companies Ordinance 1984		XLVII of 1984
91.	The Companies Oridinance1984-85 (With Rules Amendment upto date)		XLVII of 1984
92.	Complete Income Tax Law	S.A. Salam	1984-85

Sl. No.	Name of Book	Author	Edition
93.	Management Cases in Pakistan	Leon C. Megginson	1969
94.	Managers for Small Industry	Joseph E. Steponek	1960
95.		Leone Amm Heuer	1966
96.	Project Management in Asian Development	APO	1979
97.	Management Survey	Management Association of Pakistan	1976

Appendix 13

Assessment of Regulatory Institutions

It became necessary to review and assess the institutional infrastructure with relation to business organisation and financial and accounting standards. To that end, the following books were acquired and are now the property of the IACP library:

The Companies Ordinance 1984-85, 1984 Edition. With particular reference to the "Fourth Schedule", Requirements as to Balance Sheet and Profit and Loss Account of Listed Companies and to the "Fifth Schedule", Requirements as to Balance Sheet and Profit and Loss Account of Non-Listed Companies.

The Income Tax Ordinance, 1979. 1982-83 Edition with Notes, Circulars, Letters, Notifications, Rules and Self Assessment Scheme.

The Monopolies and Restrictive Trade Practices (Control and Prevention) Ordinance, 1970 with Monopoly Control Authority Rules, 1971. 1981-82 Edition, as amended.

Securities & Exchange Ordinance, 1969 with Securities & Exchange Rules, 1971. 1985, 2d Edition.

The Pakistan Code, Ministry of Law and Parliamentary Affairs (Law Division) Volume XIV. 1961-62 (inclusive) modified to 15-05-1966.

The Pakistan Code, Ministry of Law and Parliamentary Affairs (Law Division) Volume XVI. 1966, as amended through 31-12-67.

NOTE: Volumes XIV and XVI of the Pakistan Code refer to enabling legislation concerning the Institute of Chartered Accountants and the Institute of Cost and Management Accountants. As a matter of course both of these Institutions were visited by the Consultant.

Assessment of Regulatory Institutions (continued)

Overall the accountancy profession in Pakistan is weak (this is made as an observation not as an empirical truth...but the Consultant has interviewed not only the accounting department staff at the Companies he has visited and worked with but also a wide cross-section of the international community (business and international agency representatives) and the corroborative evidence seems conclusive.

One method of improving the standard of accountancy, financial planning and integrated business systems in general is to force it to do so in order to comply with the rigorous regulatory reporting requirements of the government. To do this would obviously require that the government agencies in question would have sufficient professional resources to undertake the enforcement. It is here perhaps that UNIDO assistance may be sought in training these professional staff.

In general the existing regulations, as cited, are poorly written and presented and do not provide sufficient information. For instance, The Income Tax Ordinance should be more closely modeled on the Master Tax Guide as published by Publishers Clearing House (USA).

It is the opinion of the Consultant that in the absence of a well designed business (and by this I refer to finance in all of its aspects) regulatory system the practicing standard has little reason to improve.

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Appendix 14

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ANNUAL REPORTS REVIEWED & ANALYSED(2)

Company	Date of Report(1)
Mohammad Farooq Textile Mills Limited	09-1983
Nakshbandi Industries Limited	09-1983
Sabcos Limited	06-1984(3)
Jubilee Spinning & Weaving Mills Limited	09-1983
Alif Textile Industries Limited	06-1984
Elite Textile Mills Limited	09-1983
Sapphire Textile Mills Limited	09-1983
Oewan Textile Mills Limited	09-1983
Adamjee Industries Limited	09-1983
Fazal Textile Mills Limited	09-1983
The Burewala Textile Mills Limited	09-1983
Globe Textile Mills (OE) Limited	09-1983
Central Cotton Mills Limited	09-1983
The Crescent Textile Mills Limited	09-1983

Footnotes:

(1) Represents fiscal year ending as of last day of month listed.

(2) No fiscal year 1983-84 results and annual reports were published or available (exception: Alif Textile Industries Limited).

(3) Interim, unaudited.

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INVESTORS SERVICE REPORTS REVIWED & ANALYSED

Company [1]

Dewan Textile Mills

Chaudhry Textile Mills Limited

Mohammad Farooq Textile Mills Limited

Modern Textile Mills Limited

Star Textile Mills Limited

Kohinoor Spinning Mills Limited

Fazal Cloth Mills Limited

Husein Industries Limited

Alif Textile Industries Limited

Fathe Textile Mills Limited

Globe Textile Mills Limited

Nishat Mills Limited

Footnote:

(1) Data Reflected end 1st quarter, 1984 interim results & prospects.

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Appendix 15

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PROFILE FOR A JUNIOR FINANCIAL CONSULTANT: IACP.

I. Accounting and Educational Background

A. Experience to at least trial balance level if the candidate possesses an MBA (specialisation, Accounting).

B. Experience to at least senior auditor level if the candidate possesses a B.S., Business Administration (or equivalent) which includes core curricula in accounting.

II. Financial and Educational Background

A. Minimum of two years experience in commerce if the candidate possesses an MBA (specialisation, Finance).

B. Minimum of four years experience in commerce with a strong exposure to manufacturing cost-accounting if the candidate possesses a B.S., Business Administration (or equivalent) which includes core curricula in accounting and finance.

III. Systems Background

A. Core curricula in programming/analysis and MIS to include operations research.

B. Systems design experience (user orientation) in commerce with particular regard to budgeting and annual financial plan and the periodic analyses of variances and revisions to same.

IV. General/Other

A. Familiarity with integrated business systems oriented, financial analysis technique.

B. Age range: 26 to 30.

C. Commercial experience preferably with multinational company/industry and subsequent exposure to current business methodologies.

NOTE: Points I and II represent an either/or situation. Points III and IV are

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Appendix 16

PROFILE FOR A SENIOR FINANCIAL CONSULTANT: IACP;Along with Comments on the Role of the SCF.

I. The SCF should, when engaged, be an accomplished financial consultant fully versed in the techniques and tools of financial/operational consultancy, See Appendix 1. He should also, of course, have an excellent background in commerce in at least two but preferably three industrial sectors (this experience should have been within a multinational company context).

II. As Head of Department the SCF should interface frequently with other disciplinary Heads of Department within the IACP to ensure an integrated business systems approach to the problems of the IACP client (even if an existing client has only contracted for a single disciplinary consultancy service.....today's client may also become tomorrow's client).

The Senior Consultant of each IACP consultancy department should form the pool from which each client's project manager is chosen. If the project is a single discipline, then the Senior Consultant of that discipline should a priori be the Project Manager.

III. The SCF should be engaged prior to the JCFs so that he may have the opportunity to set criteria and to participate in the interviewing/selection process (as the key member).

Current IACP staff should be allowed to apply for JCF positions.

IV. If a suitable SCF is not available for permanent employment an appropriate search should be made through "International Agencies"; e.g., UNIDO, in order to establish the program. The objective being to train Pakistani Nationals in the role of JCF and to provide a SCF successor from these trainees.

CONSULTANT'S COMMENTS

A minimum of one year's training for JCF's possessing the qualifications at Appendix 15 would be necessary.

Appendix 17

Proposal for IACP Financial Consultancy Department

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Organisation Chart

Managing Director
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Financial Services
Department

Senior Financial
Consultant

Administrative
Assistant

Junior Financial
Consultant

Junior Financial
Consultant

Junior Financial
Consultant

I. One Senior Consultant (SCF) whose brief will be to manage the junior staff; e.g., supervise projects, give guidance and support advice to junior staff (while in the field), to provide training to junior staff while in the office and to edit all junior staff prepared final reports. Additionally the SCF's brief will include the responsibility to cost all projects(for IACP internal and external purposes) and to represent the Financial Services Department in all intra IACP departmental tasks; to represent the IACP in all inter/intra governmental financial tasks; to represent the IACP in all client relations tasks re financial services.

II. The three Junior Consultants (JCF) are to undertake field assignments (as set-up and supervised by the SCF.

NOTE: As with any staff it can be assumed that the educational and and professional experience background of one or more of the JCFs will enable him/them to work more independently while it may be necessary to lessen the load (temporarily) on one or more of the remaining JCFs. Thus, by example, one JCF may be capable of working one job independently (under the SCF's supervision) while it may be necessary to split the work load of a second job between the two remaining JCFs (under the SCF's supervision). Ideally you would want the JCF to develop to the point that he could undertake project assignments independently (with the supervision of the SCF.

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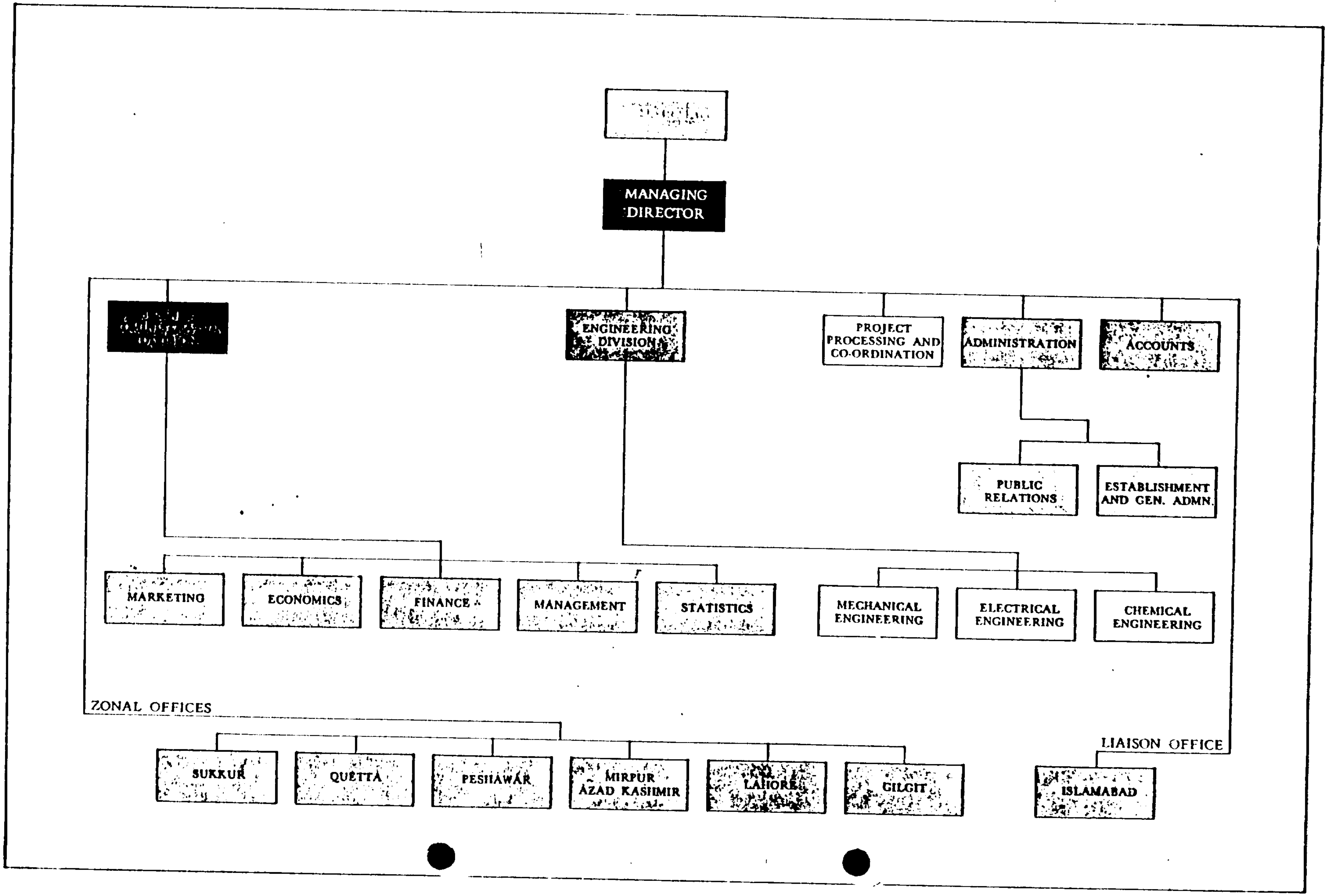
Appendix 18

IACP — Organization Chart



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Appendix 19

Name			Designation
1.	Mr.	Reza H. Syed	- Managing Director

MARKETING

2.	Mr.	Masooduddin Khan	- Sr. Mktg. and Mgt. Consultant
3.	"	S. Ali Baqar	- Marketing Consultant
4.	"	Mehmood Raza	- Marketing Consultant
5.	"	Shahin Imam.	- Marketing Analyst
6.	"	Khalil Ahmed	- Marketing Analyst
7.	"	Misbahur Rahman	- Marketing Analyst
8.	Miss	Zahida Brohi	- Asst. Marketing Analyst

ENGINEERING

9.	Mr.	Muhammad Irfan	- Engineering Consultant
10.	"	Abdul Wahab Memon	- Engineering Analyst
11.	"	S.K. Hussaini	- Engineering Analyst
12.	"	Iftikhar Ahmed Soomro	- Engineering Analyst
13.	"	Munawar Iqbal	- Asst. Engineering Analyst

FINANCE

14.	Mr.	Mahmood Shaukat Ansari	- Financial Consultant
15.	"	S. Murtuza Quadri	- Financial Analyst

ECONOMIC AND STATISTICS

16.	Mr.	S. Shahanshah Husain	- Economic Analyst
17.	"	Rashed Jawed	- Statistical Analyst
18.	"	Maudud Nasir Qureshi	- Analyst
19.	Miss	Monawar Sultana	- Economic Analyst
20.	Mr.	S. Hameeduddin	- Economic Analyst
21.	"	Talat-ul Wahid	- Statistical Analyst
22.	"	Mirza Shahnawaz Beg	- Economic Analyst
23.	"	Muhammad Iqbal Chundrigar	- Economic Analyst
24.	"	Zamir Ahmed Ansari	- Statistical Analyst
25.	"	S. Hasan Asad	- Economic Analyst
26.	"	S. Ahsan Ali	- Economic Analyst
27.	"	S.A. Bin Ashiq Rizvi	- Asst. Economic Analyst

PROJECT PROCESSING AND CO-ORDINATION

28.	Mr.	Nasiruddin Khan	- Project Co-ordination Officer

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Appendix 20

Proposal for IACP Internal Training: Finance

The proposal will be made in two stages. Stage 1 presupposes the adoption of the measures detailed at Appendices 15 and 16: In this case it would be the responsibility of the Senior Consultant to ensure the periodic updating not only of his junior's knowledge and technique but his own as well. This could be facilitated by subscription to a number of professional journals dealing with accountancy, finance, operations research, systems design et cetera. A second opportunity would be the use of the IBA, University of Karachi, and a third would be the Pakistan Institute of Management which will shortly begin offering course work(short courses) in MIS.

Stage 2 assumes that the current IACP financial staff will be responsible for undertaking financial consultancy roles. In this case it would in the Consultant's opinion be necessary to train the existing staff (by sponsoring them in attending the full B.B.A. (Hons.) Program at the IBA, University of Karachi) to at least the level indicated at Appendix 15.

There should, in addition to training in a strictly financial capacity, also be established a periodic combined training with all of the disciplines provided by IACP services. In other words, an interactive, multidisciplinary business training program should be established as a permanent feature of internal IACP organisation. To this end, a permanent staff could be considered.

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Appendix 21

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Listing of Government Agencies and Other Institutions Visited.

Ministry of Industries, Government of Pakistan (2 occasions in which discussions were held with senior civil servants).

Textile Industry Research and Development Centre, Federal Ministry of Industries (1 occasion in which a general discussion was held with the Director of the Centre).

All Pakistan Textile Mills Association (1 occasion in which regulatory affairs were discussed).

Experts Advisory Cell, Ministry of Production, Government of Pakistan (1 occasion in which a general discussion was held with one of the "experts" participating in the preparation of national accounts).

Ministry of Industries, Secretariat, Government of Pakistan (1 occasion in which a general discussion was held with the non-national planning advisor with regard to the governmental statistical data base as it relates to private sector industry).

International Executive Service Corps, Country Manager (2 occasions in which a general discussion was held concerning the feasibility of "executive" level consultancy services availability for government projects/co-sponsored with UNIDO and with private sector industry).

Export Processing Zones Authority (1 occasion in which a general discussion was held with regard to the establishment and objectives of the project were discussed).

Institute of Business Administration, University of Karachi (1 occasion in which the business curricula...and in particular the accounting and MIS subjects offered... and degree programs were discussed).

Pakistan Management Institute (1 occasion in which the availability of MIS courses was discussed).

Two Private International Banks (2 separate occasions in which general business conditions and the economy and status of the Karachi Stock Exchange were discussed)

Numerous informal conversations with international expatriates employed by private sector companies or on assignment for various international agencies during which general business conditions, infrastructure conditions and availability/efficiency of local country financial consultancy services were discussed.

Numerous informal conversations with Pakistani businessmen also concerning the subjects listed above.

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Appendix 22

GENERAL INFORMATION PROFILE
TEXTILE INDUSTRY PLANT VISITS
CTW; 01-03-85

Date: ____________.

1. Name, address, telephone and telex numbers for:
General Offices: ________________ Plant visited: ____________

2. General Manager: ______________________________.
Main contact/Position if different: ______________________.

3. Product lines:

	COTTON	WOOL	OTHER, specify
Yarn	___	___	___
Grey Fabric	___	___	___
Fine	___	___	___
Medium	___	___	___
Coarse	___	___	___
Bleached Fine	___	___	___
Medium	___	___	___
Coarse	___	___	___
Dyed/Printed Fine	___	___	___
Medium	___	___	___
Coarse	___	___	___

4. Company information: Organisation/ E, P, C, JV.
Date organised/ ______________________.
Company engages in/Manufacturing __________.
Trading ______________.
Other ______________.

5. Number of employees:

	Total Company	Plant Visited
Direct	___________.	___________.
Indirect	___________.	___________.

6. Size of business: Financial

Exports billed in currency___ __________.

Note: Indicate machine hours capacity and utilisation per month.

Domestic turnover__________.

Export turnover__________.

Machines (specify by type and number).

Looms__________.

Spindles__________.

Open-ended rotors__________.

Dyeing__________.

Bleaching__________.

Other__________.

7. For the preceeding five years indicate domestic and export sales; 1, as a percentage of total sales and 2, as a percentage of total yarn and fabric quantity:

	-5	-4	-3	-2	-1
Sales					
Domestic	____	____	____	____	____
Export	____	____	____	____	____
Quantity					
Domestic Yarn	____	____	____	____	____
Fabric	____	____	____	____	____
Export					
Yarn	____	____	____	____	____
Fabric	____	____	____	____	____

8. Source of raw materials (quantity) and (value):

Domestic

Quantity __________.

Value __________.

Imports

Quantity __________

Value __________.

9. Computer in use or planned (type..configuration)__________

__________.

What applications:__________.

10. Major problems experienced by company:

Notes(in expansion of preceeding points or other, specify):

Reference

Appendix 23

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Draft Notes and Comments for 1st Seminar presented to IACP staff on 25-04-85.

FIRST OF ALL LET ME SAY THAT I AM NO PUBLIC SPEAKER.

I PROPOSE THAT WE CONDUCT THIS GET-TOGETHER AS IF IT WERE A NORMAL BUSINESS MEETING.

THE SUBJECT IS FINANCIAL MANAGEMENT. I'LL BE HAPPY TO ENTERTAIN ANY QUESTIONS YOU MAY HAVE AFTER A FEW INTRODUCTORY REMARKS.

IT IS MY INTENT THAT THIS MEETING WILL BE THE FIRST OF TWO (OR MORE). THIS ONE I BELIEVE SHOULD DEAL IN THE FRAMEWORK OF FINANCIAL MANAGEMENT WITHIN THE CONTEXT OF AN INTEGRATED BUSINESS SYSTEM.

THE SECOND MEETING WILL DEPEND UPON YOU. IF YOU HAVE EITHER SPECIFIC OR GENERAL QUESTIONS AFTER TODAY'S DISCUSSION, I WANT TO HEAR FROM YOU; EITHER IN WRITTEN FORM OR SIMPLY BY COMING BY MY OFFICE. IT WILL BE ON THE BASIS OF THIS FEEDBACK THAT WE WILL PLAN OUR SECOND AND ANY SUBSEQUENT MEETINGS.

ADDITIONALLY, IF YOU HAVE QUESTIONS AS TO WHAT WE HAVE BEEN DOING DURING OUR BRIEF WORK IN PAKISTAN AND OUR FINDINGS I'LL BE HAPPY TO ADDRESS THOSE AS WELL.

ONE LAST THING BEFORE WE BEGIN. IN THE CONTEXT OF AN INTEGRATED BUSINESS SYSTEM, FINANCIAL MANAGEMENT CANNOT BE VERY MEANINGFUL WITHOUT A COMPETENT MARKETING PLAN.

ONE OF THE PRIMARY TASKS OF FINANCIAL MANAGEMENT IS TO QUANTIFY THE MARKETING PLAN. AND TO ANALYSE THE VARIANCES WHICH ARISE FROM THAT PLAN IN TERMS OF MARKETING, MANUFACTURING AND PURE FINANCIAL COSTS.

SINCE THE MARKETING PLAN IS SO PRIMARY TO BUSINESS, I'VE ASKED MR. HEIN TO BE HERE TODAY TO ESTABLISH THE BACKGROUND TO A SOUND MARKETING PLAN. SO, AFTER MY INTRODUCTION TO THE GENERAL FRAMEWORK OF FINANCIAL OPERATIONS (AN OUTLINE OF WHICH YOU'VE ALL BEEN PROVIDED), I'LL ASK MR. HEIN TO SPEAK.

PLEASE FEEL FREE TO ASK QUESTIONS WHEN YOU WISH.

OUR PURPOSE IN BEING HERE, MEANING THIS JOINT UNIDO-IACP PROJECT IS TO DEVELOP AN INDUSTRIAL/COMMERCIAL CONSULTANCY CAPACITY WITHIN THE IACP.

IN TERMS OF A FINANCIAL CONSULTANCY CAPACITY IN AN INDUSTRAIL AND COMMERCIAL ENVIRONMENT, THE DIAGRAM I'VE PROVIDED GIVES AN OVERVIEW OF THE VARIETY OF DISCIPLINES INVOLVED. TO BE A FINANCIAL CONSULTANT YOU SHOULD HAVE AT A MINIMUM A GOOD COMMAND OF THEM ALL AND A SPECIALISED LEVEL OF EXPERTISE IN AT LEAST THREE.

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HERE FOLLOWS A POINT BY POINT REVIEW, EXPLANATION AND DEFINITION OF INTERRELATIONSHIP OF THE ITEMS ON THE ATTACHED OUTLINE DOCUMENT, <u>GENERAL FRAMEWORK OF FINANCIAL OPERATIONS</u>.

****

THE STATUS OF THE COMPANIES WE'VE EITHER VISITED OR WORKED WITH HERE IN PAKISTAN CONTAINS, LIKE MOST THINGS IN THE WORLD, BOTH <u>GOOD</u> AND <u>BAD</u> NEWS.

THE <u>BAD</u> NEWS FIRST: GENERAL ACCOUNTING IS THE STRONGEST ELEMENT OF THE COMPANIES FINANCIAL STRENGTH (SYSTEMS STRENGTH). AND IN MY JUDGEMENT THE GENERAL ACCOUNTING SYSTEMS ARE <u>POOR</u>. THERE ARE TIME GAPS IN RECORDING INFORMATION, HENCE THERE IS IMPROPER MATCHING OF INCOME AND EXPENSE. THE BOOKS OF RECORD ARE KEPT BY HAND AND ARE NOT PARTICULARLY LEGIBLE. THERE WERE NO PUBLISHED CHARTS OF ACCOUNT. THE GENERAL LEDGER WAS TYPICALLY SPLIT INTO SEVERAL DIFFERENT LEDGERS AND THERE WAS NO CONSOLIDATION. THE TRIAL BALANCE MUST HAVE BEEN HELL TO PULL.

COST ACCOUNTING IS ALMOST NON-EXISTENT. THE DEVELOPMENT OF COST CENTRES IS RUDIMENTARY. THERE WAS NEITHER STANDARD NOR BATCH NOR CONTRACT COSTING SYSTEMS IN EVIDENCE. IT WOULD APPEAR THAT <u>COSTING</u> WAS AND IS A YEAR-END AFFAIR; viz., IF PROFITS ARE TOO LOW, INCREASE THE MARK-UP.

MARKETING PLANS DO NOT EXIST. NOR DOES THERE APPEAR TO BE A PRICING POLICY IN EXISTENCE (BUT AS SALES ALWAYS APPEAR AS NET WITHOUT REFERENCE TO DISCOUNTS OR OTHER DEDUCTIONS IT IS IMPOSSIBLE TO TELL...AND NO ONE ELSE WAS TELLING).

MANUFACTURING PLANS DO NOT EXIST. IT IS ALMOST AS IF IT IS ON A CONTRACT BY CONTRACT BASIS...OR JUST RUN THE MACHINES AT TWO OR THREE SHIFT CAPACITY AND WE'LL SHIFT THE INVENTORY SOMEHOW.

MATERIALS REQUIREMENTS PLANNING DOES NOT EXIST.

INVENTORY CONTROL DOES NOT EXIST.

FINANCIAL PLANNING AND ANALYSIS DO NOT EXIST.

INTERNAL AUDITING DOES NOT EXIST.

BUDGETING, LET ALONE RESPONSIBILITY BUDGETING, DOES NOT EXIST.

THE TREASURY FUNCTION, PARTICULARLY CASH FLOW ANALYSIS, DOES NOT EXIST.

AND PERHAPS SADEST OF ALL, THERE IS LITTLE OR NO MIS COMPREHENSION, EITHER MANUAL OR AUTOMATED.

ONE LAST BIT OF BAD NEWS, THE PUBLIC ACCOUNTING INDUSTRY ALSO APPEARS TO BE WEAK.

THE <u>GOOD</u> NEWS: THERE IS PLENTY OF WORK TO BE DONE FOR THE PROFESSIONAL FINANCIAL FINANCIAL CONSULTANT.

I'M CONVINCED THAT THERE IS A MARKET FOR PROFESSIONAL CONSULTANCY HERE IN PAKISTAN. THIS PROJECT HAS HAD FIRST HAND EXPERIENCE OF COMPANIES REQUESTING OUR ASSISTANCE.

THE REQUESTING COMPANIES WERE REPRESENTED BY THE SECOND GENERATION OF MANAGERS (BUT LET'S BE FAIR AND CALL THEM THE SECOND GENERATION FAMILY MEMBERS RUNNING THESE COMPANIES. ALL OF THE COMPANIES WE'VE EITHER VISITED OR WORKED WITH ARE EITHER PRIVATE LIMITED OR CLOSELY HELD PUBLIC LIMITED COMPANIES).

THE POINT IS THOUGH THAT THE SECOND GENERATION IS AWARE OF THE ORGANISATIONAL DEFICIENCIES AND SEEMS ANXIOUS TO ADOPT NEWER METHODOLOGIES. THE IACP MUST DEVELOP ITS CAPABILITIES TO MEET THE DEMAND.

IACP

Subject and comments for 2d Seminar presented to IACP staff on 02-05-85.

The IACP staff feedback from the 1st Seminar requested additional information on: 1.) Internal Rate of Return, 2.) Discounted Cash Flow and 3.) Sensitivity Analysis.

It seemed apparent that the knowledge and expressed interest on the part of the IACP staff in the three subjects cited centered on there application to feasibility and pre-feasibility studies. The Consultant's role within the context of this Project is to assist in the development of industrial/commercial financial consultancy capability. To that end the Consultant undertook to examine the applications of the above three subjects in the context of an on-going business concern and to examine the underlying assumptions (endogenous and exogenous) which form the base data in the utilisation of the three concepts.

IACP

Subject and comments for 3d Seminar presented to IACP Staff 06-05-85.

The IACP staff feedback following the 2d Seminar expressed interest in a review of the findings and recommendations with regard to the diagnostic and other field work executed during the course of the Project and a decided interest in the techniques and methodologies used in the course of the work by which problems were discovered and solutions proposed.

The Consultant utilised Appendix 2 as the basis for describing the identification of problems at the first layer of diagnostic investigatory procedure. As has been previously stated, it is the opinion of the Consultant that the professional experience level of the IACP staff is insufficient even at this first layer level. This opinion was expressed during the course of the "seminar" by stressing the necessity to have a control over the basics of business methodology/ies.

IACP

Subject and Comments for 4th Seminar presented to IACP Staff 07-05-85.

In essence, a continuation of the 3d Seminar with particular emphasis on the value to companies (within the context of those companies and their problems as identified by the Consultant during the course of the Project) of the mere identification of "first layer" business systems deficiencies. The implementation of solutions to these problems is, in the opinion of the Consultant, beyond the current capabilities of the IACP staff members. Appendix 2 was again the basis of the presentation.