

# PROJECT ON

## Study of Cost and Margin of Profit in Britannia Biscuits



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**PROJECT REPORT**  
**ON**  
**Study of Cost and Margin of Profit in Britannia Biscuits**



**SUBMITTED TO**  
**CENTRE FOR AGRIBUSINESS MANAGEMENT**  
**FACULTY OF AGRICULTURE**  
**BIRSA AGRICULTURAL UNIVERSITY**  
**RANCHI (JHARKHAND)**

**BY**

***MANISH KUMAR***

**IN PARTIAL FULFILMENT OF THE REQUIREMENTS**  
**FOR THE DEGREE OF**  
**MASTER OF BUSINESS ADMINISTRATION IN**  
**AGRIBUSINESS**

**Regd. No: - MBA/BAU/ 4021 /10**

**2012**



**CENTRE FOR AGRIBUSINESS MANAGEMENT  
FACULTY OF AGRICULTURE  
BIRSA AGRICULTURAL UNIVERSITY  
RANCHI – 834006 (JHARKHAND)**

**CERTIFICATE**

*This is to certify that the work recorded in the project report entitled “**Study of Cost and Margin of Profit in Britannia Biscuits**” submitted in partial fulfillment of the requirements for the degree of **MASTER OF BUSINESS ADMINISTRATION IN AGRIBUSINESS** of the Faculty of Post-Graduate Studies, Birsa Agricultural University, Ranchi (Jharkhand) is the record of the bona fide project work carried out by **Mr. MANISH KUMAR** under my guidance and supervision. No part of the report has been submitted for any other Degree or Diploma.*

*It is further certified that such helps or information received during the course of this investigation and preparation of the report have been duly acknowledged.*

**ENDORSED**

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Dr. R. P. Singh  
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*(Certificate of the Advisory Committee members and Endorsement of Dean, Agriculture)*

**CERTIFICATE**

I, the undersigned, as Major Advisor of the student for the Degree of **MASTER OF BUSINESS ADMINISTRATION IN AGRIBUSINESS** have gone through the manuscript of the report and agree that the project entitled **“Study of Cost and Margin of Profit in Britannia Biscuits”** may be submitted by **Mr. MANISH KUMAR** in partial fulfillment of the requirements for the Degree.

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*(Certificate of approval by the Chairman of the Advisory Committee and External Examiner)*

**C E R T I F I C A T E**

This is to certify that the work recorded in this report entitled “**Study of Cost and Margin of Profit in Britannia Biscuits**” Submitted by **Mr. MANISH KUMAR** in partial fulfillment of the requirements for the Degree of **MASTER OF BUSINESS ADMINISTRATION IN AGRIBUSINESS** of the Faculty of Agriculture, Birsa Agricultural University, Ranchi (Jharkhand) was examined and approved on .....2012.

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Above all I bow down my head and offer my heartfelt devotion to the "Almighty God" for his sacred blessings and enlightenment in my life.

*Dedicated*  
*To*  
*My*  
*Beloved*  
*Parents*

*(MR. PRAKASH PANDIT*

*&*

*MRS. USHA DEVI)*

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## **ABSTRACT**

The study entitled “Study of Cost and margin of profit in Britannia biscuits” was conducted at Kolkata, West Bengal. The objectives were to study cost of different types of biscuits, margin of profit as well as method of storage of these products. The study revealed that prime cost was the major cost shared nearly 77% of total cost followed by overhead cost and other administrative cost. It was further found that in “good-day” Britannia biscuit, cost of production per 100 gram packet was nearly Rs 11.30. Similarly in case of “nice-time” Britannia biscuit, cost of production per 100 gram was estimated to be nearly Rs 9.00. In case of “50-50” Britannia biscuit, the cost of production was estimated to be approximately Rs 9.00. The margin of profit in “50-50” was nearly 11 %, while in case of “good-day” and “nice time” the profit margin was nearly 15% and 13 % respectively. It was also found that the material and product were stored in A.C and non A.C godown. The handling of material was done by human labour.



*Chapter-1*  
*Introduction*

## **INTRODUCTION**

The company was established in 1892, with an investment of Rs. 295. Initially, biscuits were manufactured in a small house in central Kolkata. Later, the enterprise was acquired by the Gupta brothers mainly Nalin Chandra Gupta, a renowned attorney, and operated under the name of "V.S. Brothers." In 1918, C.H. Holmes, an English businessman in Kolkata, was taken on as a partner and The Britannia Biscuit Company Limited (BBCo) was launched. The Mumbai factory was set up in 1924 and Peek Freans UK, acquired a controlling interest in BBCo. Biscuit was in big demand during World War II, which gave a boost to the company's sales. The company name finally was changed to the current "Britannia Industries Limited" in 1979. In 1982 the American company Nabisco Brands, Inc. became a major foreign shareholder.

### **The 'Biscuit King'**

Kerala businessman K. Rajan Pillai secured control of the group in the late 1980s, becoming known in India as the 'Biscuit King'.

### **Growth and profitability**

The company is growing at a steady rate, and is currently profitable. Between 1998 and 2001, the company's sales grew at a compound annual rate of 16% against the market, and operating profits reached 18%. More recently, the company has been growing at 27% a year, compared to the industry's growth rate of 20%.

At present, 90% of Britannia's annual revenue of Rs2,200 crore comes from biscuits.

Britannia is one of India's 100 Most Trusted brands listed in The Brand Trust Report.

The company's factories have an annual capacity of 433,000 tones. The brand names of biscuits include Vita Marie-Gold, Tiger, Nutrichoice Junior, Good day, 50 50, Treat, Pure Magic, Milk Bikis, Good Morning, Bourbon, Thin Arrowroot, Nice time, Little Heart and many more. Tiger, the mass market brand, realized \$150.75 million in sales including exports to countries including the U.S. and Australia, or 20% of Britannia revenues in 2006.

Purchasing and procurement are common functions in almost all organization, purchasing implies the act of exchange of goods and services for money, whereas procurement is a generic term with a wider connotation for the total responsibility of acquiring goods and services. Material management is almost always concerned with economic decision problem where there are two opposite forces at work. Often two different kinds of costs were have to be balanced, one against the other if a particular problem is to be solved. Purchasing is both art and science it is science because there are certain basic principles of purchasing. The application of these principles when put into practice, makes the art of purchasing an interesting job. Every purchaser should, therefore acquaint himself with these basic principles and apply them to his job.

Britannia Industries Limited (BIL), since its inception had been mainly involved in the manufacture of biscuits, which contributed around 85% of its revenues (1997). The biggest problem then, for the 80-year-old BIL was that its name was strongly associated by customers with biscuits (or more broadly bakery products). With the de-reservation of biscuits from the small sector and commoditization of the Rs 3500 crore biscuit market, coupled with cut throat competition after the entry of multinationals and stagnating net profits, BIL looked for a fresher approach to survive and prosper BIL realized that it would have to scale

up its marketing strategy in its main line of business and in addition tap new food categories to grow. One reason why BIL seemed to have broken late was that the company didn't have a proper parent until the French food and beverages major, DANONE, acquired RJR Nabisco's holding in the company BIL seemed to have realized that the time had come to change the rules of the game. It crafted a makeover plan to diversify into new but related areas, and at the same time consolidate and improve its core business, biscuits.

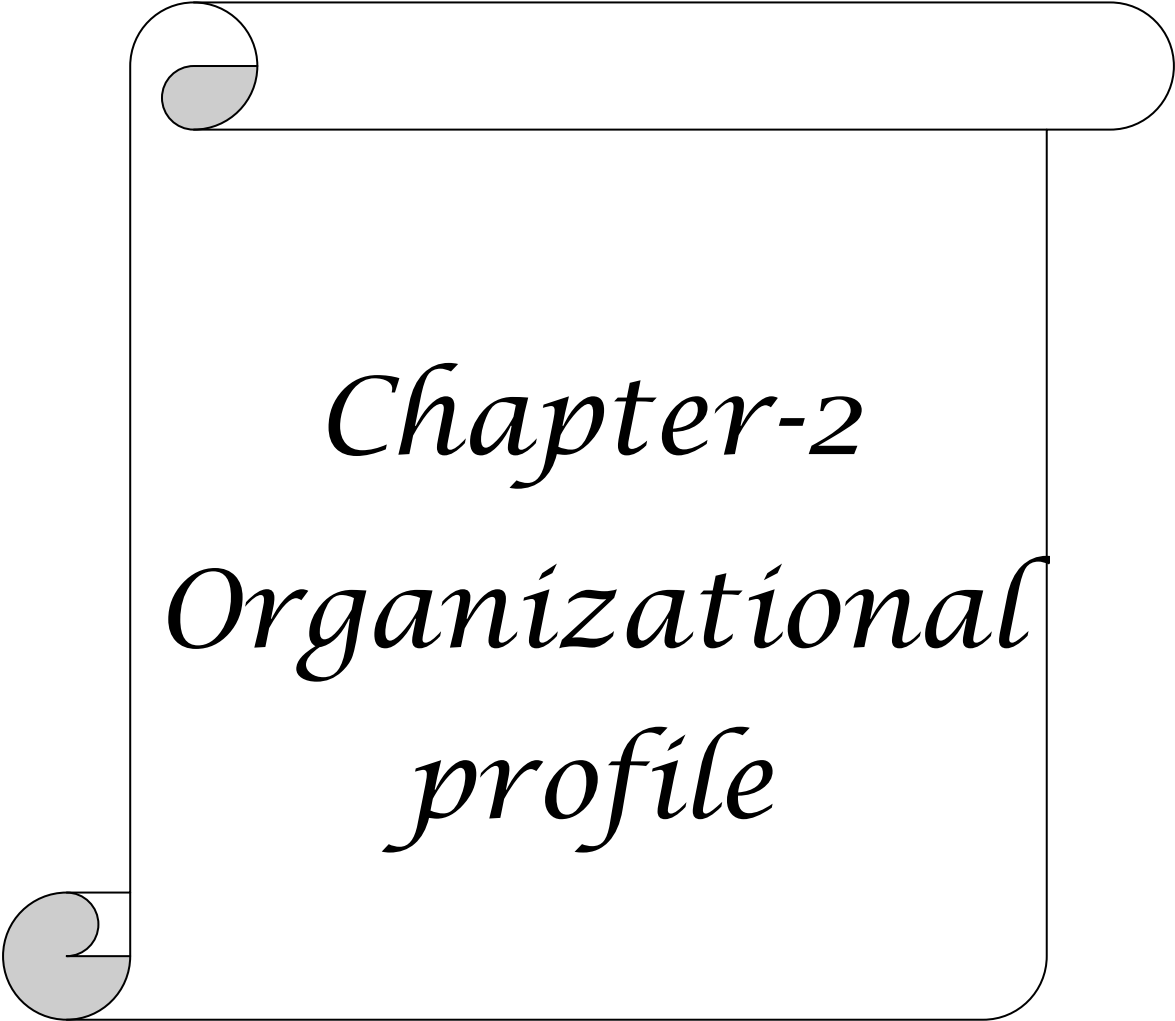
Managers rely on cost accounting to provide an idea of the actual expenses of processes, departments, operations or product which is the foundation of their budget, allowing them to analyze fluctuation and the way funds are used socially for profit. It is used in management accounting, where managers justify the ability to cut expenses for a company in order to increase that company's profit. As a tool for internal use, versus a tool for external users like financial accounting, cost accounting does not need to follow the GAAP standards (Generally Accepted Accounting Principles) because its use is more pragmatic. It creates a financial value out of the production of a product, measuring currency that is nominal into units that are measured by convention. By taking recorded historic costs a bit further, it allocates a company's fixed costs over a specific time period to what items are actually produced during that period of time, creating a total cost of product production. Products that were not sold during that period of time produced a "full cost" of those products, recording them in a complex inventory system that uses accounting methods of its own that are in compliance with the GAAP standards. Managers are then able to focus on each period's results as it relates to the "standard cost" of any product. Any distortions in expenses that were caused by calculating what the

overhead of a product is versus what a unit cost is for companies that specialize in only one specific product are very minor in industries that mass produce that product with a low fixed one. Understanding why it varies compared to what was actually planned helps a manager to save company money by taking actions that are appropriate to correct that variation in the future. Variance analysis is a very important part of cost accounting because it breaks down each variance into many different components of standard and actual one. Some of these components are material expenses variation, volume variation and labor expenses variation. It is a very important part of the management accounting process. In order for managers to determine the best methods to increase a company's profitability, as well as saving company money in the future, cost accounting is a necessary system in the management of a company's budget, providing important data to analyze fluctuation in company production expenses.

An attempt has been made to study of cost and margin of profit in Britannia Biscuits.

The detailed objectives are as follows:-

- To study cost of different types of biscuits prepared by Britannia Industries Ltd.
- To study Margin of Profit in different types of biscuits.
- To study different types of storage used in storing biscuits and materials.



*Chapter-2*  
*Organizational*  
*profile*

# ORGANIZATIONAL PROFILE

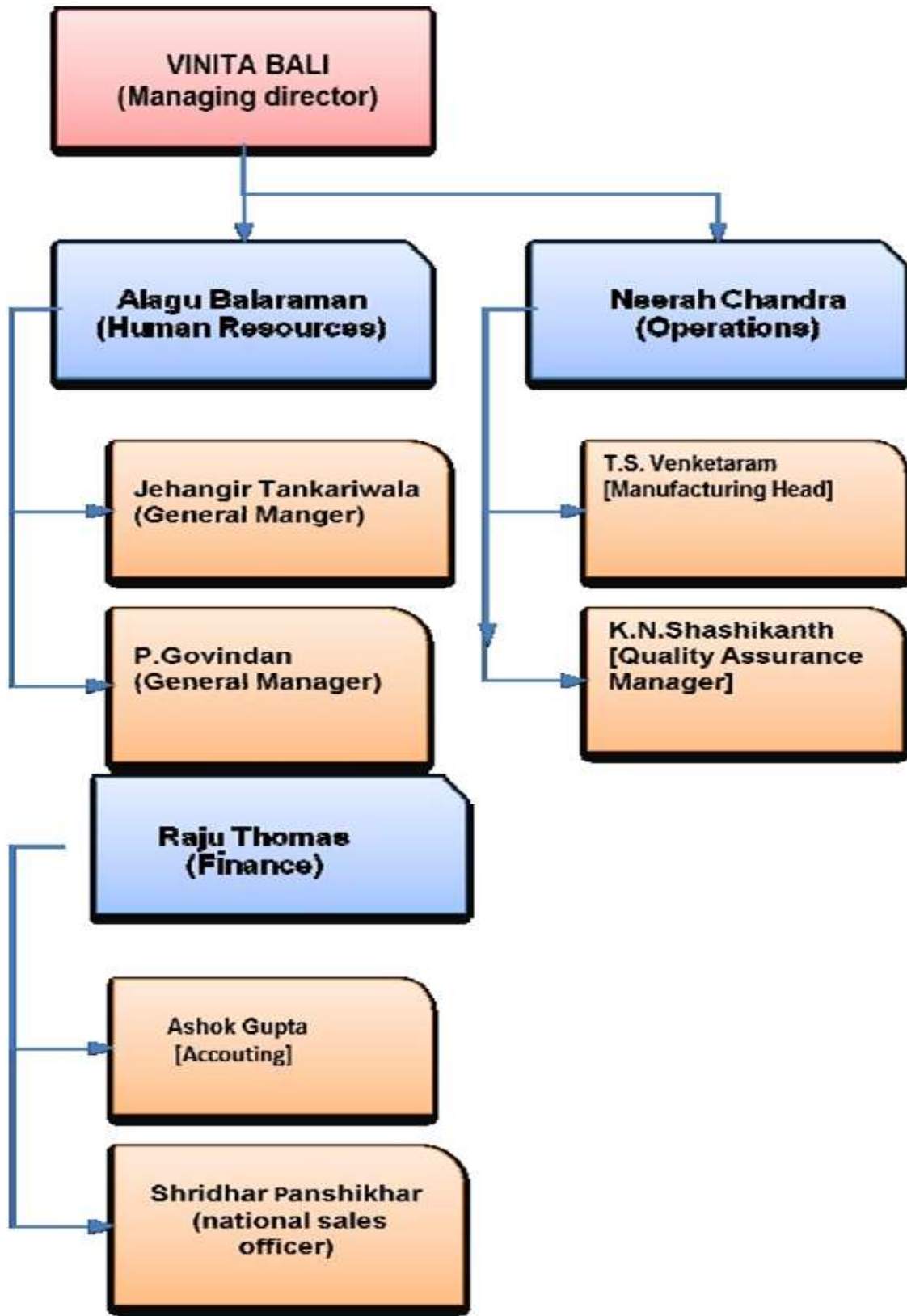


Fig: 1- Organizational Profile

## COMPANY HISTORY

**1918-** The Company was incorporated on 21st March, as a public limited company under the Indian Companies Act, VII of 1913. The Company Manufacture bakery and soyabean products, export of cashew Kernels marine products, general merchandise items and computer software.

**1921-** The Company obtained a priority of Certificate and imported new machinery thereby becoming the first biscuit company in India to install and run a gas oven plant.

**1924-** A new factory was established at Kasara Pier Road in Mumbai. In the same year, the Company became a subsidiary of Peek, Frean & Co. Ltd., U.K., a leading biscuit manufacturing company, and further strengthened its position by expanding the factories at Calcutta and Mumbai.

**1939-45-** A large part of the Company's production was diverted to war effort on account of World War II and at times as much as 95% of the total capacity was booked for the production of "Service Biscuit".

**1951-** 19,779 Equity shares issued to acquire the Delhi Biscuit Co. Ltd. In August 1,53,234 Bonus equity shares issued in the proportion 1:1.

**1952-** The Calcutta Factory was shifted from Dumdum to spacious grounds at Taratola Road in the suburbs of Calcutta. During the same year automatic plants were installed there and later in Mumbai in 1954.

**1954-** The development of high quality sliced and wrapped biscuit in India was pioneered by the Company and was first manufactured at Delhi.

- 1,53,234 Bonus equity shares issued in the proportion 1:2.

**1961-** Manufacture of biscuit was started in Mumbai and a new biscuit Bakery was set up at Delhi in 1965.

- 2,29,851 Bonus equity shares issued in the proportion 1:2.

**1966-** In May 1966, 3,06,468 Bonus equity shares issued in the proportion 4:9.

**1968-** On 14th May, 6,64,014 Bonus equity shares issued in the proportion 2:3.

**1970-** 9,96,021 Bonus equity shares issued in the proportion 3:5.

**1976-** Britannia biscuit was introduced in Calcutta and Chennai. 18,59,239 Bonus equity shares issued in the proportion 7:10 in April.

**1978-** After the issue of shares to the Indian public, the non-resident holding in the Company was reduced to less than 40%. 18,00,000 Equity shares issued at a premium of Rs 5 per share. 4,06,286 shares offered as rights to resident Indian shareholders in proportion 1:5. 43,714 shares offered to the Company's employees; 1,00,000 shares to UTI and 50,000 shares each to LIC and GIC were reserved for allotment and 11,50,000 shares offered to the public during January/February.

**1979-** With effect from 3rd October, the name of the Company was changed from the Britannia Biscuit Co., Ltd., to Britannia Industries Ltd.

**1980-** The Company signed a 10 year technical collaboration agreement with Nabisco Pvt. Ltd., Nepal, for the supply of know-how relating to manufacturing, packaging and marketing of biscuits and selection of plant and machinery.

**1982-** 25, 26,118 Bonus equity shares issued in proportion 2:5.

**1986-** The turnover increased by 19.4% over the previous year to Rs 192.15 crores. Sales of biscuits, in terms of volume, registered a satisfactory growth. "Good Day", a new biscuit launched during the year met with good market response.

- Production of biscuit at Delhi unit was adversely affected due to launched pure refined cooking oil under the brand name of "Vital".

- 35, 36,565 Bonus shares issued in proportion 2:5 during July 1987.

**1987-** In (16 months), the total sales turnover increased on an annualized basis by 38.7% over the previous year. Increase in sales of bakery and soya products divisions and higher cashew exports helped to realize higher sales. With the introduction of some more brands during the year, the total biscuit brands of the bakery division reached 27. The soya products division introduced a range of extruded products under the brand name "VITAL FEAST".

**1989-** The Company launched new brand of biscuit, namely, 'CIRCUT'. Another brand "PURE MAGIC" was extended nationally and pasta

badam was added to "GOOD DAY" range of biscuits. Biscuit production and affected for some time at Delhi factory due to industrial unrest.

**1990-** Two new brands of biscuits, "Elaichi Cream" and "Petit Beurre" were launched. Also, a new cashew badam variant of the brand "Milk Bikis" and brand extension of pure magic biscuit Vanilla cream were launched. Fruit biscuit was launched in Delhi and was well received.

**1991-** The Company launched two new specialty brands viz., Britannia milk biscuit and Britannia brown biscuit in Delhi and extended nationally its main brands Petit Beurre and elaichi cream.

- On 17th August, the Company handed over to SM Dychem Ltd, its soya Unit at Vidisha, M.P.

- The Company proposed to invest in the equity capital of Britco Company Pvt. Ltd., a joint venture with JMRPCO Ltd., Hongkong, for manufacture of beverage bases and essence for Coca Cola, Fanta & Sprite and to export processed snack foods.

**1992-** The Company launched a new brand of biscuit, namely 'Little Hearts' which carved a niche in the market.

**1993-** The Company launched new brand of biscuit, namely, 'Fifty-Fifty'. Biscuit market remained depressed. To revive the market, the Company launched a specialty brand viz. 'Premium Bake' in both Delhi and Mumbai. During the year, the company has started exporting Basmati Rice under the name 'Britannia Indian Pearl'.

**1994-** During the year, the bakery division launched 'Bakers Choice' a sweet biscuit and 'Thinlite' a light semi-sweet biscuit aimed at fitness conscious consumers.

**1995-** Under the 'Pure Magic' Umbrella, the company launched a new sandwich cream biscuit with two-in-one flavor viz. double cream and this was well received in the market. In the cake market, under the premium segment, the company launched with Group Danone's technological input a Swiss roll Cake "Mini Role" which was also met with good response.

**1996-** Marie gold biscuits registered quantum growth in volumes and milk bikis milk cream launched during the year was well received. Despite general slowdown in the economy the company's profits improved.

**1997-** The Biscuit industry has been dereserved which would not only remove restriction on increasing capacity but would also provide opportunities of growth through new products and efficient production systems. The Company undertook to diversify into cheese and dairy whitener.

- The Company launched 'Tiger' range of biscuits for mass market category, 'Jim-Jam' and 'Chekkers' in the premium segment. The Company also launched Butter in Delhi during the year.

- Britannia Industries (BIL) is one of the largest bakery in the private sector and a household name in food products.

- Britannia Industries Ltd (BIL) was shortly enter the cheese and milk products market with an alliance proposed between itself and the Mumbai - based Dynamic Dairy Ltd.

- Britannia Industries Ltd is all set to launch a new corporate identity and a total revamp of its product portfolio, with strategic inputs from an international strategic design and brand repositioning company - Shining Strategic Design.

**1998-** Food major Britannia Industries Ltd (BIL) has signed a wage agreement with the Maharashtra General Kamgar Union (MGKU), providing an average wage increase for 1,000 workers employed in the biscuit manufacturing unit at Ready Road, Mumbai.

- The company has launched Half/Half, a soft cake filled with cream in two variants, chocolate-vanilla and vanilla-orange. Half/Half comes in a twin-cake pack (Rs.6) and a tray pack containing five cakes.

- Britannia Industries Ltd has launched a festival offer for Britannia Dairy Whitener in Kerala.

- A Ind AAA rating has been signed to the Rs.100-crore secured on-convertible debenture issue from Britannia Industries Limited (BIL).

**1999-** Britannia Industries Ltd has rolled out its flavoured milk brand 'Zip-Sip' in tetrapaks. Zip-Sip has been launched in Mumbai and some markets in the South. - Britannia Industries, launching the country's first branded flavoured milk is another step towards its goal of becoming a dairy – products giant.

- In a move meant to sharply increase its India-profile, 'knowledge major' Encyclopedia Britannica Inc plans to come out - for the first time - with India and south Asia-specific volumes targeted at school children as well as institutions and the general knowledge – seeker.

**2000-** Britannia Industries has launched consumer promotion scheme 'Britannia Khao, Cricketer Ban Jao' on May 1st.

- Britannia Industries, in its second coming in the Indian dairy market under the 'Milkman' brand, is introducing a range of products many in desi flavours to woo the Indian consumer.

- The Company has launched Vita Marie gold, a semi-sweet biscuit which reportedly has 10 essential vitamins, milk protein and 58 cereals.

- Britannia's Milk Bikis Fun land biscuits an innovative extension of the Milk Bikis brand.

- The Industry is set to start biscuit-manufacturing factories in Kochi, Hyderabad and Chennai to tap the region's market potential.

- Britannia Industries has launched Britannia Milkman Butter, a product under the Milkman brand.

- The Company has appointed Tata Energy Research Institute (TERI) for a power audit.

- FITCH rating India Pvt. Ltd has reaffirmed the Ind AAA rating assigned to the Rs 1000 million non convertible debenture program of Britannia Industries Ltd.

- The Company has launched two new dairy products Milkman Cold Coffee and Milkman Sweet lassie.

- Britannia Industries Ltd. has introduced a new range of traditional namkeens called Britannia Snaz in Mumbai.

**2001-** Britannia Industries has launched Britannia Milkman in Delhi.

- Biscuits major Britannia Industries was fund its in-principle agreement to acquire 49 per cent of quality Biscuits through internal accruals.

**2002**-Britannia Industries Ltd announced on March 26, 2002 that it has entered into a joint venture with the Fonterra Cooperative Group, New Zealand's biggest company and one of the leading diary co-operative groups in the world.

-Britannia's new CEO is Nikhil Sen.

**2003**- Board of Directors of Britannia Industries Ltd has passed a resolution to terminate the employment of Mr. S. K Alagh as Managing Director of the Company with immediate effect.

- The management of Britannia Industries has roped in John Miller, a Danone representative, as additional director on its board.

-Britannia New Zealand Foods, a joint venture of Britannia Industries and Fonterra Co-operative group of New Zealand has launched "Britannia Milk Man" fresh milk.

-Britannia's Non-convertible Debentures have been rated AAA by Fitch Rating India as "Stable Outlook".

-Britannia Industries has appointed Mr. Nikhil Sen. Chief operating Officer as the manager of the company.

**2004**-Britannia Industries Ltd has informed that pursuant to the approval of the shareholders of the Company at the AGM held on August 08, 2003 and the subsequent application to the Cochin Stock Exchange Ltd., the said stock exchange has delisted the securities of the Company with effect from November 15, 2003.

-Britannia Industries Ltd reviews marketing alliance with the Kolkata-based Thacker Dairy Products Pvt Ltd.

-Britannia accorded the status of being a 'Super brand'.

-Volumes cross 3,00,000 tons of biscuits.

-Good Day adds a new variant "Coconut" in its range.

**2005**-Britannia New Zealand launches health drink for adult-Re-birth of Tiger - 'Swasth Khao, Tiger Ban Jao' becomes the popular chant!

-Britannia launched 'Greetings' range of premium assorted gift packs

-The new plant in Uttaranchal, commissioned ahead of schedule.

-The launch of yet another exciting snacking option - Britannia 50-50 pepper chakkar.

**2006**-Britannia Industries Ltd has forged a strategic alliance with "CCD Daily Biscuit Pvt Ltd" a Bangalore based Company engaged in manufacturing and retailing of premium biscuits, cakes and high end ready to eat foods and snacks.

-Britannia Industries Ltd has appointed Mr. Stephan Gerlich as a Director.

-Britannia Industries Ltd has informed that Mr. Durgesh Mehta has joined the Company as the Chief Financial Officer (CFO) with effect from November 16, 2006. -Britannia re-launched NutriChoice Hi-Fibre Digestive biscuits in an International large sized biscuit pack.

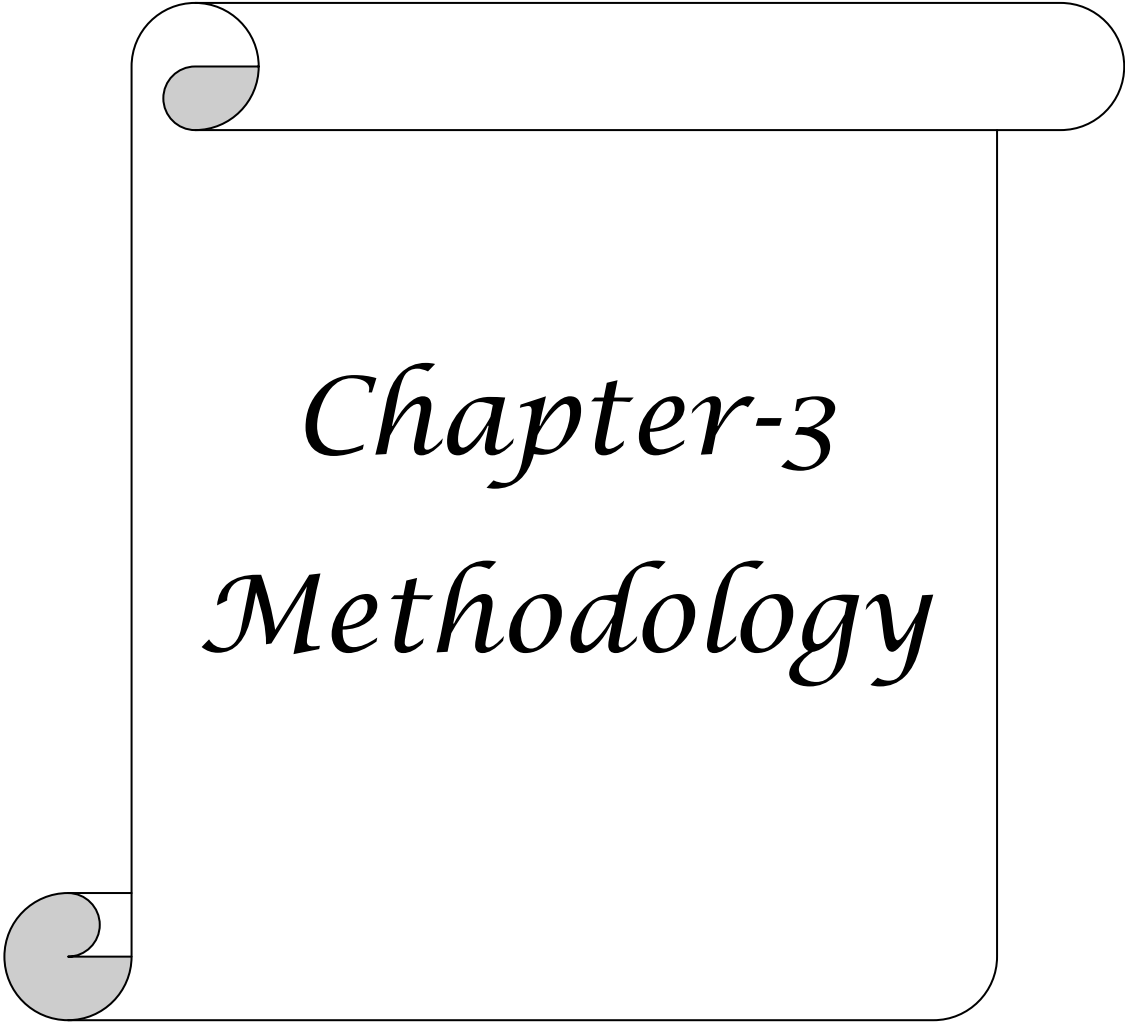
**2007**-Britannia industries formed a joint venture with the Khimji Ramdas Group and acquired a 70 percent beneficial state in the Dubai-based Strategic Foods International Co. LLC and 65.4% in the Oman-based Al Sallan Food Industries co. SAOG.

-Britannia Nutri Choice Sugar out range introduced - 1st of its kind of biscuits to be launched in India with "No Added Sugar" (Variants - Chocolate Cream, Orange cream, and Lifetime).

**2008**-Britannia NutriChoice 5 Grain biscuits launched - Biscuits with the goodness of 5 health Cereals, and sweetened with Natural honey. Britannia NutriChoice promised consumers "Bhook Bhagao, Kuch Healthy Khao" -Britannia launched Iron fortified 'Tiger Banana' biscuits, 'Good Day Classic Cookies', Low Fat Dahi and renovated 'MarieGold'.

**2009**-Britannia NutriChoice Nature Spice Crackers launched - Your favorite Cream Crackers, now made even more exciting with the addition of "Sabut" Ajwain and Jeera spices. 2010 -Britannia NutriChoice launches a New Year pack - the Health Starter Kit. Created for everyone who makes New Year resolutions and doesn't follow through. The Health Starter Kit contains 1 pack each of NutriChoice Hi-Fiber Digestive, NutriChoice 5 Grain, NutriChoice, Nature Spice ,Cracker bundled together with a fit sip sipper and a fitness chart. All this only for Rs 100.

**2010**- Britannia Industries Ltd has appointed Dr. Vijay L. Kelkar as an additional Director on the Board of the Company with effect from May 28, 2010.



*Chapter-3*  
*Methodology*

Britannia Industries Ltd located at 15, Taratola road, Kolkata-88(W.B) was selected purposively for present study. Data were collected through the various departments of Britannia Industries Ltd. in prepared schedule.

### **Procurement Department-**

Under this operation data were collected regarding preparation of Britannia biscuits (like- Britannia tiger, 50-50, nice time, etc). For this, product materials like, sugar, butter, Chocó powder, skimmed milk etc. were collected.

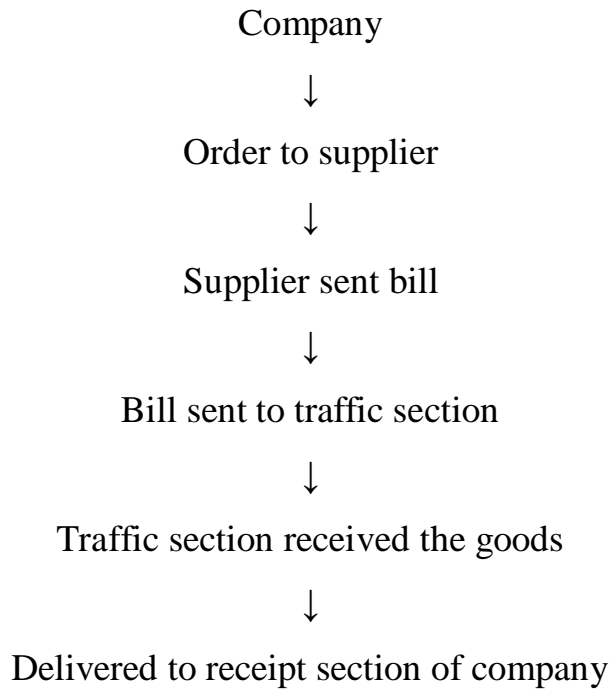
### **STORE DEPARTMENT:**

Store department comes into the picture when the suppliers had supplied the material and reaches to the stores. The main job at the store department was to receive, handle, carry and issue material. Stores at J. B. Mangharam were also responsible for the dispatch of finished material. Store activity can be divided into following areas:

### **Collection of goods:**

All goods receipt notes/lorry receipt notes after receipt of document from bank or supplier were sent to traffic section of the stores. Traffic section collected the good from transporter or railway station and delivery to receipt section.

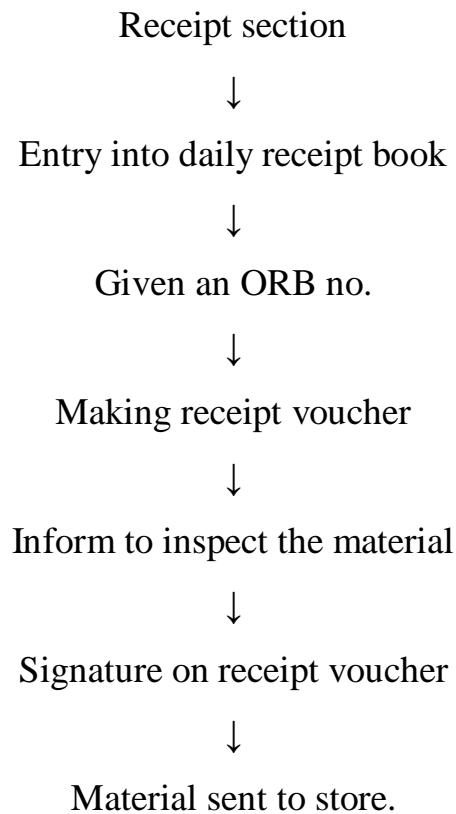
**Collection goods chart:**



**Receipt of material:**

As soon as the material was received in the receipt section, it was entered into daily receipt book and given an ORB No in register. It included the detail like lorry no., Number of boxes, Transporter Name, Bill, Challan No., Date of Delivery, and Purchase Order No etc. A receipt voucher gives the details of material specification, quantity dispatched as per challan, quantity received and other detail related to this transaction. After making the receipt voucher the user department was informed to inspect the material. Materials were inspected and signature obtained on receipt voucher then material is sent to store.

## **Receipt of material chart:**



## **Cost of production**

Cost of materials like-

- Materials input
- Labour input
- Fixed input

## **Materials inputs**

1. Flour: - The value of flour was estimated at market price or given by the Britannia company office.
2. Sugar: - The value of sugar quantity was estimated as per prevailing market price or price supply by Britannia industries ltd.
3. Yeast: - The value of yeast was estimated at price given by the company.

4. Salt: - The value of salt quantity was estimated as per prevailing market price or price supply by Britannia industries Ltd. etc.

**Labour Input:** - Per day labour wages of labour was charge from the rate given by industry.

**Fixed Input:-**

- Depreciation cost- per machine was estimated
- Building – Depreciation cost @ 2% was charged on present value of building and total cost was apportioned on different product according to value of the products.
- Interest – on fixed assets like buildings and other machines was estimated as per prevailing bank rate and allocated among different product according to the value.
- Depreciation and interest of machines / tools were calculated in the same manner as adopted in fixed assets like buildings.
- Permanent hired labour- salary of hired permanent labour was calculated on the basis of payment by the industry and appointed on the basis of income from product.

**Direct cost/expenses:**

- Direct cost includes costs incurred in bringing the raw materials into the factory which is Carriage inward. It also includes the amount paid loading unloading charges and other petty expenses.

### **Indirect Costs:**

- Factory Overheads:
- The Factory Overheads includes the indirect labour, Depreciation on Machinery, Works Overheads, Cost of Maintenance, Other Factory Expenses, supervisors Salary and Power & Fuel.

### **Other factory expenses:**

- Other factory expenses include maintenance of factory and other miscellaneous expenses.

### **Office and Administration Overheads:-**

- Office and administration overheads include –
- Depreciation on office
- Furniture @ 7%, office rent, salary to staff office and general expenses , Postage and Telegrams, telephone expenses, electricity and lightings.

### **Office and general expenses:**

- This comprises of refreshments (tea and snacks), Postage and Telegrams and other petty expenses.
- Printing and stationary:  
This consists of photocopy charges, printouts and other stationary items.
- Telephone Expenses:
- Calls made by the staff members.
- Electricity and lightings:
- It consists of office lighting and air conditioning expenses.

### **Sales and distribution overheads:-**

- Selling and distribution cost includes Sales Commission, Discount allowed, Salary of salesmen, Carriage outward and Sales expenses.
- Sales Commission:  
As a part of encouragement for sales people, they are given commission of 5 % of the total sales done by them.
- Discount allowed:  
To attract whole sellers to buy the product they are offered a discount of 5% on the selling price.

### **Sales expenses:**

- This includes expenses incurred on advertisements and promotional expenses such as newspaper advertisements, hoardings, TV commercials etc.

### **COST OF PRODUCTION PER UNIT**

Total cost- included variable cost (material cost, labour cost, etc.) plus fixed cost.

### **DIVISIONS OF COST**

**Prime Cost:** It comprises of all direct materials, direct labour and direct expenses. It is also known as flat cost.

Prime Cost= Direct Materials + Direct Labour + Direct Expenses.

**Works Cost:** It is also known as factory cost or cost of manufacture. It is the cost of manufacturing an article. It includes prime cost and factory expenses.

Works Cost= Prime Cost + Factory Overheads

**Cost of Production:**

It represents factory cost plus administrative expenses.

Cost of Production = Factory Cost + Administrative expenses

**Total Cost:** It represents cost of production plus selling & distribution expenses

Total Cost= Cost of production + Selling & distribution expenses

**Selling Price:** It is the price, which includes total cost plus margin of profit or minus loss, if any.

Selling Price= Total Cost + Profit (-Loss)

Cost of production per kilogram: Cost of production per kilogram was calculated by total cost divided by total production.

Note: The values are determined on the basis of apportionment as the company produces more than one product (including fixed cost), Cost sheet for every 1lac units produced and sold. Some of the above Values are estimated. The above is the cost sheet of Britannia Biscuit. The following points must be noted:

- The values are determined on the basis of apportionment as the company produces more than one product including fixed cost.
- Cost sheet is prepared for every 1lac units produced and sold.
- Some of the above values are estimated.



*Chapter-4*

*Results*

*&*

*Discussion*

## RESULTS AND DISCUSSION

This part consists of objectives 1) cost of Britannia biscuits (50-50, Good -Day, Nice - Time), 2) Margin of profit and 3) Different types of storage used in storing biscuits and material.

### 1. Cost of production of Britannia biscuit (50-50):-

Cost of production of Britannia biscuits included direct cost, prime cost, factory cost, office and administrative cost, etc. is presented in table no. 1.

Table 1:- Cost of production of Britannia biscuit “50-50” (in rupees)

PARTICULARS	COST PER UNIT (100 GM)	% of total cost
<b>Direct Cost</b>		
Raw Materials Consumed		
Raw material cost		
Flour	3.76	47.12
Water	0.89	11.19
Yeast	0.68	8.52
Salt	0.48	6.00
Purchase Of Raw Materials	5.8	72.82
Materials Consumed	5.8	
Direct Labour/Wages	0.12	1.55
Miscellaneous	0.24	3.08
<b>Prime Cost</b>	<b>6.17</b>	<b>77.45</b>
<b>Indirect Cost</b>		
Factory/works Overheads		
Indirect Labour	0.12	1.54
Depreciation On Machinery	0.68	8.47
Works Overheads	0.05	0.65
Cost Of Maintenance	0.06	0.74
Other Factory Expenses	0.03	0.35
Supervisor’s Salary	0.04	0.48
Power Of Fuel	0.57	7.14

<b>Total Overheads</b>	<b>1.54</b>	<b>19.35</b>
<b>Factory Cost/Works Cost</b>	<b>7.71</b>	<b>96.80</b>
<b>Office &amp; Administrative Overheads</b>		
Depreciation On Office Furniture @ 7%	0.03	0.35
Office Rent	0.06	0.73
Salary to Staff	0.09	1.11
Office & General Expenses	0.03	0.31
Telephone Expenses	0.02	0.27
Electricity & lightings	0.03	0.39
Printing & Stationary	0.01	0.04
<b>Total Office &amp; Administrative Overheads</b>	<b>0.27</b>	<b>3.20</b>
Cost Of Goods Sold	<b>7.98</b>	<b>100.00</b>
Selling & Administration Overheads		
Sales Commission	0.70	
Salary Of Salesman	0.10	
Carriage Outward	0.13	
Sales Expense	0.06	
<b>Total Sales &amp; Administrative Overheads</b>	<b>0.99</b>	
Total Cost	8.97	
Sales price / (100 gm )	10.00	
Profits	1.03	

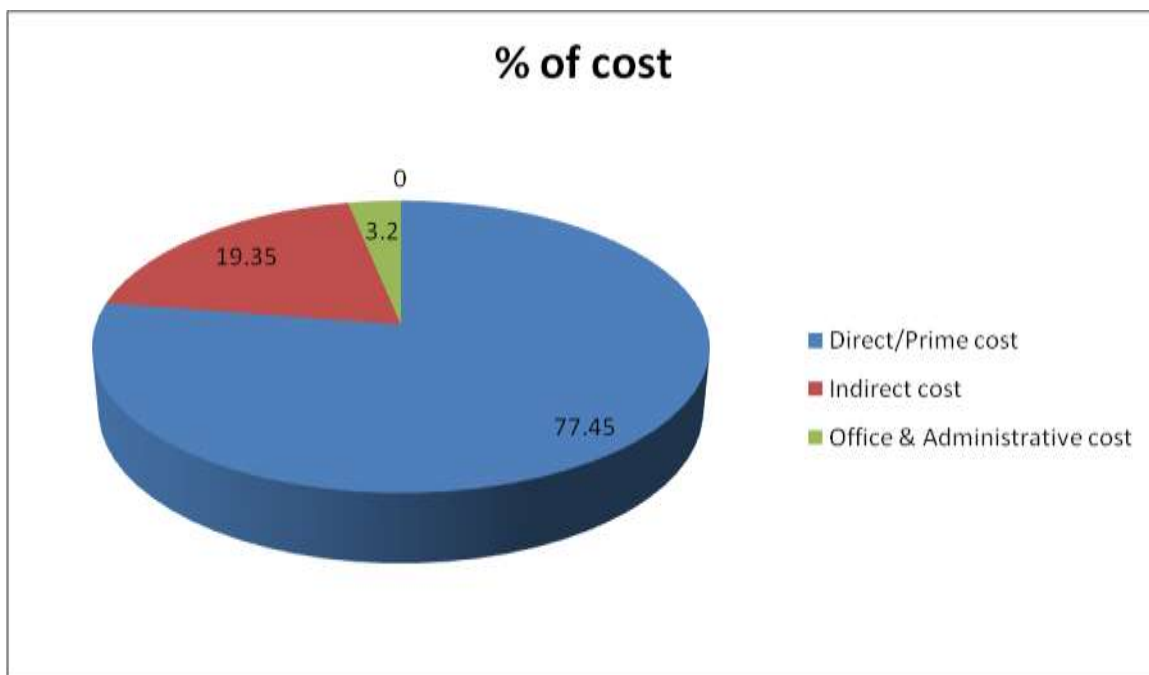


Fig.-2: Distribution of cost in production of 50-50 biscuit (per 100 gm)

The Table No-1 revealed that Out of total cost (per 100 gm of 50-50 biscuit), prime cost shared 77.40% followed by overhead cost (19.40%) and office and administrative overhead cost 3.20% respectively. It indicates that direct cost/ prime cost was the main cost in preparation of biscuits.

Under direct cost, flour cost was major cost constituted nearly 65%, while water, yeast and salt shared 15%, 12% and 8% respectively, in direct cost.

Indirect cost, depreciation on machinery, power of fuel and permanent labour were important costs item in manufacturing of biscuits, which shared nearly 45%, 38% and 8% respectively in this cost.

Similarly in office and administrative overhead cost, salary of staff, office rent, electricity and lighting, and depreciation on office furniture were the main items of expenditure in preparation of biscuit.

Apart from total cost of production, marketing cost like- selling expenses, sale commission charge, salary of salesman and carriage charges were major cost items.

Total cost of production and marketing cost (sale commission, salary of salesman, carriage charge, etc.) makes total cost of product of the company, which came to Rs 8.96 per 100 gm of biscuit.

## 2. Cost of production of Britannia “Good – Day” (in rupees):

DIRECT COST AND INDIRECT COST involved in preparation of Britannia biscuits (Good-Day) is presented in Table No-2.

Table no 2:- Cost of production of “Good – Day” (in rupees)

PARTICULARS	COST PER UNIT (100 GM)	% of total cost
<b>Direct Cost</b>		
Raw material cost		
Flour	3.76	36.86
Water	0.68	6.72
Yeast	0.76	7.50
Sugar	0.86	8.40
Butter	0.79	7.75
Cashew	1.18	11.53
Purchase Of Raw Materials	8.03	78.77
Materials Consumed	<b>8.03</b>	<b>78.77</b>
Direct Labour/Wages	0.12	1.21
Miscellaneous	0.24	2.370
Prime Cost	<b>8.39</b>	<b>82.35</b>
<b>Indirect Cost</b>		
Factory/works Overheads		
Indirect Labour	0.12	1.20
Depreciation On Machinery	0.67	6.62
Works Overheads	0.05	0.51
Cost Of Maintenance	0.06	0.58
Other Factory Expenses	0.03	0.28
Supervisor’s Salary	0.04	0.37
Power Of Fuel	0.57	5.56
<b>Total Overheads</b>	<b>1.54</b>	<b>15.12</b>
<b>Factory Cost/Works Cost</b>	<b>9.93</b>	<b>97.47</b>
<b>Office &amp; Administrative Overheads</b>		
Depreciation On Office Furniture @ 7%	0.03	0.28

Office Rent	0.06	0.57
Salary to Staff	0.09	0.87
Office & General Expenses	0.03	0.25
Telephone Expenses	0.02	0.22
Electricity & lightings	0.03	0.31
Printing & Stationary	0.01	0.03
<b>Total Office &amp; Administrative Overheads</b>	<b>0.26</b>	<b>2.53</b>
Cost Of Goods Sold	10.20	100.00
Selling & Administration Overheads		
Sales Commission	0.81	
Salary Of Salesman	0.10	
Carriage Outward	0.13	
Sales Expense	0.06	
Total Sales & Administrative Overheads	1.10	
Total Cost	11.30	
Sales price / (100 gm)	13	
Profits	1.70	

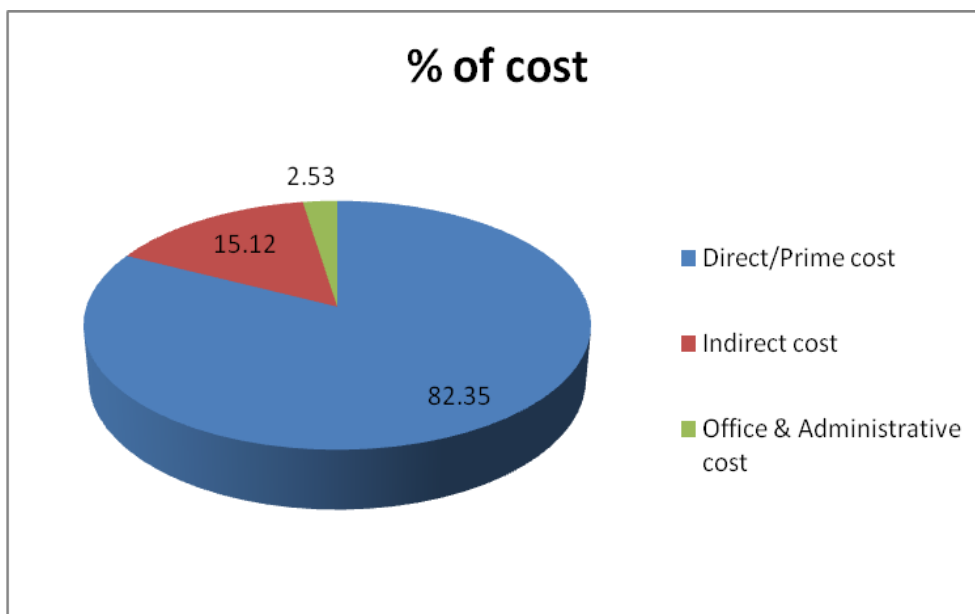


Fig -3 : Distribution of cost in preparation of “Good-Day” (per 100 gm) biscuit

It revealed from the data of table no-2 that in total cost (per 100 gm of good-day biscuit), prime cost shared 82.35% followed by overhead cost (15.12%) and office and administrative overhead cost 2.526% in total cost respectively. It indicates that direct cost/prime cost was the main cost in preparation of biscuits.

Under direct cost, flour cost was major cost constituted nearly 47%, while water, yeast, sugar, butter and cashew shared 8.5%, 9.5%, 10.5%, 10% and 14.5% respectively.

Indirect cost, depreciation on machinery, power of fuel and indirect labour were important cost items in manufacturing of biscuits, which shared nearly 44%, 36% and 8% respectively.

Similarly in the office and administrative overhead cost, salary of staff, office rent, electricity and lighting, and depreciation on office furniture were the main items of expenditure in preparation of biscuits.

Apart from total cost of production, marketing cost like, selling expenses, sale commission charge, salary of salesman and carriage charges was also major cost items.

Total cost of production including marketing cost (sale commission, salary of salesman, carriage charges, etc.) makes total cost of product of the industry, which came to rupees 11.30 per 100 gm of biscuit.

### 3. Cost of production of Britannia biscuit (Nice Time):

Direct and indirect cost involved in preparation of Britannia biscuits (nice time) is presented in Table No-3.

Table No 3: Cost of production of “Nice-time” (figure in rupees)

PARTICULARS	COST PER UNIT (100 GM)	%of cost
<b>Direct Cost</b>		
Raw Materials Consumed		
Raw material cost		
Flour	3.65	46.28
Water	0.89	11.29
Yeast	0.77	9.73
Salt	0.42	5.30
Purchase Of Raw Materials	5.73	72.60
Direct Labour/Wages	0.12	1.57
Miscellaneous	0.24	3.05
<b>Prime Cost</b>	<b>6.10</b>	<b>77.22</b>
<b>Indirect Cost</b>		
Factory/works Overheads		
Indirect Labour	0.12	1.54
Depreciation On Machinery	0.67	8.54
Works Overheads	0.05	0.66
Cost Of Maintenance	0.06	0.74
Other Factory Expenses	0.03	0.36
Supervisor’s Salary	0.04	0.49
Power Of Fuel	0.57	7.19
<b>Total Overheads</b>	<b>1.54</b>	<b>19.52</b>
<b>Factory Cost/Works Cost</b>	<b>7.64</b>	<b>96.74</b>
Office & Administrative Overheads		
Depreciation On Office Furniture @ 7%	0.03	0.36
Office Rent	0.06	0.74
Salary to Staff	0.09	1.13
Office & General Expenses	0.03	0.32

Telephone Expenses	0.02	0.28
Electricity & lightings	0.03	0.39
Printing & Stationary	0.01	0.04
Total Office & Administrative Overheads	0.26	3.26
<b>Cost Of Goods Sold</b>	<b>7.90</b>	<b>100.00</b>
Selling & Administration Overheads		
Sales Commission	0.70	
Salary Of Salesman	0.10	
Carriage Outward	0.13	
Sales Expense	0.06	
Total Sales & Administrative Overheads	0.99	
Total cost	8.89	
Sales price / (100 gm.)	10.00	
Profits	1.11	

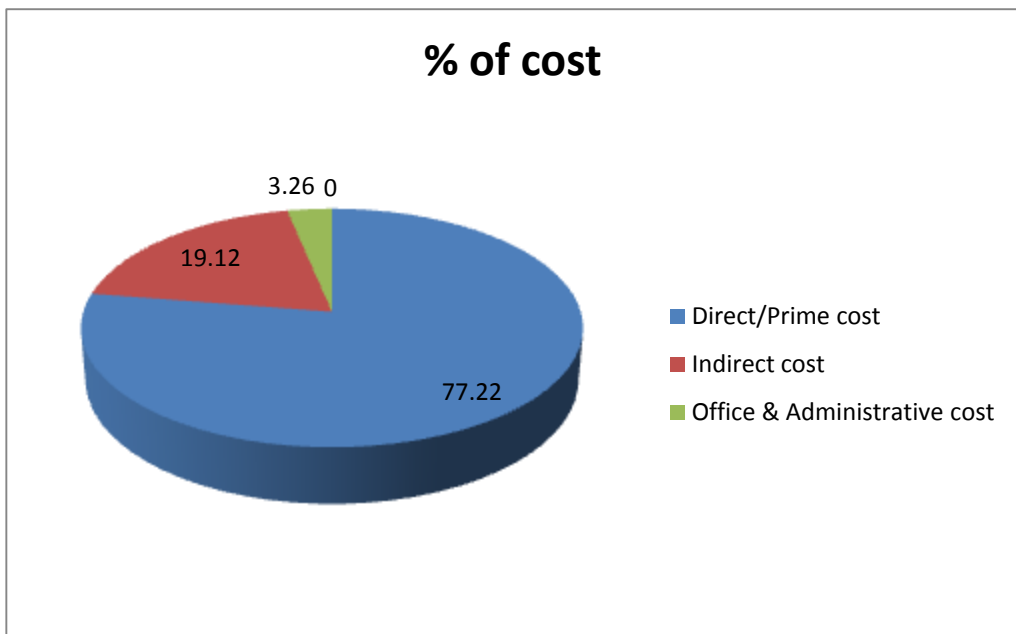


Fig -4: Distribution of cost in preparation of Nice-Time (per 100 gm.) biscuits

It observed from data of table no-3 that in total cost (per 100 gm of Nice time biscuit), prime cost shared 77.22% followed by overhead cost/indirect cost (19.52%) and office and administrative overhead cost 3.26% in total cost respectively. It indicates that prime cost/direct cost was the main cost in preparation of biscuits.

In direct cost, flour cost was major cost constituted nearly 64%, while water, yeast and salt shared 16%, 13% and 7% respectively.

Under indirect cost, depreciation on machinery, power of fuel and indirect labour were important cost items in the manufacturing of biscuits, which shared nearly 44%, 37% and 8% respectively, in this cost.

Similarly in office and administrative overhead cost, salary of staff, office rent, electricity and lighting, and depreciation on office furniture were the main items of expenditure in preparation of biscuit.

Total cost of production includes marketing cost (sale commission, salary of salesman, carriage charges, etc.) makes total cost of product of the company, which came to rupees 8.89 per 100 gm. of biscuit.

## 4. MARGINE OF PROFIT

### ❖ Margin of profit in “50-50” biscuits

The cost of production per 100 gm. was about Rs 9.00. The sale price was Rs. 10.00. The profit on production was Rs. 1.00, which was nearly 11%.

### ❖ Margin of profit of “Good-Day” biscuits

The cost of production of “Good-Day” biscuits per 100 gm. was near about Rs. 11.30. The sale price was Rs. 13.00. In this product, profit came to Rs. 1.70 which was more than 15 %.

### ❖ Margin of profit of “Nice-Time” biscuits

The cost of production of “Nice-Time” biscuit per 100 gm. was about Rs. 8.90. The sale price was Rs 10.00. In this product, the profit margin was about Rs.1.10, which was nearly 12.50 %?

It was found that among three types of biscuits profit margin was higher in “Good-Day” biscuits followed by “50-50” and “Nice-Time”.

## **5. Different types of storage used in storing biscuits and materials in Britannia industries**

### **STORE DEPARTMENT:**

Store department comes into the picture when the suppliers had supplied the material and reaches to the stores. The main job at the store department was to receive, handle carry and issue material. Store at J. B. Mangharam were also responsible for the dispatch of finished material. Store activity can be divided into following areas:

#### Collection of goods:

All goods receipt notes/lorry receipt notes after receipt of document from bank or supplier are sent to traffic section of the stores. Traffic section collected the good from transporter or railway station and delivery to receipt section.

#### Receipt of material:

As soon as the material was received in the receipt section, it was entered into daily receipt book and given an ORB No in register. It included the detail like LORRY No; Number of boxes, Transporter Name, Bill, Challan No., Date of Delivery, and Purchase Order No, the boxes were then opened and checked with respect of quantity. A receipt voucher was made giving the details of material specification, quantity dispatched as per challan, quantity received and other detail related to this transaction. After making the receipt voucher the user department was informed to inspect the material. Materials are inspected and signature obtained on receipt voucher then material was sent to store.

### **Why store management:**

Raw material consumes maximum amount of the investment in a company. The highest amount of cost reduction can be done in this area only. Hence stores play a major role as far a company is concern. If raw materials are not stored efficiently they was get deteriorate and thereby causing big loss to the company.

Keeping the importance of this, store management is important to study the process of manufacturing of biscuits.

Store functions:-

- Materials handling
- Issue of materials from store
- Safety and security
- Inventory control
- Store accounting and records
- Recommendation to the company visited, etc.

For storage of finished products, Britannia industries ltd,15 Taratola road,Kolkata-88 had a store in the company campus.

Total area of store =18,000 sq.ft and Capacity = 250 tons

Main function of this store was stocking and forwarding i.e. it stocks the finished products and then forwarded to the different places (markets).In the other hand this industry having different types of stores for the raw materials.

Other stores were used by company for storage of raw materials reserved for production. Among them names are given below.

Details of godowns used for storing raw materials are as follows:-

- ❖ A.C. GODOWN (NIMAK MAHAL)
- ❖ CWC. GODOWN (PANCHPARA)
- ❖ CWC. GODOWN (ULLUWARIA)
- ❖ HICS (RAJA BAZAR)
- ❖ HIND ICE (CANAL ROAD) ETC.

(A) A.C. GODOWN (NIMAK MAHAL)

Godown contains two storage

- 1) A.C
- 2)NON A.C

2nd floor of godown was of A/c where the products of Britannia Industries were kept.

- Temperature of A/c store is about 14<sup>0</sup> c-15<sup>0</sup> c.
- Area capacity of godown was about 1520 MT.

Godown contains the product of Britannia Industries Ltd were

- 1) Whey Powder
- 2) Coco Powder
- 3) Condensed Milk (Sugar + Milk Solid)  
Partially 300 kg Drum
- 4) Condensed Milk (Full) Drum
- 5) Ethyl Vanicin
- 6) Soya Licithin – (20 kg/Bag)
- 7) Coconut Powder –( 25 kg/Bag)
- 8) Lactose – (25kg/Bag)
- 9) Glutonic Powder – (25 kg/Bag)
- 10) Maltose – (25 kg/Bag)
- 11) Calcium Propionate – (25 kg/Bag), etc.

All the products were kept in block staking stacking position and system is good.

#### HOUSEKEEPING

- ❖ Condition of godown was up to the mark.
- ❖ All the products were kept in a good manner / way.
- ❖ Hygienic condition of godown was good.
- ❖ Area capacity of godown was about 1520 MT.
- ❖ Godown contains the product of Britannia Industries
- ❖ Insects pest are properly controlled by the labour time to time
- ❖ No garbage and waste product were found there.
- ❖ All total working and keeping position was fair enough.

#### MATERIAL HANDLING

- ❖ Material handle by the labour were in a systematic way.
- ❖ Loading and unloading of products were in a proper way.
- ❖ No damage of product seen.
- ❖ Packaging of product was in a proper way.
- ❖ No loose or unutilized products were found.
- ❖ No such products were found in a bad condition.

#### STORING CONDITION

- ❖ Store was well maintained
- ❖ Storing capacity was fair enough for the product of Britannia Industries.
- ❖ All the product of Britannia was at 2nd floor.

## (B) HIND ICE COLD STORAGE KOLKATA

- ❖ This storage contains the product of Britannia like Butter, Chocó Chips, etc.
- ❖ Storage where the butter was kept the temperature was about  $-12^{\circ}\text{C}$
- ❖ Deep frosting was also done by the time of time for maintaining the temperature of the storage
- ❖ The capacity was not as wide as comparison to HICS.
- ❖ Proper hygiene was maintained.
- ❖ Storage where the Choco Chips kept temperature was about  $\pm 10\text{c}$
- ❖ Housekeeping was not up to the mark outside the storage
- ❖ Material handling by labour was good.

### **(C) CWC GODOWN AT PANCHPARA AND ULLUWARIA**

Britannia Industries Limited at Kolkata has two Central Warehousing Corporation godown at two places i.e., Panchpara and Ulluwaria.

These godowns were mainly used for storage of material like sugar, ammonium bicarbonate and packaging materials (cartoon, roll etc.).

#### **OBSERVATION FROM THE POINT OF VENDOR**

Parry's sugar Industries Hullati – 581329 is vendor of commodity sugar of Britannia Industries Limited .

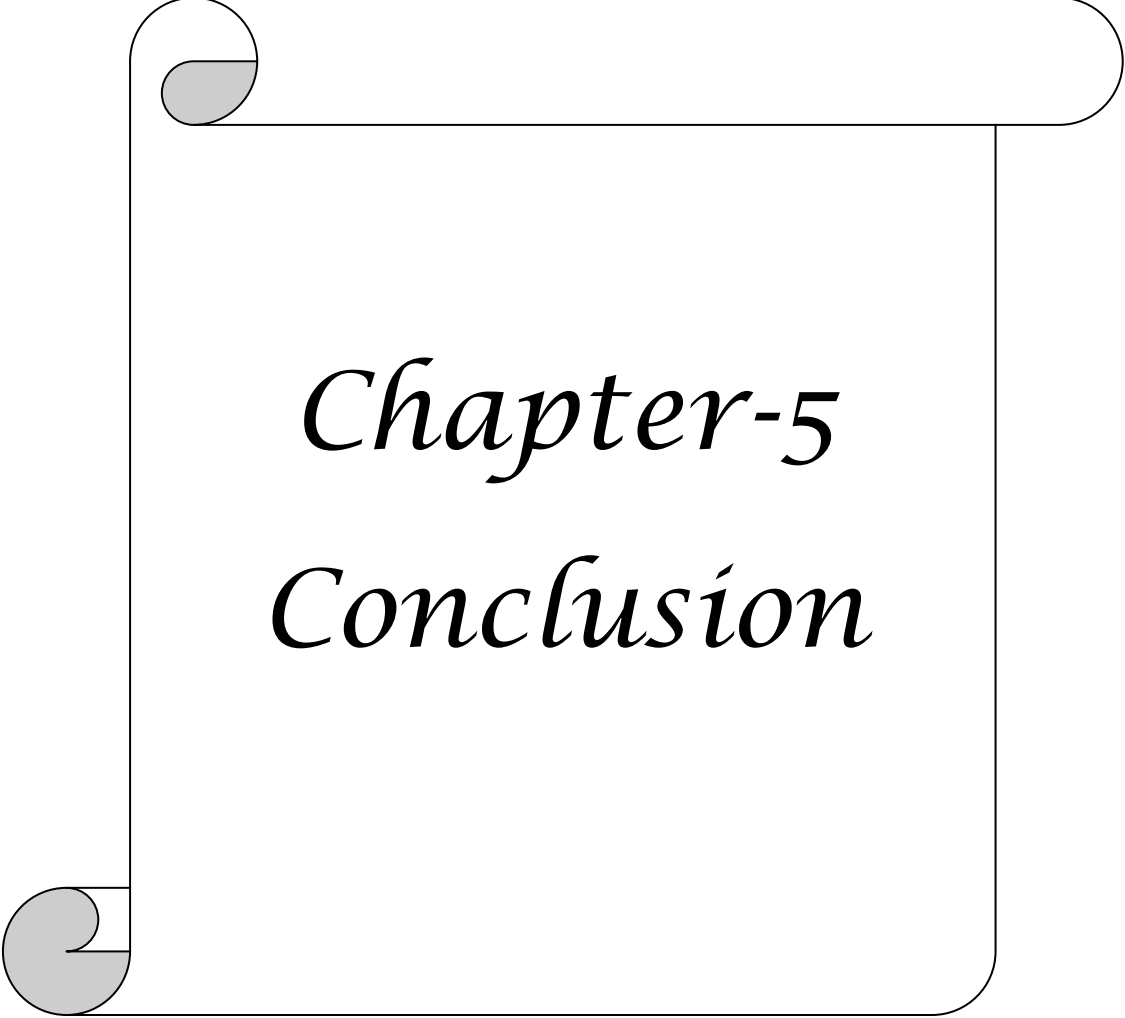
Quality of sugar which is used in preparation of biscuits was very fine, but during transporting from one place to another place sometimes hooking was done by labours during unloading resulted increased moisture content in the sugar . However some of bags were found without making any hook mark. The quality of sugar of this type of bag was quite better as compared to hooking bags.

#### **STOCK HOLDING CAPACITY OF C.W.C GODOWN**

C.W.C godown was having capacity of 5,600 Bags, but incase of excess bags either fresh or old stock restacking was also done in the godown for keeping bags. During study period it was found that some of old bags were kept in the godown and fresh bags were stacking on old bags. This type of storage method made damage to new stock also.

## LOADING AND UNLOADING PROCESS

Materials were loaded and unloaded by the labours. No hooks were used in this process, but sometimes mishandling were also done by labours, resulted some damage during the process.



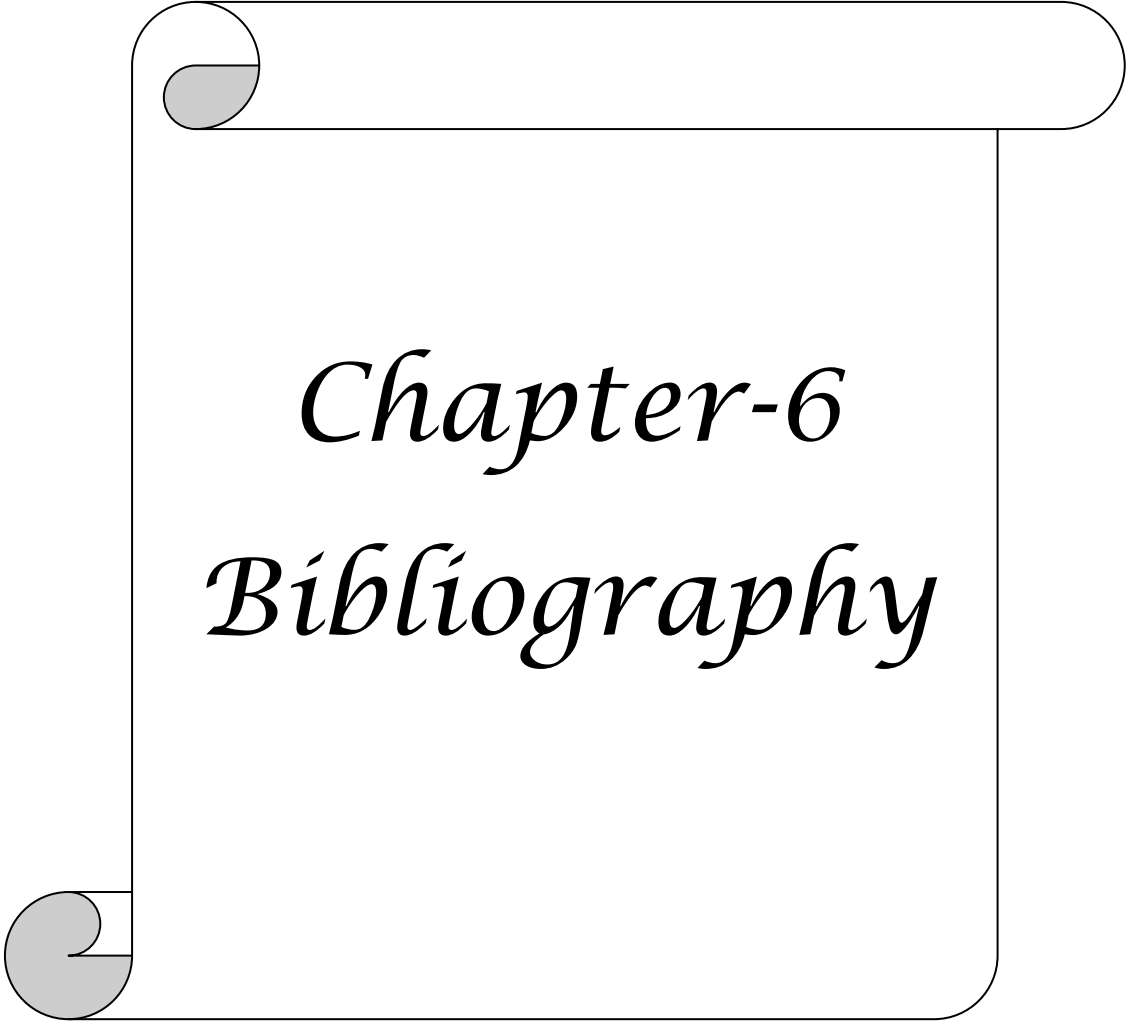
*Chapter-5*  
*Conclusion*

## CONCLUSION

From the study it is concluded that material cost is a major input cost in preparation of all types of biscuits. The profit in different types of biscuits varies from 11% to 15%. It is also found that three types of godown are used in which A.C. godown is very much important in making biscuits. However other types of godown (HICS, CWC Godowns, etc.) are also important for making these products (50-50, Good-Day, etc.).

## SUGGESTIONS

- ❖ Rodents and other destructive element destroy the sac, so some initiation required for controlling those items.
- ❖ Inspection required for the betterment of sustaining of quality of sugar sac.
- ❖ Old stocks should be primarily delivered at the sight place so that new stock can be stored betterly in the godown.
- ❖ Loose Sac / bag should be damped to some other place.
- ❖ Hooking should be avoided by the labour.



*Chapter-6*  
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