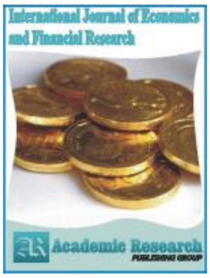

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Analytical Investigation of Financial Planning and Control Practices: A Case Analysis

K. Sivakumar
Professor & Head- Management Studies, Oxford Engineering College, Tiruchirappalli – 620009-Tamilnadu-India

Abstract: Financial is the result of an organized process that is commonly referred to as money management or financial planning and control. Financial planning is the process of managing money to achieve economic satisfaction. This planning process allows for controlling financial situation. Every organisation has a unique financial position, and any financial activity therefore must also be carefully planned to meet specific needs and goals. A comprehensive financial plan can enhance the quality of organisational life and increase future needs and resources. The specific advantages of personal financial planning include Increased effectiveness in obtaining, using, and protecting your financial resources throughout your lifetime The objective of the present study was to study the financial planning and to analyze the financial control. The tools applied for this study are Additional Fund Needed, Breakeven Analysis, Index analysis etc, findings reveals that the additional fund needed was increased during the study period. The company has to reduce the additional fund needed, dividend payout ratio, plant capacity and in order to increase the retained earnings and profit margin. For most companies, planning and controlling is a necessary but painful process. Unfortunately, it is often a prolonged exercise that takes so long that the starting assumptions are virtually meaningless by the time the process is complete. Add to that the rapidly increasing need for reporting and controls, both from investors and to meet regulatory requirements. As per the above observations and analysis the company will have to improve its financial planning and control for the upcoming years.

Keywords: Financial planning; Financial control, Additional fund needed, Divided payout ratio.

Contents

1. Introduction

Financial Planning and Control is one of the several functional areas of financial management, but it is the center to the success of any business. Inefficient handling combined with the uncertainty of the business environment often led organisations with serious problems. Financial planning and control is a continues process of directing and allocating financial resources to meet strategic goals and objectives. Financial planning and control is an important tool of profit planning. Control, as a tool of planning, is closely related to the broader system of planning in an organisation. Planning involves the specification of the basic objectives that the organisation will pursue and the fundamental policies that will guide it. The planning and control system is setting the objectives which are defined as the broad and long-range desired state or position in the future. A firm should be managed efficiently and effectively. This implies that the firm should be able to achieve its objectives by minimizing the use of resources. Thus managing implies coordination and control of the efforts of the firm for achieving the organisational objectives. One systematic approach for attempting effective management performance is financial planning and control.

Financial planning indicated a firm's growth, performance, investments and requirements of funds during a given period of time, usually three to five years. It involves the preparation of projected or pro forma profit and loss account, balance sheet and funds flow statement. Financial Planning and profit planning help a firm's financial manager to regulate flows of funds which is his primary concern. A financial planning involving financial policy has direct interaction with scope and resource deployment. Financial policies - investment and financing choices - should therefore be considered at the corporate level, and should not be treated as functional area policy decisions to decide at lower level. The important tasks of financial manager are allocation of funds and generation of funds. So the financial manager requires planning and control of finance to provide guidance for future operations of business. Today any organisation wishes to maximize the wealth of shareholders. It is argued that shareholders are the ultimate owners of the firm and the role of the manger is that of an agent acting on their behalf. Hence increase in market share will lead to higher growth. The finance planning process involves evaluating the current financial condition of the firm, analyzing the future growth prospects and options, appraising the investment options to achieve the stated growth objectives, projecting the future growth and profitability, estimating funds requirements and considering alternative financing options, comparing and choosing from alternative growth plans and financing options and measuring actual performance with the planned performance (Pandey, 2005).

According to Kwame (2010), careless financial management practices are the main causes of failure for any organisation, regardless of whether an owner / manager or hired - manager, if the financial decisions are wrong, profitability of the company will be adversely affected. Most authors and research approach the specific areas of financial management in different ways depending upon their emphasis. Walker and Petty as cited by Kieu (2004) defined the main areas of financial management including financial planning (cash planning, fixed asset planning, profit planning), Investment decision-making, working capital management (cash, receivables and inventory management) and sources of financing (short-term and long –term financing, Intermediate financing and going public). The components of financial management are financial planning and control, financial accounting, financial analysis, management accounting, capital budgeting and working capital management (Mohd *et al.*, 2010). Classification of financial management practice in to the following five specific areas: Capital structure management, working capital management, financial reporting and analysis, capital budgeting and accounting information system (Chung and Chuang, 2009).

The managerial ability to plan, lead, organize and control is a crucial function in any enterprise. Budgeting, as the process is commonly known, is there to aid in better management of the enterprise and to achieve higher profits or minimize losses. A budget is defined as a detailed plan indicating how resources are to be acquired and used (Garrison *et al.*, 2006; Hilton *et al.*, 2006). According to Garrison *et al.* (2003), budgeting systems serve multiple purposes with planning and control being two of the more important functions. These authors state that it is up to management to decide which function should be more appropriate to the enterprise. For example, the authors argue that larger firms should focus on the control and coordination aspects of budgeting, whereas smaller companies should be more concerned with the planning aspects. Planning entails setting goals for the enterprise, whereas control implies the attainment of these goals. Longenecker and Moore (1991) agree and suggest that small businesses that operate in uncertain and competitive environments need to plan and control their operations because this will help owners/managers to run their businesses successfully. From the above-mentioned information it is apparent that because of the current economic environment and the fact that there are a large number of firm failures, organisations need to plan and control their operations. There is also a need to investigate planning and control operations in any set of organisations.

Traditionally, budgeting was a command and control design. The systems were designed by accountants mainly as a device for financial forecasting, managing cash flow and capital expenditure and controlling costs (Bunce and Fraser, 1997). Top executives put the plan together and expected employees to adhere to it. This top-down approach caused negative behaviour in employees. These days, employees desire empowerment and want to be part of the whole planning and budgeting process. The owners of a private enterprise will probably have profit as their main justification for the enterprise, but employees will not necessarily have the same goals. If employees are dissatisfied with the way the owner manages the enterprise, this could cause conflict and ultimately the failure of the enterprise. Stenzel and Stenzel (2003) Suggest that management should be mindful of the human factor in budgeting and the budget system should be used positively. The role of traditional budgeting has changed over the years, and many types of financial planning and control systems are used in practice. Stenzel and Stenzel (2003), highlight a number of important budget developments, referred to as “better budgeting”, which include continuous and flexible budgets, zero-based budgets (ZBBs) and activity-based budgets (ABBs). In modern financial planning and control systems with globalization and more demanding customers, a number of new management systems have developed for managing operations, costs, time, quality and the environment. These modern management systems include activity-based management, the balanced scorecard, theory of constraints, total quality management, just-in-time production and inventory system. It is vitally important for the organisations to set up a financial plan in order not to experience hardships and financial difficulties in the future. Financial plan assure financial stability and financial freedom that one organisation wants to possess. The process of developing a sound financial plan is to routine process that indeed involves not only careful financial analysis of the organisations situation and long-term investment to implement and monitor that plan throughout, but also requires careful thinking of the planning and control. In order to properly achieve the financial planning goals, one has to monitor the performance of the financial plan as well as make proper changes when necessary.

2. Literature Review

Financial planning is the process of preparing detailed plans for all the functions, departments and activities of the organisation. It is important that the plans and objectives that make up the budget are related to the long-term plan and objectives of the organisation. The budget may be drawn up by preparing an overall budget for the organisation which is then broken down into more detailed budgets for the different parts of the organisation [the top-down approach] or by devising budgets for the various parts of the organisation and then bringing them together to build up the overall budget [the bottom up approach]. The goal of control is ensure that operations and performance conform to plans. Controlling includes all activities that ensure that the actions of the organisation are directed toward the stated goals. The steps involved in control are establishing plan, goal or objective decision rule, recording of actual performance of activity, creation of a mechanism to compare, extraction of variances, investigating of the causes leading to the variances and correcting the variance or taking appropriate action on the variances. With this background information we can now conveniently look at budgetary control in greater perspective with literatures.

More managers are brought into the budgetary process; the more successful the budgetary control is likely to be. A manager whom a budget is imposed rather than actively participating in it formulation is more likely to pay less attention to the budget and use it unwisely in the control process (Frank, 1988). Budgetary control is a system which takes budget as a means of producing and or selling commodities or services (Batty, 1963). The same Batty (1979) went further to state that budgetary control aims at the performance of three primary functions of planning, corporation and control aided by feedback and corrective action. The need to secure the actualization of the budget through participation by saying that ‘participation tends to increase the commitment, commitment tends to heighten motivation, motivation which is job oriented tends to make mangers work hard and more productive work by managers tends to enhance the company’s prosperity, therefore participation is good’(Miller and Earnest, 1966).

Control as the regulation of work activities in accordance with predetermined plans, such as to ensure the accomplishment of the organisations objectives. Control operates through standard and also measures the work performance according to these standards and correct deviations from the standard. It presumes that there is a standard or plan against which performance is compared (Koontz and Cyril, 1979). Budget control has been drawn up, it can be used as an instrument of control by continually comparing actual with budget performance. Since all activities are ultimately capable of being expressed in financial terms, the breath of control is very great. Budget control is part of the overall system of responsibility accounting within an organisation, as costs and revenues are analysed in accordance with areas of personal responsibilities of the budget holders through permitting financial monitoring (Lockyer, 1983). Budgetary control as a means of control in which the actual state of affairs is empowered with that planned for, so that the appropriate action may be taken with regards to any deviations before it is too late (Buyers and Holmes, 1984).The budget helps managers but that budget itself needs help. To this end, top management and indeed the work force must be in support of the budget. Where this support is however lacking, there is bound to be problem in the actualization of the objectives of the budget (Hongren and Foster, 1985). It is noted that many people look at budgets not as a control tool but as a straight jacket. Too much rigidity in the pursuance of the budget could always be detrimental to the realization of the objectives of the budget (Frank, 1988). Control concerns itself with the efficient use of resources to achieve a previously determined objective, or set of objectives contained within a plan (Lucey, 2006). Chartered Institute of Management Accountants (2000) Budgetary control as the process of comparing the actual results with the planned results and reporting on the variations called variance. This according to him, sets the control framework which helps expenditure to be kept within an agreement limits, deviations are noted all along for corrective actions. In some circumstances, it may be necessary to revise goal, but this should not be a normal occurence but only in exceptional circumstances (Lucey, 2008). The impact of budgeting and budgetary control on the performance of manufacturing company in Nigeria was conducted using Cadbury Nigeria Plc, as case study. Since wants are plenty while resources are limited, every organisation tends to find means by which it can get what it wants with the limited resources at its disposal. Therefore, firms seek to adopt the concept of budgeting and budgetary control to satisfy their needs at the least possible cost and at the same time fulfil their stewardship obligations to the numerous stakeholders. The researcher adopted a descriptive research design with data gathered through questionnaire administered to respondents. Non-parametric tool of chi square was employed to analyse the data. Hypotheses were tested and analyzed on a 5% level of significance and it was revealed that budgeting is a useful tool that guides firms to evaluate whether their goals and objectives are actualized. Considering the changing environment in which firms now operate, it was concluded that budget, which is a continuous management activity, should adapt to changes in the dynamic business environment (Siyanbola, 2013).

In the past, manufacturing enterprises were mostly concerned with manufacturing and selling their products. In the dynamic environment of today, organisations need to compete in a buyer's market to be successful and the traditional systems of the past cannot always accommodate these changes. Many management accounting systems have evolved over the years, and these include financial planning and control systems. Financial planning is the adaption of the broad objectives, strategies and other plans of an organisation into financial terms (Welsch *et al.*, 1988). Today, nonfinancial indicators such as competition, availability of resources, quality and customer satisfaction are also being used by management in their decision making. Management accounting systems help managers and staff members with decision making, and with planning and control by gathering and supplying them with the financial and nonfinancial information they need (Drury, 2008; Garrison *et al.*, 2003). Financial planning and control systems should be used by all enterprises. Research indicates that there is a widely held view that many new businesses fail at a startling rate (Carter and Van Auken, 2006; Gruber, 2007; Monk, 2000; Perry, 2001; Radipere and Van Scheers, 2005; Van Biesebroeck, 2005; Van Eeden *et al.*, 2003).

Traditional budgeting in the private sector became popular at the beginning of the 20th century, and the main function was that of cost control (Clarke, 2001). Garrison *et al.* (2003) Define a budget as "a detailed plan for the acquisition and use of financial and other resources over a specified time period. It represents a plan for the future expressed in formal quantitative terms." In other words, a budget is a plan which, in detail, indicates how resources are to be acquired and used. Budgeting, however, is the whole process of developing and administering the budget (Keith and Keith, 1985), while budgetary control is a system whereby budgets are used to control the activities of an organisation (Garrison *et al.*, 2003). In this highly dynamic economic environment, even profitable enterprises need to become more aggressive in their planning if they wanted to survive. To determine what skills were essential for micro enterprises to develop into highly profitable small enterprises, Perks and Struwig (2005) did a survey on small and micro enterprises in Port Elizabeth and found that management skills were critical for enterprise growth. They also found that if a business had debt, budgeting was a vital tool to use because it could assist the owner with decisions on how to make the entity profitable (Perks and Struwig, 2005). Other researchers agree and conclude that the lack of managerial ability is one of the main reasons for failure (Radipere and Van Scheers, 2005) (Döckel and Lighthelm, 2005). In the modern management, financial control is very important. If the financial control is effective, the organization will grow effective in future. Financial control is one of the performance control tool that are used by managers. Today many Public organizations provide services to the public. Jaffna municipal council is a public organization that deals with people of Jaffna city to fulfill their daily needs. The Jaffna municipal council provides different services to the public and it faces many difficulties to manage these activities. However it serves with the help of government grants and other funds from various non government organizations it faces some problems regarding finance and other physical resources (Rathiranee, 2011).

From the literature mentioned above, it is clear that financial planning and control system is a necessary part of the management process. According to Batty (1979), when control system is introduced into a business, there is more hope of success, and with its emphasis on preplanning, feedback and control, it can be an extremely effective tool. Hongren and Foster (1985) concur and explain that although budgeting systems are used more commonly in larger companies. They argue that there is uncertainty in all management

decisions, whether or not budgeting is used, and that some form of budgeting and planning would be useful in any organisation. The above literature indicates that financial planning and control systems are necessary tools in any size of enterprise.

3. Methodology

3.1. Objectives

The main objective of the study is to determine whether financial planning and control systems are of value to the economic survival of manufacturing company. Then to analyse the relationship between the AFN and other factors influences AFN. . This study aims to establish to what extent financial planning and control systems are used in manufacturing and whether use of these management techniques is more likely to improve their survival rate.

An empirical study was conducted on manufacturing automobile company to determine which of financial planning and control systems are used in practice and their benefit to economic survival by following objectives:

1. The research is to establish the existence or otherwise of internal Financial Control systems.
2. To find out the level of compliance and other financial management regulations.
3. To establish the consequences for compliance or non-compliance of such systems and regulations.
4. To make necessary recommendation.

3.2. Scope of the Study

Using financial planning and control systems by more efficient planning and controlling of activities should give these small and manufacturing enterprises a better chance of survival in today's dynamic and competitive environment. There are various components of internal financial control systems used to develop and evaluate an organisational financial regulatory compliance. They need to work together to form a strong set of methods and procedures the company follows in its operations. The research would enable the company to be aware of the internal financial planning and controls associated with profit making organisation and to find appropriate steps in addressing them. Findings from the study are expected to help management to have insight into internal financial planning and controls in place and to appropriate it to achieve results.

3.3. Method

The methods adopted by the researcher are by using secondary data for the study period from 2009 to 2013. The nature of the issues and processes under discussion necessitated the use of qualitative and quantitative analyses for the data collected. In analyzing the secondary data of balance sheet & annual report, descriptive and inferential statistics were used. The analysis was done with the aid of Microsoft Excel and SPSS 22. Inquiries were also made both directly and indirectly through some questions to both the staff and management of the company. The following analysis was incorporated to understand the financial and control practices: Additional fund needed (AFN) , Income Analysis (IA) , Break Even Analysis (BEA), Index Analysis (IA).

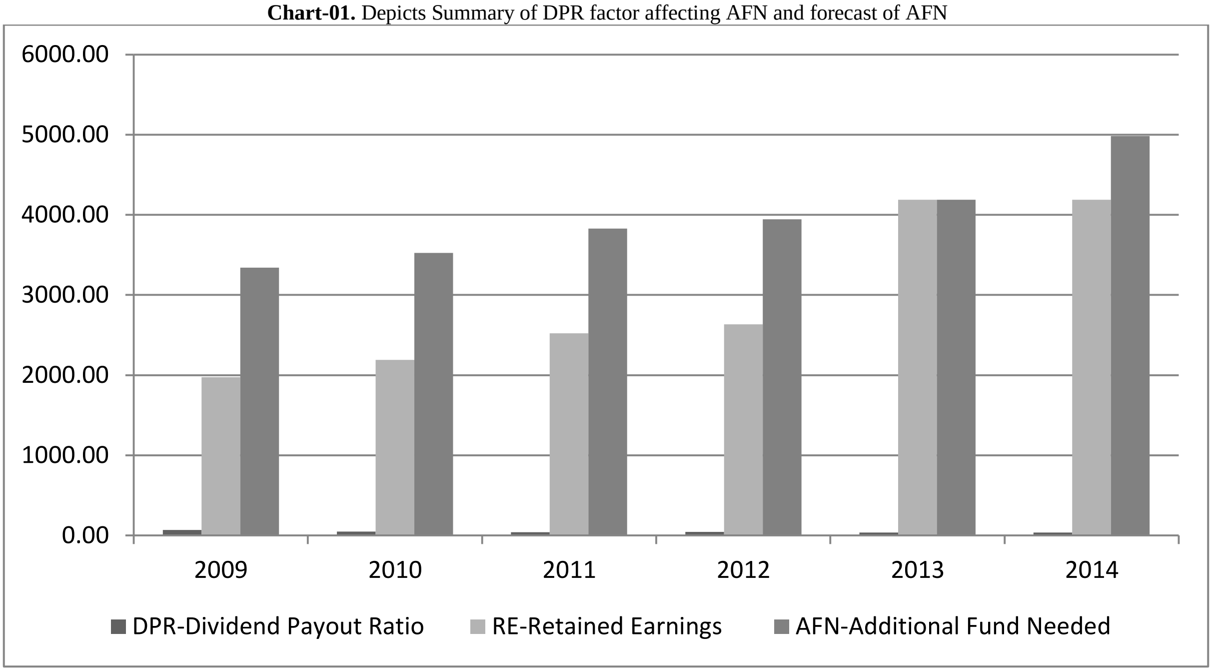
4. Results & Discussions

4.1. Additional Fund Needed (AFN)

Table-01. Estimating Additional Fund Needed

	2009	2010	2011	2012	2013	2014
DPR	69.93	47.17	42.11	46.95	36.81	36.81
NP	190	423.67	631.3	565.98	433.71	477.081
RE	1,976.00	2,190.10	2,523.65	2,632.34	4189.04	4,189.04
CP	7711.2375	9295.225	14258.9375	16636.99	15610.725	18300.69
P T	174.99	170.44	140.20	155.70	194.16	183.64
AP	2,207.29	3,002.68	3,505.26	4,837.41	4,749.58	202.0029
LAB	7911.24	9308.12	10616.74	11941.65	13096.71	13610.39
AFN	3340.86	3523.28	3829.92	3945.72	4189.03	4985.022

Chart-01. Depicts Summary of DPR factor affecting AFN and forecast of AFN

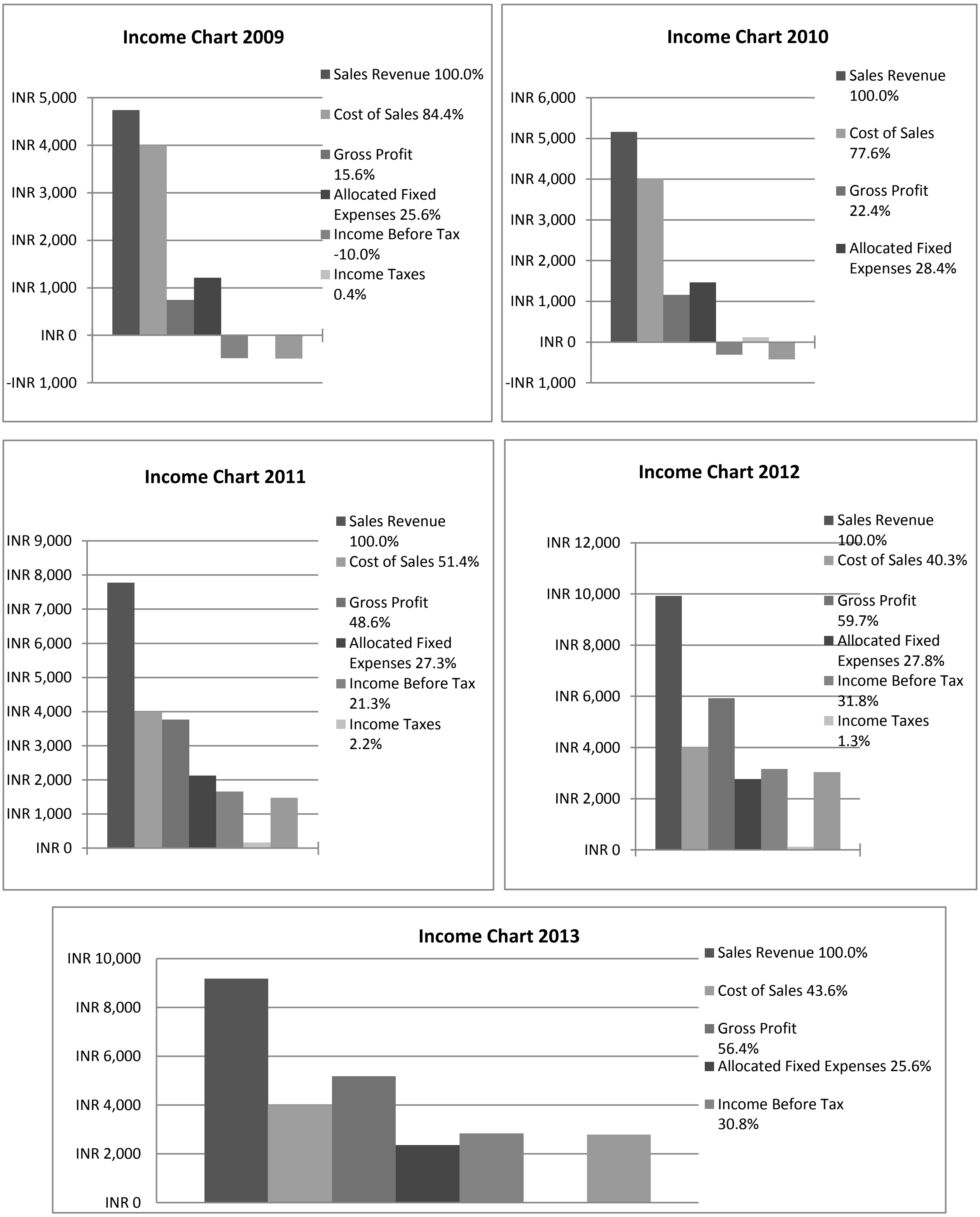


From the above Chart 1, it is been observed that the Dividend Payout Ratio (DPR) compared to 2009 it has drastically decreased during the year 2013. It may be that the company would have yielded less profit or may have planned for future investment by retaining the dividend of the shareholders. It is figured out during the year 2014, DPR will remain the same. The management has to plan carefully in investing the shareholders' dividends and reasonable dividend are made in the near future. The work by Arnott and Asness (2003) has considered the role that the dividend payout ratio in forecasting future earnings growth. Contrary to conventional wisdom the retained earnings is greatest when the payout ratio is high and slowest when relatively low distributions are made. When retained earnings has increased Additional Fund Needed (AFN) would have decreased but found to be in incremental mode year by year comparing from the 2009 to 2013. The projected DPR for the year 2014 is been projected at

36.81% and retained earnings at Rs.4189.04 crores. The company should take measures in bringing down the AFN when the retained earnings are in increasing mode and dividend payout ratio is in decreasing trend.

4.2. Income Analysis (IA)

Chart-02. Depicts Income Analysis during the years (2009-2013)



4.3. Cost of Sales

The cost of sales of the company has come down during the year 2013 (43.6%) when compared to 2009 (84.4%). It shows that the company has reduced the cost to create products, which has been sold. From the above chart it is clearly understood that the company is trying to maximize profit by reducing the cost of sales.

4.4. Gross Profit

When analyzing a company gross profit is very important because it indicates how efficiency management uses labour and supplies in the production process. Here we would see in the above chart the gross profit of the company has increased during the year 2013 (56.4%) when compared to the year 2009 (15.6%). This clearly indicates that the management is bringing down the cost of sales to increase gross profit. The gross profit has increased consistently which states that the management is efficiently managing it cost of sales to increase gross profit.

4.5. Fixed Expenses

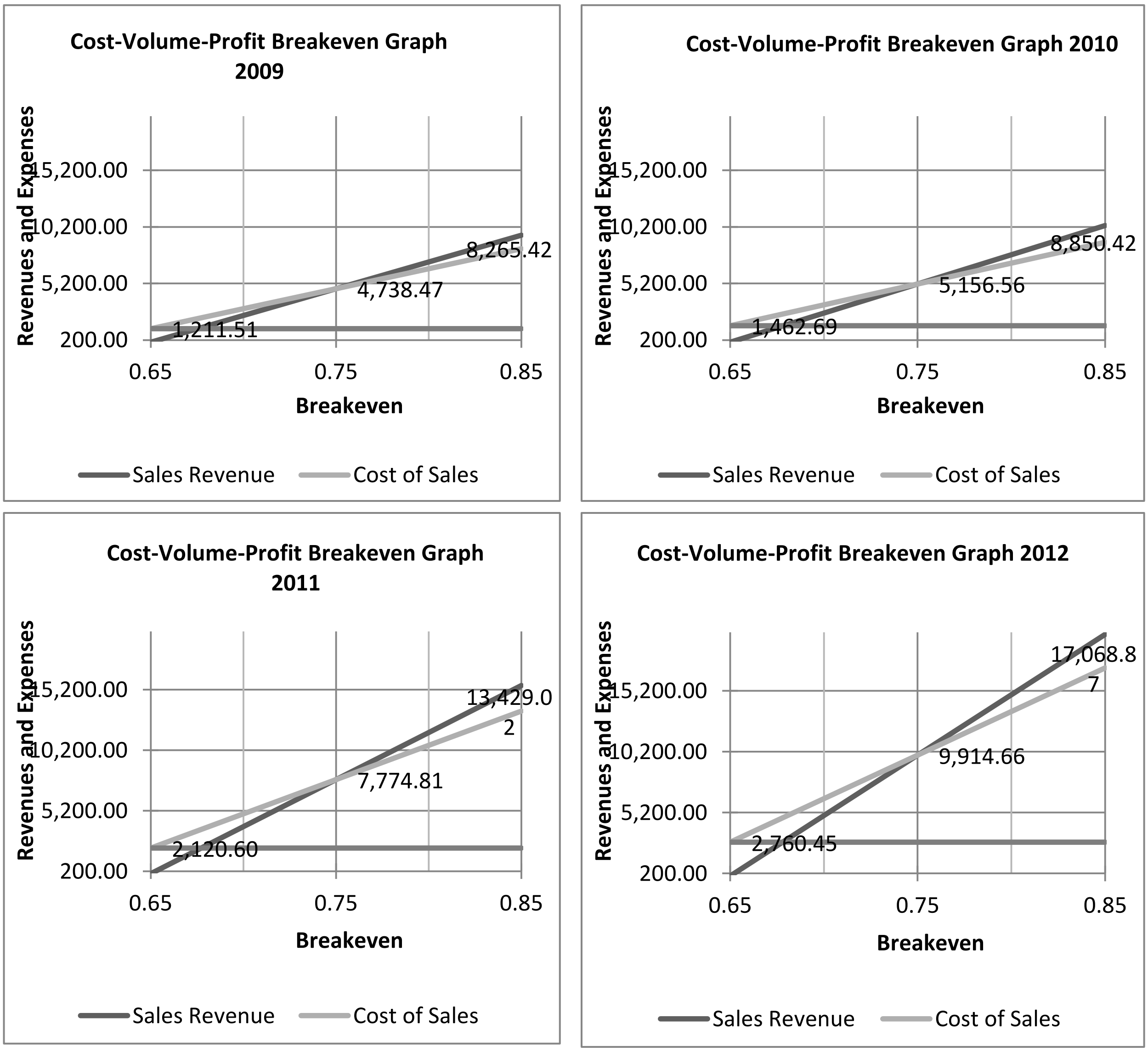
The fixed cost of the company that does not change with the increase or decrease of the product produced. Fixed Cost (FC) of the company with some small variations remains the same all through the year from 2009 to 2013. The result in the above chart depicts that the fixed expenses maintained at a balanced level to increase the gross profit of the company in producing more products.

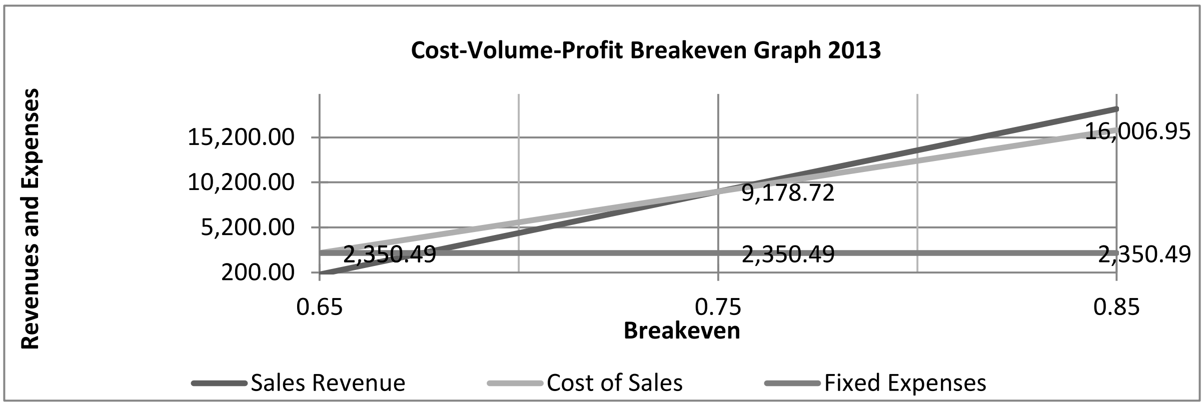
4.6. Income before Tax

The income before tax shows that how much the company has earned after the cost of goods sold, interest and selling, general and administrative expenses have been subtracted from gross sales. From the chart it is revealed that there is a positive trend of growth in the earnings before tax which has increased to 30.8% during the year 2013. This symbolizes that the company is moving in right direction in making earnings before tax. This helps the investors to compare the profitability of the company year by year. Here we would see a positive performance of the company's growth.

4.7. Break Even Analysis (BEA)

Chart-03. Depicts Breakeven Analysis for the Years (2009 To 2013)





4.8. Index Analysis (Ia)

Table-02. Index Based Profit and Loss Statement

	2009	2010	2011	2012	2013
NET SALES	**100**	**120.54**	**184.91**	**215.74**	**202.44**
COST OF GOOD SOLD	100	116.00	180.66	209.15	202.33
GROSS PROFIT	**100**	**133.73**	**197.26**	**234.94**	**202.76**
FIXEDOPERATING COST	100	121.82	179.37	233.05	190.66
DEPRECIATION	100	114.40	149.89	197.75	213.42
EBIT	**100**	**176.79**	**270.87**	**258.43**	**231.74**
INTEREST	100	64.74	120.10	162.26	239.59
EBT	**100**	**261.34**	**384.65**	**331.00**	**225.80**
TAXES	100	656.36	924.11	672.08	200.54
NETINCOME	**100**	**222.98**	**332.26**	**297.88**	**228.26**
COMMONDIVIDEND	100	150	200	200	120
ADDITION TO RETAIN EARNINGS	100	0	0	0	0
EARNING PER SHARE	100	222.37	332.16	148.95	113.98
DIVIDEND PER SHARE	100	150	200	100	60
NUMBER OF COMMON SHARES	100	100	100	200	200

Table-02(A). Index Based Profit and Loss Statement

	Change in % from 2009 to 2013	Positive / Negative
Net Sales	67.9	Positive
Gross profit	51.6	Positive
EBIT	31.0	Positive
EBT	-13.5	Negative
Net Income	2.36	Positive Very low

We here observe that intelligent use of Index Based Analysis of Balance sheet and Income statement especially combining them together can lead to a very insightful journey. Table 2(A) shows that the net sales of the company have grown to a tune of 67.9% during the year 2013 compared to the year 2009. The gross profit of the company has grown to 51.6% during the 2013 comparing 2009. The earnings before interest and tax (EBIT) have been growing at 31% from the year 2009 to 2013. It is alarming to see that the company's Earnings before tax (EBT) is in negative, where the company has to concentrate to improve the earnings bringing down the cost of sales and increase the sales of the products. It also revealed from the table the net income has grown only to a very low of 2.36 % from the 2009 to 2013. It is clearly portrait that the sales of the company will not decide the profit of the company there are other factors like Gross Profit, EBIT, EBT and NI which is to be calculated to understand the performance of the company using Index Analysis.

Table-03. Index Based Balance Sheet

	2009	2010	2011	2012	2013
CASH	**100**	**217.32**	**206.52**	**37.46**	**16.04**
ACCOUNTS RECEIVABLE	100	106.69	123.72	128.44	148.17
INVENTORY	100	123.18	166.08	167.72	142.56
TOTAL CURRENT ASSETS	**100**	**119.97**	**150.47**	**147.10**	**140.19**
CAPITAL WORK IN ROGRESS	100	59.41	37.18	55.34	53.93
INVESTMENTS	**100**	**123.75**	**466.69**	**582.21**	**886.94**
NET PLANT AND EQUIPMENT	100	125.02	136.32	147.88	159.11
FIXED DEPOSITS	100	28696.52	0	0	0
LOANS AND ADVANCES	100	113.26	96.04	158.91	177.99
MISCELLANEOUS EXPENSES	100	53.35	44.48	75.44	0
TOTAL ASSETS	**100**	**117.66**	**134.20**	**150.95**	**165.55**
ACCOUNTS PAYABLE	100	136.03	158.80	219.16	215.18
ACCRUALS	100	137.53	182.90	185.37	144.43
TOTAL CURRENT LIABILITIES	**100**	**136.20**	**161.41**	**215.50**	**207.52**
SECURED LOANS	100	258.90	417.93	315.51	625.29
UNSECURED LOANS	100	90.03	83.61	86.58	96.61
TOTAL LIABILTIES	**100**	**127.37**	**149.95**	**174.20**	**194.75**
COMMON STOCK	100	100	100	200	200
OWNER'S STOCK	100	100	100	200	200
TOTAL LIABILITIES & EQUITY	**100**	**126.57**	**148.50**	**174.95**	**194.90**

Table-03(A). Index Based Balance Sheet

	Change in % from 2009 to	Positive / Negative
Cash	-92.60	Negative
Total Current Assets	16.85	Positive Very Low
Investments	616.71	Negative
Total Assets	40.70	Positive
Total Current Liabilities	52.36	Negative
Total Liabilities	52.90	Negative
Total Liabilities & Equity	53.9	Negative

Table 3 (A) shows the company analyses using index based balance sheet. The cash position at the company is at the very bad state which is at a very high negative end value - 92.60% at end of the year 2013. The cash position of the company is in negative trend, it should be improved by improving the current assets which is found to be very low at 16.85 during the year 2013, but investment made by the company till the year 2013 has increased to a tower high value of 616.71% in bringing total liabilities more than fifty percent ie.,52.90%, which indicated expenses are increasing and the dividend payout is decreasing, where the investors would not be happy the way the company is performing, it would further lead to loss in shareholders wealth.

Table0-4. Relationship between (AFN) and DPR/ NP/RE/CP/PT/AP/LAB

Source	Correlation	Statistical Inference	Hypotheses
AFN *DPR	-.928	Significance	Accepted
AFN*NP	.486	Not Significance	Rejected
AFN*RE	.986	Significance	Accepted
AFN*CP	.943	Significance	Accepted
AFN*PT	.429	Not Significance	Rejected
AFN*AP	.086	Not Significance	Rejected
AFN*LAB	1.000	Significance	Accepted

H_1: There is a significance relationship between AFN and DPR, NP, RE, CP, PT, AP, LAB

The correlation statistics in table 04 will explain the relationship of AFN and other factors. DPR, RE, CP, LAB has a significance relationship with AFN, so the hypotheses is accepted and states that these factors influence AFN of the company. The dividend payout ratio which has to be paid out as dividend, the retained earnings which the company can decide to have for investment, the plant capacity and liability all will give a metrics to plan and control financial of the company. The other factors NP, PR and AP has not significance relationship with AFN so we reject the hypotheses, which states these factors does not have influence on additional fund needed for the company.

5. Conclusion

Businesses in the manufacturing sector have a greater need for planning and controlling their operations because they have the added task of the production process, which includes managing inventory, labour, procedures and time. Financial planning and control systems as essential tools to the economic survival of company need to be addressed to determine whether these systems actually assist in the survival of these manufacturing enterprises. Whatever the size, it is essential for all manufacturing enterprises to use some form of budgeting or other financial planning and control system to effectively use resources to produce the required demand.

There is no doubt that many new businesses, including manufacturers, are developing in India. A somewhat alarming fact, however, is that many of these new firms will not survive. One of the main reasons for this is the lack of financial planning and control systems. The empirical study revealed that many manufacturing do some form of financial planning, although not necessarily on a formal basis. The more formal the planning process is the longer the firm has been operating, which would suggest that formal financial planning and control and other management accounting systems do have an influence on the survival of the firm. However, many other factors contribute to the survival and growth of an entity – hence the need to consider other factors. Financial planning and control constitute a major part of every management's decision. There is no industry that can exist without fair planning and control of its finances. This fact underscores the need to properly plan and control the finances of a firm, especially in the present economic conditions. Companies engage in financial planning and control to minimize expenses and maximize profit for more effective and efficient management.

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