

Chapter 04

Administrative Plan

This chapter discusses the followings.

- 4.1 Introduction to an administrative plan
- 4.2 Administrative positions and functions
- 4.3 Employee salaries and wages
- 4.4 Other administrative expenses
- 4.5 Administrative fixed assets
- 4.6 Preparing an administrative plan



4.1 Introduction to an administrative plan

It is difficult for the owner/s of a business to run all the business activities by themselves. Therefore they need various human resources for the business. The administrative plan is the document that contains the information and cost estimates regarding the human resources that a business needs. It also describes the functions, responsibilities and authority of each person involved in the business.



Figure 4.1

The following information is included in an administrative plan

- ▢ Administrative positions and functions
- ▢ Employee salaries and wages
- ▢ Other administrative expenditure
- ▢ Administrative fixed assets

Now let us discuss each of these in detail.

4.2 Administrative positions and functions

A business organization consists of various divisions to handle its different activities related to production, marketing, finance, administration, etc. and there are many positions that come under each of these divisions. It is the administrative plan that gives information on these positions in the business organization: the functions and responsibilities assigned to each position and the qualifications required. An organizational chart can be used to indicate the divisions of a business organization based on its functions, as well as the various positions in the organization and their hierarchy.

Figure 4.2 given below shows the divisions of a business organization based on its basic functions. It is an example for an organizational chart showing the administrative positions of an organization.

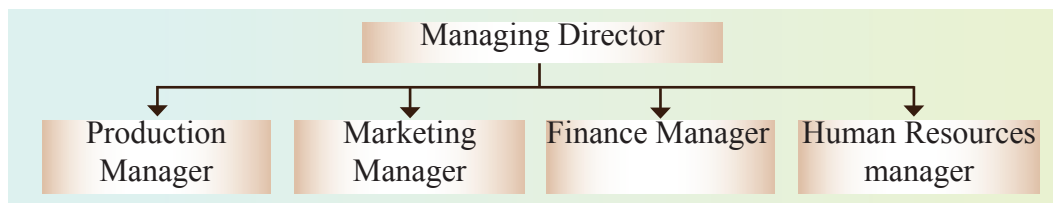


Figure 4.2

Figure 4.3 is an organizational chart showing the positions that come under the production division.

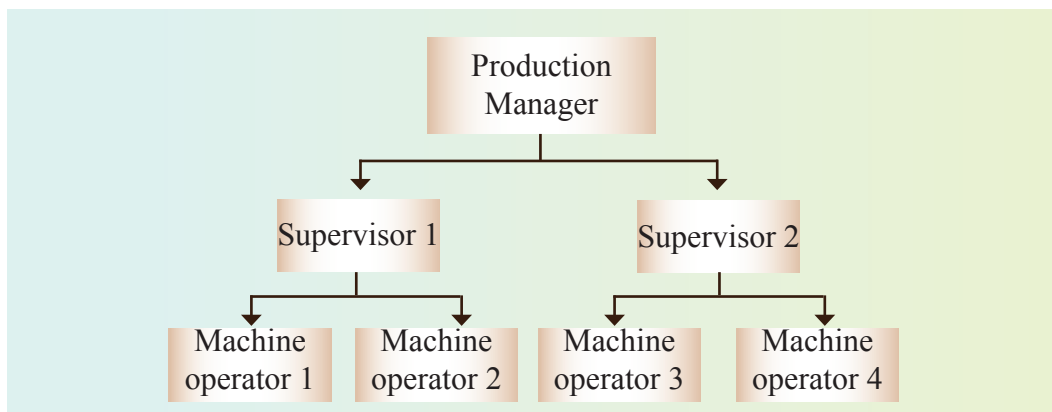


Figure 4.3

In an administrative plan, you can present the various positions, their functions and responsibilities through a table. Given below is an example, showing the functions, responsibilities and qualifications pertaining to the position of Accountant:

Functions	Responsibilities	Qualifications
Supervising the purchasing committee Approving final payments Signing cheques Preparing financial statements	Submitting the financial reports on the due date	Being a qualified Chartered Accountant



Activity 01

01. Draw an organizational chart to show the administrative structure of your school.
02. Complete the following table with information pertaining to three positions in your organizational chart.

Position	Functions	Responsibilities	Qualifications

4.3 Employee salaries and wages

The administrative plan should present an estimate of all the payments that will be made to the people holding various positions in the organization. If the owner/s of the business also perform some work and they have to be paid for it, those payments should also be included in the plan.

4.4 Other administrative expenses

Apart from salaries and wages, if there are any other expenses related to the administrative functions of the business, they should be included in the estimate of expenditure.

The following are some examples for expenses which are related to the administrative functions.

Rental for buildings, telephone charges, stationery expenses, maintenance of administrative fixed assets repair and depreciation, office electricity charges, postal charges, etc.

4.5 Administrative fixed assets

There are fixed assets which are directly related to the administrative functions of a business, such as buildings and installations, office equipment, etc. The depreciation of these assets should be calculated based on their value and lifetime, and it should be indicated as an administrative expense.

4.6 Preparing an administrative plan

To further clarify the concepts discussed above, let us study the administrative plan prepared for the following case.

After completing her school education, Geetha Weerasooriya joined a vocational training course where she gained knowledge and training on manufacturing traveling bags. After that, she worked for a short period as a supervisor in a factory manufacturing traveling bags. Having resigned from the job, Geetha wishes to start her own business of manufacturing traveling bags.

She wants to start her business with 10 sewing machines, and plans to rent a building in the town. She herself will serve as the General Manager and will claim a salary of Rs. 25 000 per month. In addition to her functions as the General Manager, she will handle the activities related to purchasing and selling. Further, it is she who will cut the material for sewing the bags with.

Geetha's brother who has completed his G. C. E. Advanced Level examination will join her business as an assistant manager. She plans to get his help for supervising the other 10 employees and managing the accounts. His proposed salary is Rs. 15 000 per month. The machine operators who have passed the G. C. E. Ordinary Level examination with experience over 06 months will sew the traveling bags.

The following are the expected administrative expenses:

Telephone charges (monthly) Rs. 2000

Stationery expenses (monthly) Rs. 250

Insurance (annual) Rs. 1500

It is expected to buy office equipment worth Rs. 65 000. Annual depreciation of office equipment is considered as 10%.

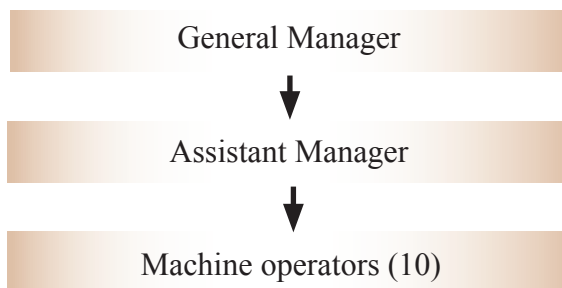
Administrative Plan

01. Details regarding the entrepreneur:

Entrepreneur : Geetha Weerasooriya

Qualifications : Passed G.C.E. Advanced Level examination
Obtained a Certificate in Vocational Training
Work experience

02. Organizational chart



03. The main positions in the organization and their responsibilities

Position	Functions	Responsibilities	Qualifications
General Manager	Managing the business Purchases Sales Cutting the material for the bags	Efficiently managing production, sales and administration of the business Quality control	G.C.E. Advanced Level Certificate of vocational training Work experience
Assistant Manager	Supervising the employees Maintaining the accounts	Ensuring the achievement of production targets	G.C.E. Advanced Level
Machine operator	Sewing the traveling bags	Meeting the standards of production Meeting the production targets	G.C.E. Ordinary Level Work experience (over 6 months)

04. Administrative expenditure

Item	Expenditure (Monthly) Rs.	Expenditure (annual) Rs.
Salary for the Manager	25 000	300 000
Salary for the Assistant Manager	15 000	180 000
Depreciation of office equipment	-	6 500
Insurance	-	1 500
Telephone charges	2 000	24 000
Stationery charges	250	3 000
		515 000

05. Fixed assets

Item	Value (Rs)	Annual depreciation Rs.
		1st year
Office equipment	65 000	6 500



Activity 02

Given below are several positions in a garment factory:

1. Production Manager
2. Administrative officer
3. Finance Manager
4. Marketing Manager
5. Sewing machine operator
6. Accounts Clerk

From the list given below, select the qualifications, functions and responsibilities that match each of these positions and complete the table.

Position	Qualifications	Functions	Responsibilities
1.			
2.			
3.			
4.			
5.			
6.			

1. Qualifications

1. Passed GCE Ordinary Level examination, six months' work experience
2. Special degree in Marketing
3. Degree in Human Resource Management
4. Degree in fashion Designing and Product Promotion
5. Chartered Accountant
6. Passed GCE Advanced Level in Commerce stream, passed Stage 1 in a course in Accountancy

Functions

1. Making financial decisions
2. Leading production activities
3. Sewing clothes
4. Maintaining employees' files
5. Recording daily transactions
6. Organizing promotional events

Responsibilities

1. Ensuring the continuity of production
2. Meeting sales targets
3. Maintaining a motivated work force
4. Meeting daily production targets
5. Recording the transactions correctly
6. Ensuring the financial stability of the organization

Let's Answer

01. What is an Administrative Plan?
02. What information do you include in an administrative plan?
03. List some administrative fixed assets.
04. Name the basic administrative divisions in an organization and indicate the positions that come under them.
05. List several functions of a production manager.

