Production and distribution procedure at coca-cola

Business, Company

Water which is one of the major components in the production of soft-drinks is procured by the company from river Kaveri, and is treated using the water treatment plants, owned by the company. Further it is passed through sand filters and activated carbon filters to remove the impurities. Sugar is then blended with the treated water to form syrup, to which concentrates will be added to give the Coca-Cola flavor. The mixture is then pumped into carbonator section to add carbon dioxide. The Reusable glass bottles are carefully inspected and properly washed, in another section of the plant in order to reuse them for filling the final products. On the other hand, company manufactures the PET bottles which are also used for filling the final products using the pre-forms which it procures from outside. The pre-forms are blown in to the molds using the heat wave to get the bottles of the desired shape. Then the final product is filled into the bottles and are crowned (in case of RGB bottles) and capped (in case of PET bottles), labels will be put on them and will be packed into cases and are arranged on Palet to send them to ware house.

Treatment Of marketing Expenses

Marketing expenses incurred by the company is properly evaluated in order to understand how company can gain value from these expenses. The expenses which are directly targeted towards customers are called as direct marketing expenses. These expenses form a greater portion of company's total expenses, so it is important to extract maximum value from these. The expenses are accounted over those periods to which they are related to. Marketing expenses are to be recorded in the books of accounts on the basis of accrual accounting. The expenses recorded must be supported by the

proper invoices. In addition, these expenses must be reviewed on a periodical basis to ensure their accuracy. All the invoices received from the outside parties must be properly checked to ensure that the amount charged in the invoice are as per the contract between the company and the particular trader, before making payments. Marketing expenses incurred by the company can be classified as Period and Deferred expenses. Period expenses are those which has to be charged as and when particular goods are received or some service is availed by the company. Expenses incurred for procuring the goods or availing the services in advance of their actual market impact are classified as Deferred expenses. These deferred expenses are charged to related account, when the particular marketing initiatives are observed by the customer for the first time. Company also has the policy of reviewing the marketing expenditure incurred by them. For example: It collects the evidences about a particular independent media house airing their commercial, including the details about the day on which the particular commercial was aired and duration of time slot etc. and analysis of these details are carried on a monthly basis to ensure that the media agencies are not over paid and they are following guidelines provide by the company.

Preparing Annual Marketing Plan & Budget

Company’s annual business process involves preparation of annual marketing plan and budget. Finance and marketing department of the company has to review these documents and need to provide their approval. Finance department also reviews the expenditure reports on a monthly basis to ensure that all the transactions have been recorded properly. The annual marketing budget contains the details about the outside bottlers to be used

by the company, about the company's brand, various marketing activities to carried out by the company and implemented on a monthly basis. Any suggestions or changes as recommended by the finance and marketing department to annual marketing plan and budget have to be approved by the management.

Distribution Network

Company is having the well managed network of distributors, who have been assigned the task of distributing the Coca-Cola products to different locations. Distribution networks are efficiently designed to deliver products to customers as and when it is needed by them and also in right quantity.

The distribution network of the company would typically look like: Company has divided its entire customer base different categories and also the market has been divided into different routes. Every sales man appointed by the company will be assigned with one particular route, and he is required to visit that particular route on a daily basis to get the orders from the customers. Company aims at well-defined organization of its distribution network which increases the efficiency of the salesman. It has also helped the company in reducing the cost of operations and to increase the sales volume and thereby making greater profits.

Routes Designed by The Company for The Distribution of Its Products

Key accounts: This category contains that group of customers who contribute to the major portion of total sales made by the company. The group of customers who buy large quantity of products in a single transaction fall in to

this category. Company follows the policy of providing products to these customers on credit basis as well and they are expected to pay back to the company within specified time period.

Future Consumption: This category contains the large number of outlets where Coca-Cola products are kept in stock for the future consumption by the customers. Adequate quantity of stocks will be maintained at these outlets to avoid the case of shortage or of non-availability of the products.

Immediate Consumption: This route consists of those type outlets, which requires distribution of Coca-Cola products on a daily basis. The stock of products maintained at this type of outlets are not for future consumption and normally get exhausted within in a day or sometimes small quantity of stock may be there on the next day.

General: This category contains a set of outlets which are in a particular are and also one or more areas together. In grouping outlets under this route consumption period is not taken in to consideration unlike other classifications.

Distribution System Followed by The Company

Direct Distribution: Direct distribution involves the manufacturing plants or bottling partner controlling the operations related to sales, distribution merchandising and managing the local accounts at the individual store level.

Indirect Distribution: In this case some of the third-party organizations working for Coca-Cola will be having control over the certain elements of the distribution system.

Merchandising: Here communications are held with the customers at the point of purchase in order to make them aware about the quality of the product, its benefits and value that the customer is going receive in comparison to price paid by him. Sales men's and delivery personnel's have major role to play here. In some cases, company may send special teams to certain business locations to merchandise their products.

Role of Distribution Process

Distribution Department: Distribution department establishes an efficient distribution network and appoints a number of distributors. It also processes the sales orders approved by the company and prepares related invoice. Negotiates with the transportation companies to get the vehicles to ship the products to different locations.

Finance Department: Finance department checks the credit limits for each customer, and provides approval for the sales orders which are in accordance with the credit policy of the company, makes collections of money outstanding by the distributors, and periodically reconciles the outstanding balance of distributors. Shipping Department: Shipping department takes care of dispatch of goods form the company's warehouse, and makes sure that products are dispatched on a FIFO method of managing the inventory. It has the physical control over the load out area and updates the warehouse stock level regularly.

Finance Department Preparation of General Ledger and Closing Schedule Each Revenue unit will be maintaining a General Ledger that is supported by appropriate subsidiary records. Every transaction in the General Ledger will

be recorded by referring to chart of accounts established by the company. The classification of transaction to be recorded, is made on the basis of account numbers mentioned in the chart of accounts.

For General Ledger Accounts with large number of transactions, Subsidiary Ledgers are maintained to support them. All the transactions will be recorded in the company's books of accounts during the accounting period to which they are related to and they are properly analyzed to get the accurate results about the working of each Revenue unit. All the Revenue unit working under company will be closing their books of accounts periodically and summary results have to be reported to headquarters. In addition, they need to maintain some additional books of accounts in order to meet the local regulations. Transactions that have not been recorded in any of the subsidiary ledgers can be recorded using the Adjusting entries. Journal Vouchers are used to post transactions to General Ledger that have not been recorded in any other books of original entry. Journal Vouchers contains the information regarding General Ledger account, Cost/profit centre, and Revenue units. To ensure that amount recorded in the books of accounts are properly supported accruals have to evaluated every month. This evaluation may be done with the support of Balance Sheet reconciliation. Balance Sheet reconciliation is an explanation about the continued validity of various items of the Balance Sheet as on any particular date.

It ensures that all the transactions have been recorded as per GAAP and all the accounts have been properly balanced. This task will be often assigned to those people who have proper accounting knowledge.

Cash Flow Statements

Cash flow statements are generally prepared by the employees of local finance department. They have the task of preparing and analyzing statements of cash flows related to local operations of the company. Non-cash transactions and other related adjustments are also identified, with the review of information supporting those transactions and by making sure that all the Non-cash elements have been eliminated. Once these cash flow statements are prepared, they are submitted in Consolidation account package. These cash flow statements will be reviewed by the local reviewer, who will check the accuracy of cash flow amounts, adjustments and narratives. Once these statements have been approved by the reviewer they will be submitted to headquarters. At the headquarter level cash flow statements will be reviewed by Financial reporting representatives. They ensure that Cash flow statements have been prepared appropriately in consolidated form and also may recommend certain adjustments if needed.

As a first step in the preparation of actual Cash flow statement, Income statement and Balance Sheet are prepared, and will be properly analyzed. Indirect method Cash flow schedules Narrative schedules located in the consolidated accounting packages helps in the preparation of Cash flow statements and its submission to company’s headquarters. These Cash flow statements and additional explanations given for the variance have to be

reviewed and approved by the person who is not involved in the preparation of these statements. Consolidation of these Financial statements also will be done by him. The Cash flow statements generally reports cash inflow and out flow in the company during a particular accounting period. Net changes in the Cash and Cash equivalents during the accounting will be highlighted by these statements. There has to be a proper match between the amount of Cash and Cash Equivalents at the beginning and at end of the period as shown by the Cash flow statements with the amount shown by Balance sheet on those dates.

Contents of Cash flow Statements

Cash flow from operating activities: Production, marketing, distribution and Sale of the company's products are classified as Operating activities of the company. Transactions related to inflow of cash from sale of company's products and payments made to the suppliers of raw materials will be recorded under this section.

Cash flow from Financing activities: Financing activities involve obtaining funds from the shareholders of the company and payment of dividends to them. It also involves borrowing money from the debenture holders of the company and payment of Interest on the borrowings and return of the borrowed amount to them after the specified time period. Cash received from the issue of Shares, Debentures and other forms of securities and payment of returns on investments to Shareholders and Debenture holders will be recorded here.

Cash flow from Investing activities: Investing activities include obtaining or selling of Debt or equity instrument, and purchase of Some Land or any other property by the company. Cash out flows from the purchase of Productive Assets and Cash received from the sale of Debt or Equity instrument will be recorded here.

Concept of Economic Profit

Economic profit is the measure of gains made by the company in excess of its Cost of Capital. Economic profit indicates the company's ability to sustain long term growth and increases the value for the Shareholders over a period of time. It is also been observed that there is strong co-relation between company's Economic profit growth and its stock prices over a period of time. As the company's business model evolve it becomes essential to use Economic profit as key business performance metrics. In recent years company has heavily invested in finished products business, through increase in the ownership of bottling operations and participation in joint ventures. As a result it has become important for the company to properly plan and track its investments and effectively manage its Capital Assets.