

Analysis of Expenses Management for FMCG Products

PRABAKARAN E

II MBA, Department of Management Studies, School of Management Studies, Vels Institute of Science, Technology and Advanced Studies (VISTAS), Pallavaram.

Dr R RAAJALAKSHMI

Assistant Professor, Department of Management Studies, School of Management Studies,
Vels Institute of Science, Technology and Advanced Studies (VISTAS), Pallavaram.

Abstract

Expense management is an essential component of financial management in every business organization, as it plays a significant role in controlling expenditure, utilizing resources efficiently, maintaining financial discipline, improving operational efficiency, and supporting profitability. In a competitive and continuously changing business environment, organizations need to monitor their expenses regularly, as increasing operating costs can negatively affect financial performance. An effective expense management system provides a systematic framework for identifying, recording, classifying, verifying, approving, monitoring, and controlling organizational expenditure. It also generates useful financial information for budgeting, planning, financial control, and managerial decision-making. The present study focuses on understanding the expense management system followed in an organization operating in the Fast-Moving Consumer Goods (FMCG) and cleaning-products sector.

Keywords: Expenses management, Financial Management, FMCG, Budgetary Control

Introduction

The study examines the procedures adopted for recording, classification, verification, approval, monitoring, and control of different categories of organizational expenses. Particular attention is given to administrative expenses, production expenses, purchase expenses, employee expenses, transportation expenses, utility expenses, and maintenance expenses. The study also examines the role of the Accounts and Finance Department, budgetary control practices, supporting documentation, internal control procedures, and the application of computerized accounting systems in managing organizational expenditure.

The study adopts a descriptive research design to examine the existing expense management practices. Employees having knowledge of or involvement in expense-related activities are considered for the study. A sample of 50 employees may be selected from different departments, including Accounts and Finance, Administration, Purchase, Production, Human Resources, Sales and Marketing, and Logistics and Distribution. The study also considers secondary financial information and financial ratio analysis to evaluate expense management efficiency and understand its relationship with profitability and operational performance.

The financial analysis considers important indicators such as the Expense-to-Revenue Ratio, Operating Profit Margin, EBITDA Margin, Profit After Tax Margin, Material Cost-to-Sales Ratio, Employee Cost-to-Sales Ratio, and Other Expenses-to-Sales Ratio. The findings indicate that effective expense management is closely associated with organizational profitability and operational efficiency. The declining EBITDA margin and operating profit margin indicate cost pressures, while material costs and other operating expenses require continuous monitoring and control.

Review of Literature

Bshayreh and Abu Hamour (2020) studied the role of Accounting Information Systems in reducing indirect industrial costs in the chemical industry in Jordan.

Thong (2020) examined factors affecting the application of cost management accounting in manufacturing enterprises in Southern Vietnam

Yu (2022) examined the optimization of Accounting Information Systems in manufacturing companies using the REAL model and Activity-Based Costing.

Al-Hattami and Kabra (2022) investigated the effect of Accounting Information Systems on management-control effectiveness among small and medium-sized enterprises.

Judijanto and Sumantri (2024) examined the effects of Cost Accounting Information Systems, technological innovation and organizational culture on cost efficiency in manufacturing companies.

Objectives of the Study

- To analyze the existing expense management practices of Bison Consumer Products Pvt. Ltd.
- To review the procedures followed for recording, classification and documentation of organizational expenses.
- To analyze the effectiveness of the expense management system in controlling and monitoring business expenditure.
- To identify the major difficulties and challenges faced in managing and controlling expenses in the organization.
- To provide suitable recommendations for improving the expense management system of Bison Consumer Products Pvt. Ltd.

Research Methodology

Research methodology refers to the systematic procedure used to collect, analyze and interpret data for achieving the objectives of a study. The present study examines the procedures followed for recording, classifying, approving, monitoring and controlling expenses. It focuses on administrative expenses, production expenses, purchase expenses, employee expenses, transportation expenses, utility expenses and maintenance expenses.

The study also examines the role of the Accounts and Finance Department, budgetary control, supporting documentation, internal control procedures and the use of accounting systems. The methodology provides a structured framework for collecting relevant information and evaluating the effectiveness of the existing expense management system.

Research Design

The study adopts a descriptive research design. Descriptive research is appropriate because the study describes the existing expense management system without manipulating organizational conditions.

The research design covers recording and classification of expenses, maintenance of bills, invoices and vouchers, verification and approval of expenses, budget preparation and budgetary control, monitoring of departmental expenditure, internal control procedures, use of computerized accounting systems, identification of unnecessary expenditure, employee awareness of expense policies and overall effectiveness of the expense management system.

The study also includes an analytical approach to evaluate opinions and identify strengths and weaknesses of the existing system.

Sampling Procedure

Sampling is the process of selecting a representative group of respondents from the total population for conducting research. The population for the study consists of employees who have knowledge of or involvement in expense-related activities.

Respondents may be selected from Accounts and Finance, Administration, Purchase, Production, Human Resources, Sales and Marketing, and Logistics and Distribution departments. The sampling procedure involves identifying relevant departments, selecting employees involved in expense-related activities, explaining the purpose of the study, distributing questionnaires, collecting completed questionnaires, checking the responses and excluding incomplete responses before analysis.

Sample Size

A sample of 50 employees may be selected from different departments of the organization. The selected respondents may include Accounts and Finance employees, administrative staff, purchase and procurement employees, production employees, Human Resources employees, sales and marketing employees, and logistics and distribution employees.

Special attention is given to the Accounts and Finance Department because it is responsible for recording financial transactions, processing invoices, preparing vouchers, maintaining books of accounts, preparing budgets and supporting internal financial control.

Methods of Data Collection

The study uses information obtained from organizational sources and financial information. Primary information may be collected from employees familiar with expense-related activities through questionnaires. Secondary information includes financial statements, annual reports, accounting records and other relevant organizational information.

The study uses financial ratio analysis to evaluate expense management efficiency and profitability. The major ratios include Expense-to-Revenue Ratio, Operating Profit Margin, EBITDA Margin, Profit After Tax Margin, Material Cost-to-Sales Ratio, Employee Cost-to-Sales Ratio and Other Expenses-to-Sales Ratio.

Limitations of the Study

- The findings are influenced by the availability and completeness of company records.
- The study is limited to Bison Consumer Products Pvt. Ltd. and may not represent the practices of all consumer-product companies.
- The sample size may be limited and may not fully represent the opinions of every employee in the organization.
- The study depends partly on the information provided by employees, and some respondents may not provide completely accurate responses.
- Access to confidential financial records, internal policies and detailed expense information may be restricted.

Results and Discussion

The financial analysis evaluates the relationship between expenses, revenue and profitability using selected financial ratios. The ratios provide an indication of the effectiveness of expense management and the pressure exerted by operating costs.

Expense-to-Revenue Ratio

The Expense-to-Revenue Ratio is calculated as:

$$\text{Expense-to-Revenue Ratio} = \text{Total Expenses} / \text{Revenue from Operations} \times 100$$

The ratio was reported at approximately **78.94% in FY 2023–24** and **79.72% in FY 2024–25**. The increase indicates that a slightly higher proportion of revenue was absorbed by expenses during FY 2024–25.

This suggests a marginal deterioration in expense management efficiency when measured purely through the ratio. However, the comparison needs to be interpreted cautiously because FY 2023–24 represented a 15-month financial year.

Operating Profit Margin

Operating Profit Margin is calculated as:

$$\text{Operating Profit Margin} = \text{Profit from Operations} / \text{Revenue from Operations} \times 100$$

The Operating Profit Margin declined from approximately **21.90% in FY 2023–24** to **21.34% in FY 2024–25**.

The decline indicates a marginal reduction in operating efficiency and suggests that operating cost pressures may have affected profitability. This highlights the importance of controlling production, distribution, marketing, administrative and other operating expenses.

EBITDA Margin

EBITDA Margin is calculated as:

$$\text{EBITDA Margin} = \text{EBITDA} / \text{Sales of Products} \times 100$$

The EBITDA Margin declined progressively:

- FY 2023–24 – **24.10%**
- FY 2024–25 – **23.76%**
- FY 2025–26 – **23.00%**

Although EBITDA increased in absolute terms in FY 2025–26 compared with FY 2024–25, the EBITDA margin declined because sales increased at a faster rate relative to EBITDA. The declining margin indicates the importance of continuous cost optimization, procurement efficiency, production-cost control and operating-expense management.

Profit After Tax Margin

PAT Margin is calculated as:

$$\text{PAT Margin} = \text{Profit After Tax} / \text{Revenue from Operations} \times 100$$

The PAT Margin increased marginally from **16.12% in FY 2023–24** to **16.41% in FY 2024–25**.

The increase indicates that the organization was able to maintain its net profitability despite changes in revenue and operating performance. It reflects the ability to sustain a healthy level of net profit through overall financial management.

Material Cost-to-Sales Ratio

Material Cost-to-Sales Ratio is calculated as:

$$\text{Material Cost-to-Sales Ratio} = \text{Cost of Materials Consumed} / \text{Sales} \times 100$$

For FY 2023–24, the material cost-to-sales ratio was approximately **42.09%**.

This indicates that material costs represented a significant proportion of sales. Therefore, procurement efficiency, supplier management, inventory planning and input-cost control are important components of effective expense management.

Employee Cost-to-Sales Ratio

Employee Cost-to-Sales Ratio is calculated as:

$$\text{Employee Cost-to-Sales Ratio} = \text{Employee Benefits Expense} / \text{Sales} \times 100$$

The ratio declined from approximately **9.62% in FY 2023–24 to 9.39% in FY 2025–26**.

The reduction indicates a slight improvement in employee-cost efficiency in relation to sales. Continuous monitoring of employee productivity and workforce costs remains important for maintaining efficiency.

Other Expenses-to-Sales Ratio

Other Expenses-to-Sales Ratio is calculated as:

$$\text{Other Expenses-to-Sales Ratio} = \text{Other Expenses} / \text{Sales} \times 100$$

The Other Expenses-to-Sales Ratio was approximately **22.41% in FY 2023–24**.

Other expenses represent a significant component of the overall expense structure and may include selling, distribution, administration, marketing, logistics and other operational activities. Therefore, this category requires continuous monitoring and effective cost-control measures.

Findings

1. **Expense and Profitability Performance:** The Expense-to-Revenue Ratio increased from 78.94% in FY 2023–24 to 79.72% in FY 2024–25, while the Operating Profit Margin declined from 21.90% to 21.34%. EBITDA Margin also declined from 24.10% to 23.76% and further to 23.00%, indicating increasing cost pressure and the need for better cost control.
2. **Net Profitability and Cost Efficiency:** The PAT Margin improved marginally from 16.12% to 16.41%, indicating that the organization maintained net profitability despite changes in revenue and operating costs. The Employee Cost-to-Sales Ratio declined from 9.62% to 9.39%, showing a slight improvement in employee-cost efficiency.
3. **Material and Other Operating Expenses:** Material costs formed a significant proportion of sales, with a Material Cost-to-Sales Ratio of approximately 42.09%, while Other Expenses accounted for approximately 22.41% of sales. These areas require continuous monitoring and control.
4. **Procurement, Supply Chain and Expense Monitoring:** Effective procurement, raw-material management, inventory control, transportation, warehousing and distribution are important for controlling expenses. Continuous monitoring is necessary because raw-material prices, inflation, energy costs, transportation expenses and market demand can significantly affect the cost structure.

5. **Technology, Budgetary Control and Accountability:** Computerized accounting systems, data analytics, artificial intelligence, predictive forecasting and effective budgetary control can help identify unusual expenditure and improve decision-making. Strategic cost management should focus not only on reducing expenses but also on maintaining product quality, innovation, customer satisfaction and sustainable growth, supported by clear departmental budgets, targets and performance indicators.

Recommendation

Expense management should not be considered merely as a method of reducing expenditure. Excessive cost reduction may affect product quality, innovation, employee welfare, and customer satisfaction, while uncontrolled expenditure can reduce profitability. Therefore, the organization should maintain a proper balance between cost efficiency and business growth.

Effective budgetary control, proper authorization, accurate documentation, and strong internal controls can strengthen the expense management system. The use of computerized accounting systems, data analytics, artificial intelligence, and predictive forecasting can improve the accuracy and usefulness of expense-related information and support timely decision-making.

Strategic procurement and supplier diversification can help control raw-material costs, while improved inventory management can reduce excess inventory, storage costs, wastage, and working-capital requirements. Supply-chain optimization can also reduce transportation and distribution expenses. Employee productivity can be improved through digitalization, automation, training, and skill development.

The organization should regularly monitor key expense performance indicators such as Expense-to-Sales Ratio, Material Cost-to-Sales Ratio, Employee Cost-to-Sales Ratio, Marketing Cost-to-Sales Ratio, Distribution Cost-to-Sales Ratio, Inventory Holding Cost, Logistics Cost, EBITDA Margin, and Operating Profit Margin. Continuous monitoring of these indicators can help management identify cost pressures and take timely corrective action. Overall, an integrated approach combining financial control, technology, strategic procurement, supply-chain efficiency, and continuous performance monitoring can improve resource utilization, strengthen profitability, and support sustainable long-term organizational growth.

Conclusion

The present study examined the expense management system and evaluated the effectiveness of existing expense management practices through financial analysis. The study confirms that effective expense management is an important factor influencing financial efficiency, profitability, operational performance, and sustainable business growth. Proper control of expenses helps the organization utilize resources efficiently, maintain financial discipline, and support effective managerial decision-making.

The analysis of selected financial ratios indicates that the organization maintains a relatively strong profitability position. However, the increase in the Expense-to-Revenue Ratio and the decline in Operating Profit Margin and EBITDA Margin indicate the presence of cost pressures that may affect operating efficiency. The significant contribution of material costs highlights the need for strategic procurement, effective supplier management, inventory control, and improved supply-chain efficiency.

References

1. Cheng, Q., Goh, B. W., & Kim, J. B. (2018). Internal control and operational efficiency. *Contemporary Accounting Research*, 35(2), 1102–1139.
2. Ismail, N. A., & King, M. (2005). Firm performance and AIS alignment in Malaysian SMEs. *International Journal of Accounting Information Systems*, 6(4), 241–259.

3. Nicolaou, A. I. (2000). A contingency model of perceived effectiveness in accounting information systems: Organizational coordination and control effects. *International Journal of Accounting Information Systems*, 1(2), 91–105.
4. Stoel, M. D., & Muhanna, W. A. (2011). IT internal control weaknesses and firm performance: An organizational liability lens. *International Journal of Accounting Information Systems*, 12(4), 280–304.
5. Nicolaou, A. I., & Bhattacharya, S. (2006). Organizational performance effects of ERP systems usage: The impact of post-implementation changes. *International Journal of Accounting Information Systems*, 7(1), 18–35.
6. Monteiro, A. P., Vale, J., Leite, E., Lis, M., & Kurowska-Pysz, J. (2022). The impact of information systems and non-financial information on company success. *International Journal of Accounting Information Systems*, 45, 100557.
7. Garee, A., Buasri, C., & Rungruang, P. (2024). *Internal control that influences performance efficiency of financial, accounting and auditing department of local administrative organization, Songkhla Province*. *Arts of Management Journal*, 8(2), 296–316.
8. Zahra, A. A. A., & Putra, I. N. W. A. (2024). *The influence of enterprise resource planning, accounting information system quality, competence, and internal control on company performance*. *E-Jurnal Akuntansi*, 34(5).
9. Monteiro, A. P., et al. (2026). *Accounting information systems and organizational performance in the cloud computing era: Evidence from SMEs*. *Sustainability Accounting, Management and Policy Journal*, 17(1), 267–299.
10. Prasetianingrum, S., Basannang, S. M., Lande, A., Sonjaya, Y., & Samori, M. (2026). *Enhancing reporting quality through systems, controls, and efficiency*. *Jurnal Akuntansi*.