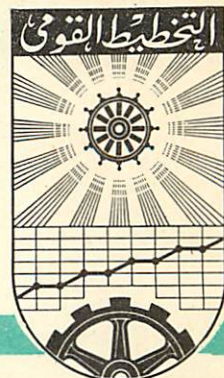


# UNITED ARAB REPUBLIC

## THE INSTITUTE OF NATIONAL PLANNING



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General Organization of  
Planning of Industry

Part II  
Annual Planning of Industry

by

Dr. Kurt Sack  
Dr. Hermann Linsel

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## 2. Annual planning of industry

### 2.1 Main tasks of annual planning

The annual planning and, thereby, the elaboration of annual plans represents a decisive instrument for properly managing national economy. Proceeding from the target of prospective plans and the present level of their fulfilment, annual plans have to show what's to do so as to make sure a further increasing of labour productivity and living standard in the forthcoming year.

According to this, the annual planning has to be carried through by taking into consideration the fulfilment of the following tasks:

1. Elaboration of the different targets for industry and enterprises according to the aims of prospective plans, the economic and technical level reached, and finally, according to new tasks arising from the specific national and international conditions.
2. Revelation of all the idle resources (material, machines, manpower) within industry and enterprises by determining necessary measures to make them useful for increasing labour productivity or production itself.
3. Analysis of the interrelationship of different branches and enterprises aiming at the possible utilization of the advantages of a social division of labour. The results have to be reflected in the different parts of the enterprise plan, for example, production, manpower, etc.
4. Elaboration of plan-proposals suitable for balancing the tasks with regional state authorities for

instance, (Regional Economic Councils) and superior state authorities as the association of nationally-owned enterprises or industrial departments of the National Economic Council.

5. Working out of such a planning technique suitable for mechanizing of repeating works and for deriving the special tasks for short-term planning.

Elaboration of the different plans of enterprises, associations, and industrial departments forms a significant precondition for scientifically-based managerial activity. This process, therefore, has to be done by considering such principles of management that have been mentioned in previous memoranda,<sup>1)</sup>. In addition to this, special principles of planning have to be taken into account. These principles are derived from the basic principles of management. But in many cases, they play a more or less independent role.

These special principles of planning are, for instance:

1. The principle of comprehensive planning.
2. The principle of steady balancing of plans.
3. The principle of strongest economization.
4. The principle of designation of centres.

Ad 1. The first-mentioned principle expresses that the process of planning doesn't represent an "one after another" and "side by side" of elaborating the single plans. On the contrary. The plans have to be worked out in the closest collaboration of the different levels of managerial hierarchy. Thus, the plans of enterprises and associations have to be drafted at the same time. Simultaneously, the economic connection with the regional authorities have to be analysed, discussed and adjusted.

Only in doing so, the single plans can be drafted at the highest level possible. Furthermore, we are able to avoid manifold changings after having approved the plan proposals.

Ad 2. The principle of steady balancing of plans is closely connected with the principle, mentioned before. The collaboration between the single levels of state hierarchy has to be carried through in such a manner that, for example, the different elements of production process available are balanced with the special requirements. Practically, this has to be done by balancing the funds of material, manpower, etc., with the respective requirements at all level of industrial management. It thence follows that within an enterprise, for instance, must be balanced :

- productive capacity available with demand for capacity,
- manpower available with need of manpower, etc.

Moreover, the following items have to be balanced between enterprises and the different state authorities:

- demand for manpower and manpower available,
- demand for material and material available,
- demand for new social establishments and material and financial means available, etc.,

In carrying through the process of planning in such a way, we are able to ensure a high quality of adjusted plans at all level of managerial hierarchy resulting in continuous production process within the different productive units. This, however, forms an important part so as to implement the third principle of planning.

Ad 3. The strongest economization in planning means, the single plans are to be based on technically-founded standards or norms. These standards are elaborated for repeating expenditures of dead and living labour within the production process. The different figures of plans, therefore, are to be based on such standards, as technically-based labour standards, standards of material consumed, etc., This, however, represents only one

condition for economical expenditure of means of production, material, and living labour. It has to be completed by a system of balances of superior authorities aiming at a continuous production process and at implementing of planned targets.

Ad 4. When speaking about the designation of centres, we have in mind such problems closely connected with the materialization of main tasks of the national economy. These tasks, e.g., are arising out of the prior rank and development of leading branches. That means, these tasks must be fulfilled at first that are the most important ones for a development of national economy as a whole. The determination of these tasks depends on the national and international situation. For this reason, the leading branches and the main tasks are not constant ones, but they are rather changeable.

It goes without saying that all the tasks, mentioned above, have to be realized by using the most economic organization of the planning process. To be sure, this procedure is not an easy one. Economists, therefore, have to study the most progressive experiences in industrially advanced countries and to prove its utilization within their own country. This can not be done by a simple transformation of methods applied in those industrialized countries but has to be realized by taking into account the special conditions of the own country. The transformation itself of these methods of planning represents, therefore, a very difficult scientific work. Since the applicability cannot comprehensively be proved by a theoretical pattern, manifold practical experiments have to be arranged. Only after having proved its applicability by experiments practical generalizations will become possible.

## 2.2 The running off of the annual planning

Experiences show that planning can be done practically only if this process is carried through in single steps. This doesn't mean, as stressed earlier, that there exist planning in so-called rounds following one after another. On the contrary; although we speak of single steps, we have in mind their close connection within the system of comprehensive planning.

These main steps within annual planning are:

1. the elaboration of a plan-proposal ,
2. the elaboration of the definitive plan for the productive or managerial units respectively.

These steps are completed by a so-called first project of a plan-proposal within some branches.

Although the process of planning within the single units is realized by steady balancing the demand for and given potentials of the single elements of the production and reproduction process, this can alone not be sufficient. In doing so, we are able to reach a partly comprehensive planning only. The comprehensive planning of the single ingredients has to be completed by the all-round planning of the respective productive or managerial unit itself. And this process is divided into these two steps, mentioned above.

### 2.2.1 The first project of a plan-proposal

To elaborate the first project of a plan-proposal represents the first step in the running off of annual planning in industry. The main task of this step is to support the elaboration of orientation-data by the respective superior state authority. The first project of plan-proposals, therefore, is drafted on the basis of a comprehensive analysis of the fulfilment of the targets set for the previous year and the first

quarter of the current year. In addition to this, newly arising problems of scientific and technological development and the national and international situation have to be considered. In line with these tasks, the first project of a plan-proposal generally contains figures regarding an estimation of the future development of

- production by quantity and quality,
- scientific and technological progress (introduction of new products into production),
- material requirements, and
- manpower requirements.

The preparation of the first project has to be done at the end of the first quarter, i.e., about April and May. By taking part in this preparation, the working people of a certain industrial unit influence their future tasks. The quality of this first project will mainly depend on the quality of the analysis and the including of working people in its elaboration.

Newly investigated resources revealed in this connection have to be used as soon as possible. This can be done either by immediately implementing the newly developed innovation suggestions of working people or by establishing of working teams charged with developing such suggestions so as to use idle resources. If these suggestions are going to become efficient within the next plan-year, necessary expenditures for their elaboration and forth-coming results have to be considered in respective parts of the comprehensive plan.

After having finished these preparations, the first project of a plan-proposal is given up to the superior authority as well as to the respective regional authorities. As a rule, the industrial unit charged with drafting a first project of a plan-proposal is forced to defend its suggestions against its superior authority.

2.2.2 The plan-proposal of an industrial enterprise

The drafting of the plan-proposal itself represents the most significant step within the procedure of annual planning. Since all the further plans and balances of the development of industry and national economy are based on these plan-proposals of industrial enterprises, they have to be elaborated as thoroughly as possible. The plan-proposals are worked out on the basis of:

- the first project of a plan-proposal,
- the orientation-data given up by the superior authority (industrial department of the National Economic Council, association of nationally-owned enterprises, etc.),
- the state directive for the drafting of the plan-proposals,
- legal instructions of the government,
- comprehensive analyses of the activity within all the productive and managerial departments.

The procedure of elaboration of the plan-proposals may be described as follows :

The State Planning Authority is responsible for designing the orientation-data of national economic development on the basis of national economic interlacing balances. After receiving these orientation-data, the industrial authorities (ministry for industry, industrial departments,) have to study them and to compare with their own ideas about the foreseen socio-economic and technical development. These considerations are to be based on the prospective plans and comprehensive analyses about the preceding development. Resulting from this, orientation-data have to be elaborated and distributed among the subordinated organizations or associations of industrial enterprises or enterprises themselves. In general, however, orientation-data for the enterprises are worked out by the respective departments of the



organizations. They are given up to the enterprises by or on behalf of the director general of the organization in question. This shall be done in connection with a meeting of the working people. There, the director general, or another director of the organization, is expected to explain the main targets of the forthcoming year, their importance to be fulfilled, and the decisive methods to reach the aims set. They have to stress, simultaneously, outstanding results of workers or working teams within these enterprise so as to give an example how to fulfil the targets. The same holds true concerning the obstacles hampering a speedy development of the enterprise in question. The director general or his deputy is expected to demonstrate how to overcome the difficulties existing.

After this, the orientation-data are to be discussed by the top-management of the enterprise and the representatives of the social organizations of working people. The planning department of the enterprise, in turn, has to design a draft of a plan-proposal and to elaborate orientation-data for the single productive and managerial units.

After confirming the orientation-data by the director of the enterprise, they have to be distributed among the single productive and managerial units. But this elaboration and distribution of orientation-data is not a simple mathematical division. It is rather a very complicated process. The quality of the orientation-data influences decisively whether the working people will recognize these targets as their own or not.

The orientation-data distributed among the productive and managerial units are to be specified by the heads of the departments or other units within the enterprises by means of their managerial personnel. That means, the orientation-data, rather compensated figures, have to be expressed in such indicators that every of working people within the single units is

able to estimate the arising tasks. It renders necessary, therefore, to formulate the orientation-data in physical terms.

For example:

The orientation-data put the task to increase production within one productive department by L.E. 200.000. By giving this figure only most of the working people will be unable to ~~derive~~ their special task to be fulfilled for reaching these targets. If, however, these orientation-data are expressed as follows:

- production of product I has to be increased by 5000 pieces
- production of product 2 has to be increased by 3000 pieces etc., the working people will be able to appreciate their future tasks. They will be able, furthermore, by comparing the present level of production with the forthcoming targets to develop such measures aiming at narrowing the gap between the present and the necessary level of production, productivity, etc.

This has to be done by means of comprehensive analyses about the single activities within this department, i.e., analyses of

- technology applied for manufacturing the different components and products,
- the organization of production process,
- the system of materials handling,
- the standards (norms) and wages applied,
- the materials consumed,
- the efficiency of the directive system,
- the efficiency of follow-up (control) etc.,

By taking part in analysing these activities, the working people will reveal a lot of idle resources and obstacles hampering an increasing production or the reduction of prime cost. These revealed resources and obstacles, in turn, represent the basis for developing the innovation suggestions, mentioned above.

Usually, in our country these analyses are carried through by working teams consisting of workers, technicians, and economists. This method has proved itself as the best one. This so, because in such a case the analyses are possible at a high scientific level. Furthermore, this kind of team-work represents an additional training for all the members of a team resulting in a very high quality of innovation suggestions prepared by these teams. Last not least, this team-work, on the basis of socialist relations of production, leads to a higher standard of qualification of all working people. Thus, team-work and the participation of working people in planning and management is supported by the trade unions in the GDR.

The innovation suggestions and other measures aiming at improving production and lowering prime cost have to be collected, balanced, and verified. The economic effects of these foreseen changings must be sufficient for closing the gap between the present and the necessary level of production, productivity, etc., of the next plan-year. Unless these aims set are reached, new analyses and investigations have to be started.

After having finished these steps, a comprehensive plan-proposal of the respective unit has to be worked out by the head of the unit or his managerial personnel and discussed by the working people. This discussion is expected to make the working people acquainted with all forth-coming changes and their effects on :

- their own activity, in general,
- the tasks to be solved by them, in detail,
- the necessary prerequisites so as <sup>to</sup> fulfil the targets,
- the necessary qualification arising from new technologies to be applied,
- last not least, the material and moral incentives available if the planned targets will have been fulfilled.

The latter represents a very important problem. As stressed earlier, very attention is paid by the new economic system of planning and managing the national economy to these questions. We are forced, therefore, to draft such measures which are aiming at a close interrelationship between the planned targets and the necessary material incentives. That means, for instance, that the orientation-data have to express not only the planned targets concerning the development of production, labour productivity, cost reduction, etc., but also to inform on the funds of wages, bonusses, and other material and moral incentives possibly to be granted by the department.

In this way, the working people are stimulated to take part in such working teams for analysing the single parts of the activities, and they are materially interested to work out innovation suggestions.

Besides these general incentives, there exist now as before a system of bonus<sup>es</sup> awarded for innovation suggestions according to their efficiency. The amount of the bonus depends on the savings to be attained yearly. (c.f. table).

BOUNSESSES AWARDED FOR INNOVATION SUGGESTIONS

Social benefit	percentage	plus
upto 1000-MDN	16 at least	30,-MDN
1001, - - 2000, -MDN	12 plus	40,- "
2001, - - 5000, - "	8 "	120,- "
5001, - - 10000, - "	6 "	220,- "
10001, - - 20000, - "	4 "	420,- "
20001, - - 50000, - "	3 "	620,- "
50001, - - 100000, - "	2 "	1120,- "
100000, - - 200000, - "	1,5 "	1620,- "
200000, - - 500000, - "	1,0 "	2620,- "
500001, - - 1000000, - "	0,75 "	3870,- "
more than 1000000,- "	0,5 "	6370,- "
	maximum 30000,-	

The plan-proposals of the different departments are collected and balanced by the planning department of the enterprise. It depends on the size of the enterprise whether this elaboration of the comprehensive plan-proposal of an enterprise as a whole can be done manually or by using of data-processing machines.

For in our republic the whole system of planning is going to be carried over on the use of data-processing machines, it will become necessary to start this procedure within the single enterprise. We are able, for instance, to apply for these purposes punch-card-machines already established and working in enterprises or if not the newly arranged centre of data-processing machines within all regional districts and counties. In doing so, the managerial personnel within the planning departments will become free from such a tedious work as to summarize the thousands of single figures and will be able to concentrate on an improving of the quality of planning itself.

Furthermore, the application of data-processing-machines enables the top management of enterprises and organizations of enterprises to use mathematical methods for optimizing production program, prime cost per unit, and other problems of organization of production and materials handling.

These internal problems can efficiently be solved only by taking into consideration the external relations, that means, the supply with materials and the sale of the products produced. The elaboration of plan-proposals, therefore, has closely to be connected with necessary negotiations with supplier and consumer related to quantity and quality of materials needed, assortment and time of delivery of products, etc.

In addition to this, negotiations are to be conducted with railway or other forwarding enterprises to make sure supply and delivery at the planned time.

Last not least, it has to be prepared the granting of credits or other financial means needed to carry through planned production within enterprises.

Planning department, on behalf of the director, takes the lead in shouldering the responsibility for preparing the plan-proposal of an enterprise. This, however, does not mean that a planning department itself has to carry through all these tasks. On the contrary, according to the production principle the head of a department is fully responsible for the whole activity within this productive or managerial unit. That means, for example, the head of a sales-department is liable for the investigation of market and demand and for preparing the sales-contracts. The planning department supervises only that these activities are done within the limits of the orientation-data or plan-proposals of productive departments, in so far as a higher volume of products is announced. This holds true, respectively, for those departments as production, manpower, finance, etc.

After having finished all the different tasks, mentioned above, the comprehensive plan-proposal of an enterprise can be drafted, discussed by the top management of the enterprise, the social organizations and the working people. Generally, in our country a director of an enterprise is not entitled to sign the plan-proposal and to give it up to the superior authority without confirmation by the working people or their representatives.

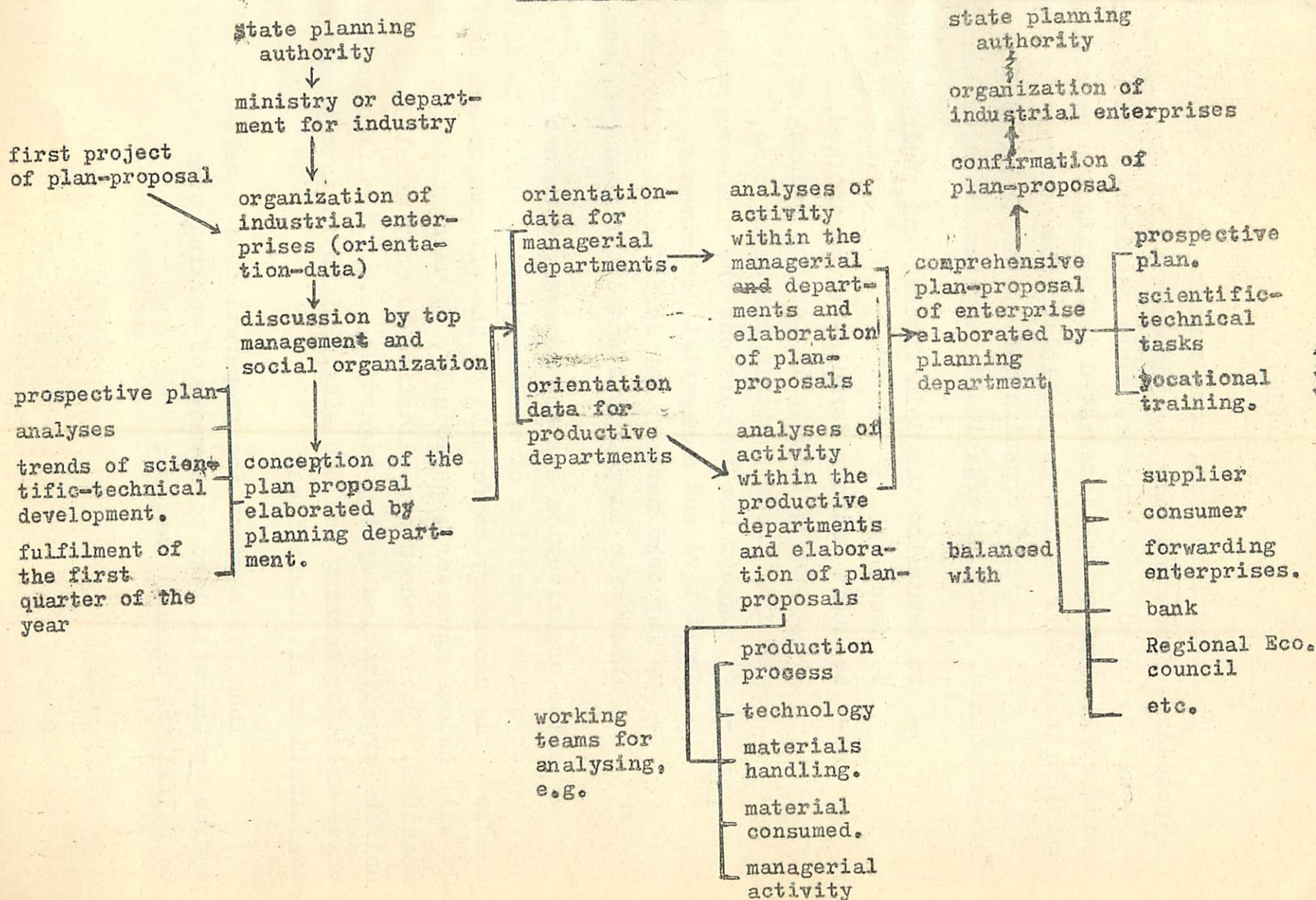
Moreover, this plan-proposal has to be defended by the director of an enterprise. That means, the director has to explain the reasons for the figures within the plan-proposal to his superior authority, e.g., the director of the association of nationally-owned enterprises. Such a procedure underlines the sole responsibility of a director and forces him to make himself acquainted with all the most important scientific, technological and economic problems within the enterprise in question.

The plan-proposals of the enterprises subordinated to an association are collected and balanced by its planning department. As a result of this, the plan-proposal of the organization or association has to be drafted and compared with the targets (orientation-data) set by the respective industrial department or ministry for industry. Like the director of an enterprise, in our country the director general of an association has to defend his plan-proposal against the head of the industrial department.

These plan-proposals represented by the associations of nationally-owned enterprises form an essential ingredient of a national economic plan drafted by the State Planning Authority on the basis of plan-proposals of all branches of national economy.

Summarizing, the running off of the planning process shall be demonstrated by a sketch. (c.f. sketch 1)

SKETCH "1"  
Formulation of plans for industry  
and its single units.





To accomplish this, some remarks on the organization of the procedure connected with the elaboration of the plan-proposal. It should be noted that this procedure requires a lot of administrative work. But we are interested in keeping the necessary administrative work as low as possible. This can only be done by means of a well prepared organization-system so as to elaborate the plan-proposals. Such an organization-system includes, among others:

- to determine the main figures and their contents to be used,
- to draft uniform formulas to be applied,
- to prepare a time-table for the running off of the planning process within the enterprise,
- to suggest how to work out the plan-proposals within productive and managerial departments,
- to lay down methods for calculation efficiency of innovation suggestions and other measures, etc.

The organization system, however, does not aim at hampering the creative faculties of working people, but it is directed to ensure the necessary conformity of the efforts of all departments. It will become necessary, especially, by using data-processing machines. Their economic application is only possible by using a uniform organization system regarding, e.g., the figures and formulas used for working out the single plans in enterprises and organizations of enterprises.

Thus, to neglect the preparation of a well-founded organization system will lead to a waste of working time and money needed to fulfil the planned targets.

2.2.3. The definite plan of an industrial enterprise

The plan-proposals of associations and branches are combined to the national economic plan. This plan has to be discussed and confirmed by the supreme authority of the country in question. In the GDR, the national economic plan is confirmed by the Peoples Chamber that means our parliament. After this, the state plan-tasks are to be given up to the different branches and independent authorities within national economy by the State Planning Authority. In general, the procedure equals the distribution of orientation-data. But these state plan-tasks represent a higher quality. Firstly, they are balanced in detail within national economy -- including foreign trade; secondly, they have a legal character. That means, they must be fulfilled. Every alterations are only possible after being confirmed by the superior state authority.

The planning department of an industrial enterprise, therefore, has to compare the state plan-tasks with its plan-proposal. Possible deviations have to be marked and discussed by the top management. Inasmuch as the differences are limited, the plan-proposals of the single departments within the enterprise are corrected and discussed with the respective heads of the departments. Generally, it depends on the quality of the plan-proposal itself whether these changings will be big or small ones only.

After having agreed to these deviations from their plan-proposal, heads of the different departments get their plan-tasks by the planning department. These plan-tasks again have to be explained by the heads of the departments to their subordinated working people.

Finally, the corrected plan-proposal or the newly developed definite plan of an enterprise, etc. has to be confirmed by the superior authority.

The managerial departments now are able to fix and finally to conclude the prepared and balanced supply and sales-contracts or agreements, the granting of financial means by the bank, etc.

To sum up, we would like to show the whole process by a sketch. It is of course, rather simplified and has to be seen by considering the principles of planning, mentioned before. (c.f. sketch 2)

When speaking about the annual planning, we have to give some ideas on the ingredients of the plan-proposal or the definite enterprise plan. The main problem is that the enterprise plan doesn't end in itself. As a main instrument for managing and planning the production and reproduction process, the enterprise plan has to reflect its most important features. Thus, in our country the enterprise plan comprises the following parts:

- technical plan,
- production plan,
- plan of material requirements and supply,
- manpower plan,
- plan of cost and financing,
- planned utilization of capacity.

If needed, additional parts are affiliated. Such additional plans are, for example:

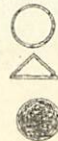
- investment plan,
- co-operation plan,
- plan of standardization of products and technologies, etc.

The contents of these single plans differs within the branches of industry. This so, in order to bring in line the requirements of the reproduction process with the contents and

Sketch 2

	Parliament	State Council	Council of Ministries	State Planning Commission	National Economic Council	Association of Nationally Owned Enterprises	Nationally-Owned Enterprises	Trading Enterprise	Supplier Enterprise	Consumer Enterprise	Bank etc.	Regional State Authorities	
Drafting of the plan-proposal I			○	○	○								
Current Year II				○	○	○	○	△	△	△			First Project
III						○	○	△	△	△	△	△	plan-proposal, preparing of contracts
IV	○	○	○	○	○	○	○	●	●	●			
Plan-Year I				○	○	○	○	△	△	△	△	△	Elaboration of definite enter. plan, concluding of contracts

The signs stand for



Steps within the running off of the annual planning, interrelationship and balancing of offers and requirements,

Preparing or concluding of contracts.

formulas of the plan used. In any case, the decisive factor represents the requirements of the production and reproduction process. When studying the special methods of enterprise planning, therefore, it is necessary to consider the special conditions of the branches and enterprises in question. There is, on the other hand, no reason for an over-estimating of the special conditions. Planning and managing of the national economy force the economists to single out such figures of indicators to be applicable in all the enterprises so as to compare and balance their aims and requirements. This has to be seen, especially, in connection with the application of part-interlacing and interlacing balances necessary to make sure a proportional development of all branches within a national economy. Furthermore, comparable figures have to be used within one branch or association of nationally-owned enterprises on basis of the uniform main features of the reproduction process to make planning and managing effectively possible or possible at all.

The above-mentioned phenomena represent the basis for further explanations on methodical problems of enterprise planning. By showing the process of planning of the different parts of an enterprise plans on the basis of a very difficult production process, engineering, they will be able to derive a lot of conclusions for the planning in any other branches.

At first, however, short remarks on the contents of the single parts of an enterprise plan.

The technical plan comprises two main parts :

- research and development of scientific and technological progress,
- introduction of newly developed technique, i.e., ~~products~~ and technologies, into production.

Each of these parts contains such information as :

- description of the task or measure,
- necessary expenditure of working time, material and financial means,
- stages of fulfilment within the plan-year,
- planned efficiency of measures to be introduced.

According to these contents, the technical plan influences all other ingredients of an enterprise plan. Economic targets of any enterprise have to be founded by the efficiency of measures of the technical plan.

The production plan answers the question what and how much shall be produced. This answer can only be given in connection with the technical plan and its goals regarding the development and introduction of new products into production.

The production plan contains the main targets in physical and value terms. This so, in order to meet requirements of national economy, generally, and interlacing balances, especially.

Main indicators of a production plan are :

- commodity (market production,
- gross production,
- production for export,
- production for consumption of population,
- sales.

If needed, special indicators can be added as, for instance, non-industrial commodity production (that means, e.g., construction performances).

The main task of the manpower plan consists in giving an impression to what extent labour productivity is to be developed. In addition to this, the manpower plan has to show how much workers, clerks, scientific and managerial personnel are needed in order to fulfil the economic targets. Consequently, the main indicators of the manpower plan are :

- labour productivity per capita on basis of gross industrial production,
- labour productivity per capita on basis of self-performances,
- number of workers, clerks, scientific-technical and managerial personnel on an average per year,
- wage funds corresponding to these groups of employees.

If needed, additional plans are added as :

- plan of vocational training,
- plan of advanced vocational training,
- plan of protection of labour, etc.

The plan of material requirements and supply contains in a systematic way all the materials needed for implementing production process. The requirements are collected and balanced by means of interlacing balances. On basis of interlacing balances, materials available or to be produced in the forthcoming year are distributed among branches and enterprises. Standards of material consumed for one unit of product or component form the basis so as to elaborate this plan. We distinguish standards of material consumed for :

- basic material,
- supply material,
- fuel, energy, gas etc.

A second important part of this plan deals with standards of material stocks which essentially influence the plan of cost and financing. Here you will find :

- single standards of stocks according to special materials needed,
- group-standards of stocks for several related materials,
- standards of several related materials within one plan-position.

The plan of cost and financing reflects the production and reproduction process in value term. It represents, therefore, a significant instrument to influence the reproduction process. The plan itself is divided into the parts :

- plan of prime cost and net-returns of an enterprise,
- plan of financing of the enterprise in question.

The plan of prime cost shows how the costs of products are composed. That means, it shows the financial expenditure for material consumed, working time of working people, and other expenditures as depreciation.

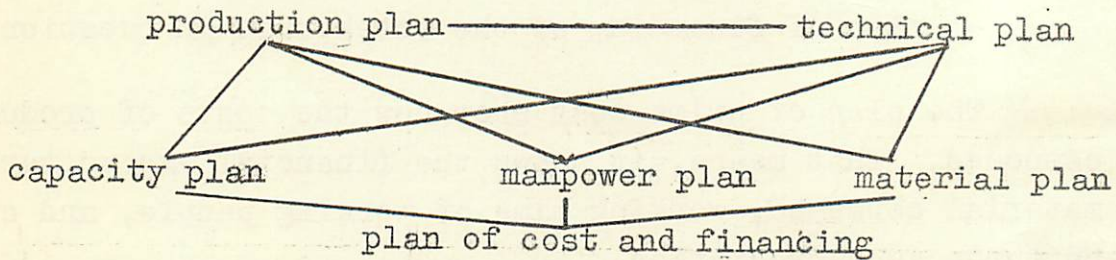
The plan of net-returns shows how the net-returns are formed and used for different purposes as the extension of fixed capital, the establishing of bonus funds, etc.

The plan of financing reflects the financing of the reproduction and production process by working capital and fixed capital. Furthermore, it shows how the financial interrelations between enterprise and financial institutions have to be carried through.

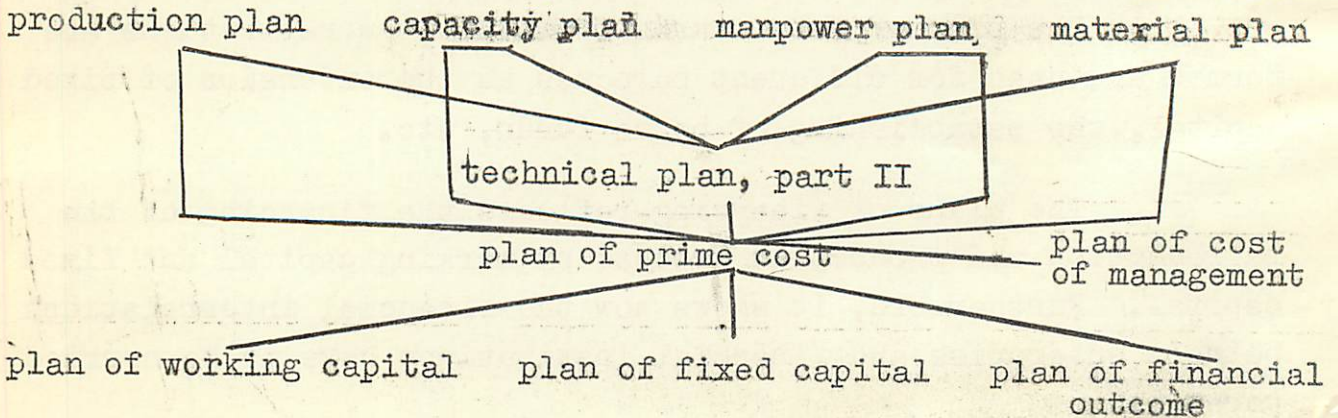


The plan of utilization of capacity represents an internal instrument for enterprise planning. It shows how the gap between productive capacity and actual capacity (i.e., the utilization of capacity by the production program in the plan-year) is narrowed. The problem consists in closing the gap as far as possible for reaching a high degree of utilization of buildings and machines available. This so, since the respective share of prime cost (depreciations per unit) depends largely on the grade<sup>of</sup> utilization of capacity. In other words: The higher the production related to a given fund of machines, etc. the lower the respective share of depreciations per product produced.

These are the main ingredient of the enterprise plan. Their general interrelationship shall be demonstrated by the following sketch:



With regard to the plan of prime cost, the relations are as follows:



### 2.3. Concluding remarks

Annual planning of industry and enterprises forms a very important part of managerial activity. This so, because the elaboration of annual plans for national economy as a whole represents a decisive precondition for a continuous running off of production and reproduction process. This doesn't mean, however, that the definite plan of an enterprise, for instance, would guarantee a smooth production process without any disturbances. On the contrary, the implementation of targets set will be connected with different kinds of disturbances arising from

- over-or underfulfilment of targets set,
- disturbances resulting from a discontinuous supply,
- changings of requirements or demand, etc.

Thus, it is necessary to check up and specify the planned targets within the process of short-term planning.