Overhead Management

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ABSTRACT

Overhead management ensuring financial stability and sustainable growth requires effective overhead cost management. This book provides a comprehensive analysis of overhead expenses, cost reduction techniques, and best practices for maximizing profits. Using the information obtained, your company will be able to effectively control overhead costs and achieve success in the competitive market.

Researchers analyzed various financial indicators such as overhead ratio, overhead index, variable overhead, operations per employee, overhead reduction, and return on assets (ROA). There are many financial ratios available every year. But some financial examples have declined. According to researchers, the business is doing well in terms of cost control. Collaboration is the basis of daily management. These costs are necessary for the operation of the company but are not directly related to the production or provision of services. In this consider expenses like utilities, office supplies, employee salaries, and rent. These expenses, such as rent, utilities, and administrative salaries, can have a negative impact if not managed properly.

KEYWORDS: Overhead management, Overhead expenses ratio, Overhead variance

INTRODUCTION:

In overhead cost management, close monitoring of indirect costs of business operations forms the basis of overhead cost management. These costs are necessary for the operation of the company but are not directly related to the production or provision of services. In this consider expenses like utilities, office supplies, employee salaries, and rent. These expenses, such as rent, utilities, and administrative salaries, can have a negative impact if not managed properly.

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Prodapt provides end-to-end IT/software architecture consulting, application development, systems integration, testing, and maintenance & support. Its services are currently organized into the following service lines such as Digital Impact Business outcome, O/BSS services, Digital services, Network services, Business process services, Product engineering & launch, NextGen labs, and Consulting.

Digital impact business outcome

Open Virtual Exchange (OVX): Product’s OVX is a unique framework that empowers Digital Service Providers (DSPs), Cloud Service Providers, and OEMs with a globally distributed development, test, and integration platform. OVX enables the roll-out of network-based & OTT managed virtual edge services (such as SDWAN, Secure Access Service Edge (SASE), and D- NFVI) along with OEM vendors for end-user requirements.
Order-to-activate(O2A): Addresses end-to-end (E2E) operations across the O2A process area. The engagement encompasses managed transformation levers such as agile work cell, process optimization & automation, and operational accountability.

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**OBJECTIVES OF THE STUDY:**
To using the overhead variance method to determine and compare actual overhead costs with budgeted overhead costs.

**Review of literature:**
Sadi A. Assaf (2001) This paper investigates the overhead cost practices of construction companies in Saudi Arabia. Although overhead costs are extremely important in construction estimation, they can be easily overlooked. Neglecting overhead has forced some contractors out of business, because these costs constitute a significant portion of the total construction cost. The practices of 61 large building construction contractors were investigated via questionnaire. The questionnaire has three parts covering the construction firms, overhead costs in general, and company overhead costs. Results show that average overhead cost is slightly higher than the ratio reported in the literature. The average percentage of company overhead costs to project direct cost is greater than 10%. Causes of increased company overhead costs include delayed payments, shortage of new projects, cost of inflation and governmental regulations. Factors affecting company overhead costs include the following: automobile and equipment costs, head office expenses, labor related costs and financing costs. The unstable construction market makes it difficult
for contractors to decide on the optimum level of overhead costs that enables contractors to win and efficiently administer large projects

S. hesami (2014) Construction sector is the one of the largest employers in the country. It has become a highly competitive field with a minimum profit. Construction costs are two types; one is direct cost (labors, materials, P & M, Equipment’s etc...) Other one is indirect costs/Overhead costs (Staff salaries, Staff benefits, Conveyance, Labor miscellaneous, Internet, Watch and ward etc.)

SHU ING DOH (2019) Cost overrun is a frequent phenomenon in the construction projects in all countries, whether it developed or developing country. This problem is critical issues that affect project success. Thus, it requires serious attention from all participants in construction projects to keep the projects in safe mode, to be completed within its limited cost, time and quality. Cost overrun have negative impact in performance of construction projects, that because construction industry is huge and complex. Any problem occurs through the life cycle of project lead to other problem in different parts of project.

Eksteen, B and Rosenberg, D: Professor of Construction Management, Faculty of Economic and Building Sciences, University of Port Elizabeth, P.O. Box 1600, Port Elizabeth, 6000, South Africa Senior Lecturer in Cost and Management Accounting, Faculty of Economicand Building Sciences, University of Port Elizabeth, P.O. Box 1600, Port Elizabeth, 6000, South Africa. Costs not directly attributable to or recoverable from production and sales are often loosely referred to as overhead costs. In construction, some of these result from the organization structure, size and form of the enterprise, some apply more directly to site operations and some may lie somewhere in between. Overhead costs largely represent the enterprise’s operational capacity, including aspects of both physical capacity such as plant and equipment and intellectual capacity such as data, records, expertise, experience and knowledge. The fluctuating nature of the construction market periodically compels enterprises, for competitive and survival reasons, to adopt shrinkage strategies. These may include retrenchments and downscaling of office and other facilities and often represents loss of capacity. When markets again expand, replacing lost capacity is problematic. Budgeting for overheads when bidding and recovering them from contract revenues in a dynamic market is a further challenging factor in optimally balancing overheads against capacity. By means of are view of literature and the results of preliminary surveys among large and medium-sized contractors, this paper presents progress on current research into managing overheads in South African construction enterprises. The objective of the project is to promote productivity through optimal management of overheads. Administration, IT, data bases, records and particular skills. Resource factors such as special expertise may secure a certain competitive advantage for the firm. Construction firms are constantly faced with the dilemma of having to adjust the level of their overheads. In periods when predetermined volume targets are not reached, whether caused by low activity in the construction cycle or because of unsuccessful bidding, firms may face severe financial difficulty, even insolvency, unless they reduce overheads. This is usually done by means of retrenchments, redundancies, disposal of facilities or assets, discontinuation of services, and non-maintenance of records and data bases. Such measures may affect the firm’s ability to compete and, when a market recovery occurs, firms having reduced overhead may find themselves at a disadvantage from both capacity and competitive points of view.

RESEARCH METHODOLOGY

Research methodology is the art of research and science. It has a defines research as "careful investigation (or) investigation, especially by finding new facts in any branch of knowledge." Reedman and Mary view research as "an effort to gain knowledge." Methodology is a method of solving a research problem. The
research design was descriptive and analytical. They are liquidity and overall financial health are important and two-year balance sheets and profit and loss accounts were used in the case study. The instrument used for measurement for this purpose is the ratio of overhead to previous overhead.

- Overhead Expenses Ratio = Total Overhead Expenses / Total Revenue x 100
- Overhead Variance = Budgeted Overhead - Actual Overhead

**ANALYSIS AND INTERPRETATIONS**

<table>
<thead>
<tr>
<th>S.NO</th>
<th>YEAR</th>
<th>TOTAL OVERHEAD EXPENSES</th>
<th>TOTAL REVENUE</th>
<th>OVERHEAD EXPENSES RATIO</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>2019-20</td>
<td>1,348.50</td>
<td>737.80</td>
<td>182.7747863</td>
</tr>
<tr>
<td>2</td>
<td>2020-21</td>
<td>1,461.12</td>
<td>812.45</td>
<td>179.8417898</td>
</tr>
</tbody>
</table>

**INTERPERATION:**
- From the table calculation are doing using total overhead expenses by total revenues ratio are 182.77 and 179.84 from the year 2019-20 and 2020-21 in the two years of overhead expenses ratio.
- The value of overhead expenses ratio is decreasing in 2020-21 in 179.84 between in comparing 2019-20 at 182.77.
- Hence, we can conclude that decrease in the value of overhead expenses ratio will next year of value in revenue will be increase, it will increase profit

**Table of Overhead Variance:**

<table>
<thead>
<tr>
<th>S.NO</th>
<th>YEAR</th>
<th>BUDGETED OVERHEAD</th>
<th>ACTUAL OVERHEAD</th>
<th>OVERHEAD VARIANCE</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>2019-20</td>
<td>1,440.00</td>
<td>1,348.50</td>
<td>91.50</td>
</tr>
<tr>
<td>2</td>
<td>2020-21</td>
<td>1,684.00</td>
<td>1,461.12</td>
<td>222.88</td>
</tr>
</tbody>
</table>

**INTERPERATION:**
- From the table calculation are doing using budgeting overhead by Actual overhead. The overhead variance is 8,829.66 and 19,588.38 from the year 2019-20 and 2020-21 in the two years of overhead variance.
- The value of overhead variance is increasing at period has a 2020-21 in 19,588.38
- In this budgeting overhead has an increased in 2020-21 because of 2019-20 is allocated values is short budget of actual value.
- So, that 2020-21 is budgeting overhead will be increasing as actual overhead will be decreasing at estimating value of actual value.
- Hence, we can conclude that decrease in the value of actual overhead will be next year maintained a net profit.
FINDINGS OF THE STUDY

• The overhead expenses ratio for the fiscal years 2019-20 and 2020-21 decreased slightly from 182.77% to 179.84%, indicating a marginal improvement in the efficiency of overhead cost management relative to total revenue.

• The analysis of overhead expenses reveals a positive trend, with a favorable overhead variance of 91.50 in 2019-20 and 222.88 in 2020-21, indicating efficient cost management and potential opportunities for continued financial optimization.

SUGGESTIONS AND RECOMMENDATIONS:

• To increase the effectiveness of your overhead management, in this consider conducting a comprehensive analysis of each expense category. It will identify areas where costs can be adjusted or
reduced without affecting operational efficiency. Also look for technology or process improvement opportunities that could lead to overall cost savings. It will be regular monitoring and re-evaluation of overheads is essential to maintain a stable and lean financial model.

- To capitalize on the positive overhead difference between the two financial years, it would be deeper into the specific expenses that led to positive results. It would be identified and analyze key drivers behind differences on effective cost management strategies. It also considers allocating resources to areas shown to be profitable to improve overall financial optimization. It will regularly be monitoring and re-evaluating budgets and actual expenses is a good way to adopt to changing budgets and increase profitability.

CONCLUSION:
Overhead management was controlling the cost of capital is critical to financial success and competitiveness. It will analyze cost drivers, implement performance measures and negotiate contracts to manage expenses efficiently. This guide provides a comprehensive overview by financial statement of overhead costs, strategies for reducing expenses, and best practices for financial optimization. By using the knowledge gained, your organization will be able to effectively manage overhead costs and achieve long-term success in the competitive market and index debt management, variable debt management, individual cost management, cost reduction management, cost ratio management. It would every year will there are more and more financial ratios, But some financial examples have declined. Therefore, researchers believe that economics is effective in controlling costs.

REFERENCE:
4. Eksteen, B and Rosenberg: Professor of Construction Management, Faculty of Economic and Building Sciences, University of Port Elizabeth, P.O. Box 1600, Port Elizabeth, 6000, South Africa