

JPRS: 4623

17 May 1961

CONCERNING SOME REMARKS IN REGARD TO THE PLAN FOR
THE APOTHECARY NETWORK DURING 1961

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FOREWORD

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JPRS: 4623

CSO: 1770-S

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THE APOTHECARY NETWORK DURING 1961

[Following is the translation of an article by N. S. Kupriyanov, Chief of the Financial Planning Section (otdel) of the Main Administration of Medical Supplies, Ministry of Public Health USSR, in Aptechnoye Delo, Vol X, No 1, Moscow, January-February 1961, pages 4 - 7.]

The recently completed examination of the basic plan indices of the Main Administrations of Pharmacies of the Ministries of Health of the Union Republics for 1961 at the Ministry of Finance USSR, permits a summation of certain results of this important work, that is of a great importance to the country's apothecary system.

First of all it must be noted that all administrations of pharmacies, without exception, have apparently exaggerated the influence of the lowered retail prices of drugs on the fulfillment of the commodity turnover plan during the second quarter of 1960 and presented what appears to us underrated plan drafts for 1961.

The Ministry of Finance USSR did not make any concrete corrections in the commodity turnover volume for 1961, which may hardly be considered expedient, since with an underrated commodity turnover plan the apothecary network lost much in the accumulation of turnover funds. On the other hand, however, it must be stressed that the established commodity turnover volume allows the apothecary administrations not to handle non-apothecary goods, which will undoubtedly result in better pharmaceutical service to the population.

One of the most important plan indices of the apothecary network is its income portion, or what is known as "planned profit" in the trade.

In 1960 the planned profit for a number of GAPU (Glavnoye Aptechnoye Upravleniye - Main Administration of Pharmacies) of the Union republics (Belorussian, Georgian, Latvian, Moldavian, Turkmen and Estonian) was over-rated, as a result of which the apothecary network in these republics functioned under abnormal conditions throughout the year, which, in the end result, could not fail to reflect on the pharmaceutical service to the population and the medical institutions.

It was basically possible to avoid an unfounded increase or decrease in the extent of the planned profits in the plan for 1961, and if there was some assurance that the accounting of the planned profits and their reflection in the balance are entered for all the union republic GAPU to an adequate degree, then it would be possible to feel certain of this index, as the planned profits for 1961 were based more, than during the preceding years, on the actual planned profit levels during the expired period. The planned profits received during the first quarter of 1960, before the decrease in prices, and the planned profits received during the second quarter of 1960, after the decrease in prices, were considered separately.

At the same time the big difference in the planned profits obtained during these two quarters for the various republics leads to a thought that not all the balances of union republics reflect the actual situation in this respect.

Therefore, for a number of the union republic GAPU the planned profits obtained from the sale of goods prior to 1 April 1960 (on the basis of old prices) are greater than those obtained from sales after 1 April 1960 (on the basis of new prices), which is evident from table 1.

| The GAPU | <u>Planned Profits (in %) for commodity</u> | |
|-------------------|---|-------------------------------------|
| | <u>turnover</u> | |
| | <u>(1960)</u> | |
| | <u>For the</u> <u>I quarter</u> | <u>For the</u> <u>II quarter</u> |
| GAPU RSFSR | 30.48 | 30.39 |
| " Belorussian SSR | 25.5 | 23.2 |
| " Uzbek SSR | 32.06 | 31.18 |
| " Georgian SSR | 31.2 | 30.04 |
| " Azerbaijan SSR | 31.37 | 28.3 |
| " Tajik SSR | 31.75 | 29.56 |

Table 1.

| The GAPU | <u>Planned Profits (in %) for commodity</u> | |
|--------------------|---|-------------------------------------|
| | <u>turnover</u> | |
| | <u>(1960)</u> | |
| | <u>For the</u> <u>I quarter</u> | <u>For the</u> <u>II quarter</u> |
| GAPU Ukrainian SSR | 29.03 | 29.45 |
| " Lithuanian SSR | 31.8 | 32.0 |
| " Latvian SSR | 31.39 | 32.5 |

| | | |
|-------------------|-------|-------|
| GAPU Armenian SSR | 31.43 | 34.8 |
| " Turkmen SSR | 26.84 | 28.1 |
| " Estonian SSR | 28.77 | 30.95 |

Table 2.

A number of the union republic GAPU had higher planned profits from the sale of goods after 1 April 1960 (on the basis of new prices) than from the sale of goods prior to 1 April 1960 (on the basis of old prices), which is evident from table 2.

From the cited data it is possible to conclude that the actual planned profits are written off incorrectly at the individual GAPU during the non-inventory period, as a result of which, in writing off the planned profits as a result of an inventory it turns out that a portion of such planned profits that actually fall into the current quarter, were already written off during the preceding quarter or, on the contrary, a portion of the planned profits which actually formed a part of the sales for the preceding quarter, were not written off in time and were included in the sales for the current quarter.

There are cases where the planned profit on the leftover goods is rated in the balance sheet below the realized planned profit for the closest expired period of time. For instance, the planned profits for the remaining goods amounts to 26.93% in the balance for the Uzbek SSR GAPU for 1 July 1960, and the planned profits obtained from sales during the first half of 1960 -- 31.6%. The balance sheet of the Latvian GAPU for 1 July 1960 includes planned profit for the leftover goods of 29.41% and the planned profit from sales during the first half of 1960 -- 31.95%.

The statement of accounts form showing the sales, attached to the balance sheets of the GAPU's of the Moldavian and Estonia SSR, incorrectly reflect the charge made by the Central Pharmaceutical Warehouse to the apothecary network as planned profit from actual sales. A number of the union republics' GAPU incorrectly reflected the as yet unpublished price schedule in accordance with the lowered wholesale prices for 1 April 1960.

The enumerated deficiencies as well as a number of others are not conducive to proper planning and complicate the defense of plans at higher level organizations. It is, therefore, necessary to eliminate the indicated deficiencies without delay, especially the deficiencies in the accounting of planned profit.

In accounting for the accumulations of the apothecary network, the Ministry of Finance USSR as a rule accepted a smaller volume of turnover expenses than those that were established by the State Planning Commission of the republic, but at the same time it must be kept in mind that the Ministry of Finance USSR does not

establish a plan for the turnover expense volume, and the turnover expense volume accepted by it for accounting of the accumulations for the Planning Commissions of the republics is not mandatory.

Consequently, the union republic GAPU have the alternative of asking their State Planning commissions, in coordination with the republican Ministries of Finance, to preserve for 1961 the level of turnover expenses that was initially adopted for the apothecary network by the republican State Planning Commission.

There is a substantial basis for that, first of all in connection with the order on expansion of the turnover expense plan for 1961, associated with the conduct of measures for the improvement of service (building maintenance, packaging, home deliveries, advertising, etc.) contained in the resolution No. 851 of the Central Committee CPSU and of the Council of Ministers USSR of 8 August 1960, and also in connection with the decrease in wholesale drug prices effective 1 April 1960, since such a measure always brings about a certain increase in the turnover expenses.

The plans for almost all of the union republic GAPU for 1961 increase their stocks of goods. On the average this increased stock slightly exceeds the norm for a five day trading period and amounts to over 100 million rubles in purchase prices.

Taking into consideration that in connection with the lowered wholesale prices as of 1 April 1960, the price evaluation of the commodity surplus of the apothecary network decreased considerably with a consequent decrease in the excess commodity stocks, the indicated increase in the stocks of commodities should perform a positive role in the improvement of the financial situation of the apothecary system, even though the adopted commodity stock level is still considerably below the level of demand.

However, it is quite evident that the increase in the norm of commodity stocks in volumes that may be anticipated in the future, without becoming detached from objective reality, will not resolve the problem of excess commodity stocks of the apothecary network. Therefore, the solution of this problem must be sought by the apothecary administrations first of all by putting in order the system for compiling requisitions, by planning deliveries of the pharmaceutical goods and by improving the overall supply organization of the apothecary network.