

**“Profit Planning and Controlling Procedure of  
Everest Bank Limited”**

**By**

**CHATNATH ACHARYA**

**Shanker Dev Campus**

**Campus Roll No.: 2730/065**

**T.U. Regd.No.: 5-1-2-374-2003**

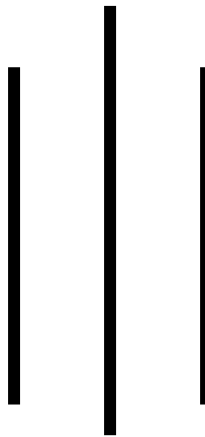
**2<sup>nd</sup> Year Exam Symbol No.: 390045**

**A Thesis Submitted to:**

Office of the Dean

Faculty of Management

Tribhuvan University



*In partial fulfillment of the requirements for the degree of*  
**Masters of Business Studies (MBS)**

Kathmandu, Nepal

September 2012

## **RECOMMENDATION**

This is to certify that the thesis

Submitted by:

**CHATNATH ACHARYA**

Entitled:

**“Profit Planning and Controlling Procedure of  
Everest Bank Limited”**

*has been prepared as approved by this Department in the prescribed format of  
the Faculty of Management. This thesis is forwarded for examination.*

-----  
**Asso.Prof. Prakash Singh Pradhan**  
(Thesis Supervisor)

-----  
**Prof. Bishweshor Man Shresth**  
(Head, Research Department)

-----  
**Asso.Prof. Prakash Singh  
Pradhan**  
(Campus Chief)

-----  
**Romakanta Bhattarai**  
(Thesis Supervisor)

# VIVA-VOCE SHEET

We have conducted the viva-voce of the thesis presented

By:

**CHATNATH ACHARYA**

Entitled:

**“Profit Planning and Controlling Procedure of  
Everest Bank Limited”**

*And found the thesis to be the original work of the student and written according to the prescribed format. We recommend the thesis to be accepted as partial fulfillment of the requirement for the degree of*

**Master of Business Studies (MBS)**

## Viva-Voce Committee

**Head, Research Department**

-----

**Member (Thesis Supervisor)**

**Member (Thesis Supervisor)**

-----

**Member (External)**

-----

# **DECLARATION**

I hereby declare that the work reported in this thesis entitled “**Profit Planning and Controlling Procedure of Everest Bank Limited**” submitted to Office of the Dean, Faculty of Management, Tribhuvan University, is my original work done in the form of partial fulfillment of the requirement for the degree of Master of Business Studies (MBS) under the supervision of **Asso. Prof. Prakash Singh Pradhan and Romankanta Bhattarai**, of Shanker Dev Campus, T.U.

---

**CHATNATH ACHARYA**

**Shanker Dev Campus**

**Campus Roll No.: 2730/065**

**T.U. Regd.No.: 5-1-2-374-2003**

**2<sup>nd</sup> Year Exam Symbol No.: 390045**

## ACKNOWLEDGEMENT

This thesis has been prepared as a partial fulfillment of the requirement of Master's Degree of Business studies under the faculty of Management, Tribhuvan University. This study "**Profit Planning and Controlling Procedure of Everest Bank Limited**" aims to access the comprehensive budgeting of commercial bank in Nepal providing comprehensive grant for future research and other interested people.

I have great satisfaction and pleasure to express my appreciation and sincerity to my thesis supervisor Asso.Prof. Prakash Singh Pradhan and Romakanta Bhattarai, of Shanker Dev Campus, TU for their excellent and effective guidance and supervision. I will remain thankful to them for their valuable direction useful suggestion and comments during the course of preparing this thesis without their help this work would not have come in this form.

I highly appreciate to all the staff of Everest Bank, NRB library, Shanker Dev campus Library and TU Central library for their valuable advices and support in collecting and presenting the necessary data.

I would also like to express my thankfulness to my friends, my family members as well as all known people who supported as well as inspired me directly or indirectly to complete this thesis.

Finally, I want to confess that this research study is not absolutely complete and perfectly satisfactory. There are various limitations and short comings of this study. And of course, I am responsible for the errors and omissions that I committed, I apologize for all my mistakes and will be thankful for any type of priceful suggestions.

Chatnath Acharya

# TABLE OF CONTENTS

Recommendation
Viva Voce Sheet
Declaration
Acknowledgement
Table of Contents
List of Tables
List of Charts
Abbreviations

## CHAPTER-I INTRODUCTION

	Page No.
1.1 Background of the Study	1
1.2 History of Banking Development	3
1.3 Importance of Financial Institution	7
1.4 Brief Introduction of EBL and Statement of Problem	8
1.5 Objectives of the Study	8
1.6 Signification of the Study	9
1.7 Limitations of the Study	9
1.8 Design of the Study	10

## CHAPTER-II CONCEPTUAL FRAMEWORK AND REVIEW OF LITERATURE

2.1 Introduction	11
2.2 Conceptual Outline of Profit Planning and Control	12
2.2.1 Concept of Profit Planning and Control	12

2.2.2	Profit	14
2.2.2.1	Long Range and Short Range Profit	15
2.2.3	Planning	15
2.2.3.1	Long Range and Short Range Planning	18
2.2.3.2	Corporate and Division Strategic Planning	18
2.2.3.3	Role of Forecasting in Planning	19
2.2.4	Control	20
2.2.5	Budget and Budgeting	22
2.2.6	Budgeting: As a Mechanism of Profit Plan	24
2.2.7	Essentials of and Effective Budgeting	25
2.2.8	Basic Assumptions and Limitations of Profit Plan	26
2.2.9	Resources Mobilization Plan or Budget	27
2.2.10	Resources Consumption Plan or Budget	28
2.2.11	Planning for Non-Funded Business Activities	28
2.2.12	Performance Reports	30
2.3	Profile of Everest Bank Limited	32
2.3.1	Introduction and Establishment	32
2.3.2	Joint Venture Agreement and Technical Service Agreement	32
2.3.3	Share Capital	32
2.3.4	Branches	33
2.3.5	Management Team	36
2.3.6	Department Head	36
2.3.7	Abroad Representative	36
2.3.8	Corporate Vision and Mission of EBL	37
2.4	Review of Related Studies	38
2.4.1	Review of Books	38
2.4.2	Review of Journal and Article	40
2.4.3	Review of Thesis	44
2.5	Research Gap	48

## **CHAPTER-III**

### **RESEARCH METHODOLOGY**

3.1	Introduction	49
-----	--------------	----

3.2	Research Design	50
3.3	Population and Sample	51
3.4	Hypothesis	51
3.5	Nature and Sources of Data	52
3.6	Data Collection Procedure	52
3.7	Data Processing	52
3.8	Time period of Profit Plan	52
3.9	Methods of Data Analysis	53
3.10	Method of Presentation	56

## **CHAPTER-IV**

### **DATA ANALYSIS AND PRESENTAION**

4.1	Introduction	57
4.1.1	Human Resources of EBL	58
4.1.2	Branch Offices of EBL	59
4.1.3	Operating Profit and Net Profit of EBL	60
4.1.4	Total Income and Expenses of EBL	61
4.1.5	Deposits, Loans & Advances and Investments of EBL	63
4.1.6	Resource Outline Planning	64
4.1.7	From Customer Deposit Collection	67
4.1.8	Deposit Collection Plan of EBL	67
4.1.9	Movement of Deposit Collection of EBL	69
4.1.10	Extra resources of EBL	70
4.2	Commercial Planning System and Planning Structure of EBL	71
4.3	Expenditure Planning Ability of EBL	75
4.3.1	Interest Expenses of EBL	77
4.3.2	Other Expenses of EBL	79
4.4	Revenue Planning Ability of EBL	81
4.5	Resources Consumption and Allocation Ability of EBL	82
4.5.1	Total Ability of Investment Consumption of EBL	84
4.5.2	Consumption in Loan, Discount and Overdraft of EBL	86
4.5.3	Movement in LDO of EBL	89
4.6	Current Balance Sheet Status of EBL	90

4.7	Current Profit and Loss Account Status of EBL	91
4.8	Ability of Performance of EBL	92
4.8.1	Computation of Ratio Analysis	92
4.8.1.1	Determination of Liquidity Ratio	92
4.8.1.2	Determination of Leverage Ratio	94
4.8.1.2.1	Determination of Debt-equity Ratio	94
4.8.1.2.2	Determination of Interest Coverage Ratio	96
4.8.1.3	Determination of Activity Ratio	97
4.8.1.4	Determination of Profitability Ratio	98
4.9	Tendency Ability Analysis and Projection Ability Analysis for Next five years	100
4.10	Major Finding of the Study	102

**CHAPTER-IV**  
**SUMMARY, CONCLUSIONS AND**  
**RECOMMENDATIONS**

5.1	Summary	104
5.2	Conclusion	105
5.3	Recommendations	106

**Bibliography**

**Appendices**

# LIST OF TABLES

<b>Table No.</b>		<b>Page No.</b>
1.1	Lists of Commercial Banks	6
2.1	Branches of EBL	34
2.2	Management Team of EBL	36
2.3	Department Head of EBL	36
2.4	Abroad Representative of EBL	36
4.1	Status of Employees of EBL	58
4.2	Status of Branches of EBL	59
4.3	Status of Operating and Net Profit of EBL	60
4.4	Status of Total Income and Expenses of EBL	61
4.5	Summary of Operating and Net Profit	62
4.6	Summary of Total Income and Expenses	62
4.7	Status of Deposit, loan and Investment of EBL	63
4.8	Status of Available resources of EBL	64
4.9	Status of Deposit Mix in F/Y 2010/11	66
4.10	Status of Budgeted and Actual Deposit Collection	67
4.11	Movement of Deposit Collection	69
4.12	Other Resources of EBL	70
4.13	Status of Expenditure of EBL	75
4.14	Status of Average Cost of Deposit	78
4.15	Status of Other Expenses of EBL	80
4.16	Status of Interest Income of EBL	81
4.17	Total Resources consumption Status of EBL	84
4.18	Budgeted and Actual LDO of EBL	87
4.19	Summary of Actual and Budgeted LDO of EBL	88
4.20	Progress in LDO of EBL	89
4.21	Balance Sheet of EBL at the end of F/Y 2010/11	90
4.22	Profit and Loss Account of EBL at the end of F/Y 2010/11	91
4.23	Current Ratio Status of EBL	93
4.24	Debt Equity Ratio of EBL	95
4.25	Determination of Interest Coverage Ratio of EBL	96

4.26	Activity Ratio of EBL	97
4.27	Profitability ratio of EBL	98
4.28	Trend Values of Total Deposit of EBL	100
4.29	Trend Values of Net Profit of EBL	101

# LIST OF FIGURES

<b>Figure No</b>	<b>Page No.</b>
2.1 The Strategic Planning ,Implementing and Control Process	17
2.2 The benefit and Importance of Planning	18
2.3 The Control Process	22
2.4 Pie Chart Showing Status of Deployment of EBL	33
4.1 Graph Showing increasing trend of Staffs in EBL	58
4.2 Trend Line Showing Increasing Trend of Branch of EBL	59
4.3 Graph Line Showing Operating and Net Profit of EBL	60
4.4 Line Graph Showing increasing Trend of Total Income and Expenses	61
4.5 Bar Graph Showing status of Deposit, Loan and Investment of EBL	63
4.6 Line Graph showing increasing trend of total resources	65
4.7 Bar Diagram Showing year wise available resources	65
4.8 Pie Chart Showing Deposit Mix of F/Y 2010/11	66
4.9 Bar Diagram Showing Budgeted and Actual Deposit Collection of EBL	68
4.10 Scatter Diagram Showing Budgeted and Actual Deposit Collection	68
4.11 Line Graph showing fluctuating trend of growth rate of Deposit	69
4.12 Scatter diagram showing other Resources of EBL	70
4.13 Bar Diagram Showing Other Resources of EBL	71
4.14 SWOT Analysis Process	72
4.15 Line Diagram showing Trend of Expenses of EBL	76
4.16 Pie Chart showing Total Expenses in F/Y 2010/11	77
4.17 Horizontal Bar Diagram Showing Total Deposit and Interest Expenses	78
4.18 Line Diagram Showing comparison of Status of Total Deposit and Interest Expenses of EBL	79
4.19 Line Diagram Showing Increasing trend of other expenses	80
4.20 Diagram Showing Status of Interest Income of EBL	82
4.21 Bar Diagram Showing the Status of Total Consumption	85
4.22 Pie Chart Showing Status of Consumption of funds in F/Y 2010/11	86
4.23 Scatter Diagram Showing Budgeted and Actual LDO of EBL	87
4.24 Movement of Growth Rate of LDO of EBL	89
4.25 Scatter Diagram showing trend of current ratio of EBL	93

4.26 Bar Diagram Showing Status of Current Assets and Liabilities of EBL	94
4.27 Scatter diagram showing the trend of Debt – Equity Ratio	95
4.28 Line Diagram Showing Status of ICR of EBL	96
4.29 Line Diagram Showing status of Deposit and LDO per employee of EBL	98
4.30 Line Diagram showing status of ROA of EBL	99
4.31 Line Diagram Showing Status of ROC of EBL	99
4.32 Bar diagram showing Trend Values of Total Deposit of EBL	101
4.33 Bar diagram showing Trend Values of Net Profit of EBL	102

## ABBREVIATIONS

AD	:	Anno Domini
ATM	:	Automatic Teller Machine
BCPT	:	Branch Core Planning Team
BOD	:	Board of Directors
BOK	:	Bank of Kathmandu
COD	:	Cost of Deposit
C.V.	:	Coefficient of Variance
EBIT	:	Earning Before Interest & Tax
EBL	:	Everest Bank Limited
F/Y	:	Fiscal Year
i.e.	:	That is
ICR	:	Interest Coverage Ratio
L/C	:	Letter of Credit
Ltd.	:	Limited
NBB	:	Nepal Bangladesh Bank Ltd.
NGO	:	Non Government Organization
NIBL	:	Nepal Investment Bank Limited
O/S LDO	:	Outstanding LDO
MBS	:	Master of Business Studies
NGO	:	Non Government Organization
Pvt.	:	Private
P.E.	:	Probable Error
PPC	:	Profit Planning & Control
SWOT	:	Strength Weakness Opportunity and Threat
T.U.	:	Tribhuvan University
WTO	:	World Trade Organization
RCPT	:	Regional Core Planning Team
USA	:	United States of America