PERFORMANCE MEASUREMENT THROUGH CASH FLOW ANALYSIS OF BOTTLERS NEPAL (TERAI) LIMITED AND UNILEVER NEPAL LIMITED

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RECOMMENDATION

This is to certify that the thesis

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has been prepared as approved by this department in the prescribed format of faculty of management. This thesis is forwarded for examination.

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VIVA-VOCE SHEET

We have conducted the Viva-Voce examination of the
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and found the thesis to be the original work of the student and written according to the prescribed format. We recommended the thesis to be accepted as partial fulfillment of the requirement for degree of

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DECLARATION

I hereby declare that the work done in this thesis entitled **"Performance Measurement Through Cash Flow Analysis of Bottlers Nepal (Terai) Limited & Unilever Nepal Limited"** submitted to Office of the Dean, Faculty of Management, Tribhuvan University is my original work done in the form of partial fulfillments of the requirement for the Master of Business Studies (M.B.S.) under the supervision and guidance of Mr. Achyut Gyawali, Lecturer of Central Department of Management.

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ABBREVIATIONS

$	:	Dollar
APA	:	American Public Accounts
APB	:	Accounting Principles Board
AR	:	Average Revenue
BJM	:	Biratnagar Jute Mill
BNTL	:	Bottlers Nepal (Terai) Limited
bpm	:	bottle per minute
CCA	:	Cash in Current Assets
CDCR	:	Cash Debt Coverage Ratio
CER	:	Capital Expenditure Ratio
CFAR	:	Cash Flow Adequacy Ratio
CFFA	:	Cash Flow from Financing Activities
CFIA	:	Cash Flow from Investing Activities
CFM	:	Cash Flow Margin
CFOA	:	Cash Flow from Operating Activities
CFS	:	Cash Flow Statement
CHR	:	Cash Holding Ratio
CICR	:	Cash Interest Coverage Ratio
CL	:	Current Liabilities
CO_2	:	Carbon dioxide
CR	:	Current Ratio
CRR	:	Cash Realization Ratio
CRR	:	Cash Reinvestment Ratio
CV	:	Coefficient of Variation
ETP	:	Effluent Treatment Plant
FASB	:	Financial Accounting Standard Board
FCF	:	Free Cash Flow

FIR	:	Financing Inflow Ratio
FY	:	Fiscal Year
FYP	:	Fiscal Year Plan
GCFM	:	Gross Cash Flow Margin
GDP	:	Gross Domestic Product
i.e.	:	That is
IIR	:	Investing Inflow Ratio
IMF	:	International Monetary Fund
LTF	:	Long Term Fund
m^3	:	Cubic Meter
NAS	:	Nepal Accounting Standard
NEA	:	Nepal Electricity Authorities
NG	:	Nepal Government
NPBT	:	Net Profit Before Tax
NTC	:	Nepal Telecom
OCF to CE	:	Operating Cash Flow to Capital Employed
PE	:	Probable Error
PEs	:	Public Enterprises
POR	:	Priority Obligation Ratio
Pvt. Ltd.	:	Private Limited
QIR	:	Quality Income Ratio
QR	:	Quick Ratio
ROSR	:	Return on Sales Ratio
SD	:	Standard Deviation
STF	:	Short Term Fund
UNL	:	Unilever Nepal Limited

CHAPTER ONE

INTRODUCTION

1.1 Background of Study

As Nepal is a developing country, agriculture is the stronghold of the economy, providing a Source of revenue for Seventy percent of the total population. There are still 25.2% population below poverty line. Although country put its effort to expand into manufacturing industries and other technological sectors, however it cannot able to achieve as expected. Farming is the main economic activity followed by manufacturing, trade and tourism. The chief sources of foreign currency earnings are merchandise export, services, tourism and Gurkha remittances. The annual Gross Domestic Product (GDP) is about US$ 18.88 Billion. Eight out of 10 Nepalese are engaged in farming and it accounts 38.1% of the GDP. Major crops are paddy, maize, wheat, millet and barley. Besides food grains, Cash crops like sugarcane, oil seeds, tobacco, jute and tea are also cultivated in large quantities. Agriculture sector provides raw materials too many industries, especially to the agro based industries (http://www.tradingeconomics.com/).

Manufacturing Industries are still at the developmental stage and it represents 15.3% of the GDP. Major industries are woollen carpets, garments, textiles, leather products, paper and cement. Other products made in Nepal are steel utensils, cigarettes, beverages, sugar and brick production. There are many modern large-scale factories but the majority are cottage or small scale operations. Most of Nepal's industries are based in the Kathmandu Valley and a string of Small towns in the southern Terai Plains (http://www.indexmundi.com/nepal/).

Until the 1980s, modern industry was almost nonexistent; only0.66% of Nepal's GDP was derived from industry in 1964/65. Since then, industrial development has been given emphasis in economic planning. Manufacturing as a percent of total

GDP at current factor cost rose from 4.2% in 1980 to 6.1% in 1990 to9.2% in 1995 to an estimated 22% in 2000. However, manufacturing is a sector that has been hit particularly hard by the Maoist insurgency and the intensification of violence since 2001. The CIA estimates that the industrial production growth rate for 1999/2000 was 8.7%. However, this had dropped to less than 1% for 2001/02 according to IMF estimates. Starting in the 1930s, a number of public enterprises (PEs) were established by the government with an aim of building an industrial and manufacturing base. About 62 PEs in all were established, close to half in the industrial sector, with others in the trading, service, public utility and financial sectors. The oldest surviving PE is the Biratnagar Jute Mills (BJM), set up in 1936. The jute industry has been in decline since 1966. In 2002 BJM was being operated by a private conglomerate on terms of a five year lease from the government. PEs in the industrial sector include cement factories, brick factories, sugar mills, textile mills, jute products factories, tool factories, foundries, and industrial chemical and fertilizer factories. From the early 1990s, there have been planned campaigns to reform and privatize the PEs. By the beginning of the Ninth Five-Year Plan (1997–2002), 16 PEs, over half industrial, had been handed over to private owners, and four had been shut down. A list of 30 PEs, 13 in the industrial sector, were scheduled for privatization during the Ninth FYP, but, in fact, only one, the Nepal Tea Development Corporation, has been privatized. The slowdown of the reform is attributable to both the outbreak of the Maoist insurgency in 1996 and a growing resistance to the privatization program from many sides, but particularly from workers' unions who perceive jobs as threatened. The PEs were not originally set up as commercial enterprises, and most do not even maintain updated accounts that would allow an auditor to assess their market viability. Analysts generally agree, however, that they are inefficiently overstaffed with low skill labor, and that currently most of the industrial PEs have a negative worth. The IMF estimates that net profits from the PE sector as a whole plunged from around NR 3 billion (about $44 million) in 1998/99 to NR 240 million (about $3.23 million) in 2000/01, despite continued government transfers and investment. That the figure remained positive is due virtually entirely to the profitability of three public utility PEs.

Some of the known liabilities in the industrial sector include wage arrears that reached sixteen months for the Agricultural Tool Factory, and four months for the Lumbini Sugar Factory. According to a recent study of eight industrial PEs reported by the IMF, employees of these companies are owed for gratuity, sick and home leaves, medical allowance and insurance premiums to the amount of about NR 15.2 billion (about $204 million or 3–4% of Nepal's GDP). There are also large arrears to banks and suppliers, but monitoring mechanisms are insufficient to make reliable estimates. In February 2002, the government set up a special financing facility at 3% interest to encourage commercial banks to provide concessional loans to ailing industries, particularly those in the garment and hotel industries, which through exports and tourism are major earners of foreign exchange (www.nationsencyclopedia.com/Asia-and-Oceania/Nepal-INDUSTRY.html).

Since liberalization, the private sector has enjoyed fairly free access to modern equipment and know - how from outside. They can collaborate with foreign firms and build up reasonable mastery of the simple technology's the employ. The evidence so far does not. However, suggest that the Nepalese business sector is gaining strength. Global enterprises such as Nepal Lever, Colgate Palmolive, Asian Paints, Dabur, Tuborg, San Miguel etc have transferred sophisticated technology to Nepal. There number is increasing. On the other hand, information technology – oriented industries are growing in fast in Nepal. Telecommunications and internet providers have been using satellite- based technologies. Use of sophisticated technology is also increasing in hydropower-based industries.

Nepal Bank Ltd, the first modern commercial bank in the country, was established in 1964 BS in order to develop industrial and trading enterprises by providing financial as well as administrative help. Similarly, Raghupati Jute Mill (2003 BS), Morang Sugar Mill (2003 BS), Janakpur Cigarette Factory Ltd (2021 BS), Hetauda Cement Udyog Ltd (2033 BS), Lumbini Sugar Mill (2038 BS), Butwal Thread Factory Ltd (2039 BS), Udaypur Cement Udyog Ltd (2044 BS) etc. were established in the country (Mishra, 2010, P-162).

There is a Department of Industry under the Ministry of Industry to facilitate the industrialist and to establish industry in different parts of the country above NRs. 30 million. Besides that the Department is to facilitate for all types of foreign investment and technology transfer irrespective of investment amount.

The following Act, Rules, Regulation and Policies are implemented by the Department.

- Industrial Policy
- Foreign Investment and One Window Policy
- Industrial Enterprise Act
- Foreign Investment & Technology Transfer Act
- Firm Registration Act
- Partnership Act
- Patent, Design and Trademark Act
- Environment Protection Act and Regulation (*http://doind.gov.np/index.php?).*

1.1.1 Meaning of Cash Flow

There are so many tools for measuring performance of business organization. Among them cash flow is one of the major important tools for performance measurement.

Cash is the life blood of every organization which spreads in every activities of business organization. Managing cash is very crucial. Therefore priorities should be given to manage cash in productive manner. To manage cash in effective way, it requires good controlling mechanism. Similarly policy/decision maker should make the strategies to manage cash. Among the various methods of managing cash, cash flow statement is assumed as the most important tool.

As cash being lifeblood of every organization, no any business organization can even imagine without cash. Similarly without cash, no any business transaction can be made. So, a business must have adequate amount of cash to operate. The

decision maker must pay attention to the firm's events and transaction that affect cash position. The analysis of events and transactions affecting the cash position is termed as cash flow analysis.

Cash Flow Analysis shows the liquidity position of organization. Cash Flow Statement conveys the information regarding the cash receipt and cash payment of the firm during the accounting period. Cash Flow statement is prepared in such manner that the decision maker easily aware about the cash position of the firm.

Cash is the gasoline that makes our business run. Cash flow can be defined as the way money moves into and out of business; it is the difference between just being able to open a business and being able to stay in business. A cash flow analysis is a method of checking up on firm's financial health. It is the study of the movement of cash through business, called a cash budget, to determine patterns of how we take in and pay out money. The goal is to maintain sufficient cash for firm operations from month to month. This type of cash flow analysis is called developing the cash budget.

In recent years, the statement of cash flows has come to be viewed as a part of full set of financial statement. Cash flow statement provides relevant information about the cash receipts and cash payments of an enterprise during a period. Information about enterprises cash flows is useful in assessing its liquidity, financial flexibility, profitability and risk. Cash flow information is widely used by investors, analyst, creditors, managers and others.

The balance sheet provides information about the assets of an enterprise and how these assets have been financed by owned and borrowed funds at a certain time but it does not explain the changes during a period in assets, liabilities and owner's equity resulting from an enterprise's activities. The profit and loss statement provides information about an enterprise's financial performance during a specific period but earnings are measured by accrual accounting, it does not show cash generated through its operations. But cash flow statement gives details about balance sheet and income statement which influenced cash and cash equivalent.

1.1.2 Introduction of Organization

Nepal being least developed country has very short history of manufacturing industry. It has small market. So, manufacturing industries are not established as it requires. However, there are manufacturing organizations like: Unilever Nepal Ltd, Nepal Bottlers Ltd., Janakpur Cigarette Industry, Bhrikuti Pulps and Paper Industry. Biratnagar Jute Mills, Lumbini Sugar Mills etc. Among them two companies are selected as sample and their brief introduction is given below.

Unilever Nepal Limited

Unilever Nepal Limited ("Company"), was formed as subsidiary company of Hindustan Lever Limited, India in 1994, is a public limited company listed in the Nepal Stock Exchange Ltd incorporated under the Companies Act, 2063 of Nepal. At the time of establishment, Unilever Nepal Limited was termed as Nepal Lever Limited.

The registered office of the company and the principal place of business are located at Basamadi VDC -5, Makawanpur District, which is about six km far from Hetauda Municipality. Its corporate office is situated in Heritage Plaza II, Kamaldi, Kathmandu.

The main objective of the company is to meet the everyday needs of consumers. Similarly, other objectives are to manufacture, sell and distribute Detergents, Laundry Soaps, Soap, Noodles, Toilet Soaps and Personal Products.

Bottler Nepal (Terai) Limited

Bottlers Nepal (Terai) Limited ("Company), a public limited company, was established in 1987 and is listed in Nepal Stock Exchange Ltd. incorporated under the Companies Act of Nepal. The registered office of the company and the principal place of business are located at Bharatpur, Chitwan, Nepal.

Bottlers Nepal (Terai) Limited is a licensed bottler, marketer and distributor of non-alcoholic beverages products of the Coca-Cola Company. The company's parent company Bottlers Nepal Limited is incorporated in Kathmandu, Nepal which holds 90.78% shares of Bottlers Nepal Ltd. The Coca-Cola Sabco (Asia)

Ltd, a Company incorporated in Dubai, UAE which holds 76.16% shares of Bottlers Nepal Ltd. the parent company.

Bottlers' Nepal (Terai) Ltd. started its production in the year 1988 with 350 bpm Line. Currently the plant produces beverage in three different packages (200ml, 250ml and 1000ml) and in five different flavors (Coca-Cola, Fanta Orange, Fanta Lemon, Sprite and Kinley Club Soda). Merchandizing of Pet (500ml and 1500ml) is also arranged in the sales territory being supplied from Bottlers Nepal Limited, Kathmandu.

Multiple barrier water treatment system is used for production of treated water. The plant uses lime treatment for reduction of alkalinity, ferrous sulphate for flocculation and coagulation and calcium hypochlorite is used for disinfection. Raw water is drawn from 2 bore wells of approximately 100 meter depth and is stored in a 180 cubic meter capacity reservoir. From the reservoir, water is sent to two batch tanks. The capacity of the water treatment plant is $10m^3$/hr. Treated water passes through a series of filters like sand, carbon purifier and 7 code filtration systems before being supplied to production purposes.

Different types of inputs are used for the production of different products. All the inputs are not available in the Nepali market, thus it is imported from Singapore, Iran, Pakistan, Indonesia, Germany and India. They have well equipped laboratory for the identification of good quality finished goods. The raw materials for the soft drink production are imported from France & U.S.A. The crown crocks are imported from Philippines, Sri Lanka and Singapore. Carbon Dioxide is outsourced from India and stored in tanks. The sugar is bought in the Nepalese market.

Effluent Treatment Plant (ETP) is the fully automatic Plants. Capacity of ETP plant is $500m^3$/day. Waste water generated from the plant (bottling hall, syrup room, water treatment, CO_2 plant, bottle washer) is diverted to ETP. The plant uses extended aeration sludge process (fine air bubble diffusion system) and later on the effluent stream is clarified and water and sludge are separated. Clear water is headed towards the municipal drainage and sludge is caked/dried in the centrifuge.

1.2 Statement of the Problem

Every business organization prepares Cash Flow Statement. Government of Nepal has made a rule to show the Cash Flow Statement at the end of fiscal year while paying income tax. Cash Flow Statement provides the actual liquidity position i.e. Cash Receipt and Cash Payment of organization. Similarly it helps to decision (Policy) maker for proper planning and making decision regarding the cash. The proper implementation of cash flow statement helps to flourish the organization.

However, many business **organizations are facing the problem of cash because they do not know application of cash flow statement.** Similarly they don't know what type of relationship should between the different components of cash flow statement.

Now the researcher question arises:

- How much cash is generated by business organization?
- How much cash is spent for current and non-current assets?
- Where did the company get cash for expenditure?
- How did the company become able to pay dividend?
- Whether the manufacturing industries are effectively implementing the motto of Cash Flow Statement or not?
- Whether the business organizations succeed to manage cash or not?

1.3 Objectives of the Study

Every business organization prepares Cash Flow Statement. There are so many objectives of preparing cash flows statement. Among them the specific objectives of this study are as follows:-

i. To examine the cash flow pattern between operating, financing and investing activities using cash flow ratios.

ii. To analyze the trend of cash flow.

iii. To reflect the ability to generate cash resources of different component in future period.

iv. To show the efficiency of cash flow statement in financial planning.

1.4 Research Questions

This study attempts to analyze cash flow of BNTL & UNL under different headings with linking each other to provide the insight knowledge to manage cash through application of cash flow analysis. For this, the present analysis is tried to find:

- Whether the BNTL & UNL are managing cash properly or not?
- Which activity generates more cash in BNTL & UNL?
- Do they have adequate Cash Flow from Operating Activities to meet the debt obligation & priority obligation? And which company can easily meet priority obligation?
- Do they have sufficient cash for expansion & growth of company after payment on essential investing and financing activities?
- What does the liquidity position of firm indicate? And which company has higher credit worthiness to meet debt obligation?
- Which company's financing activity has higher contribution to investing activities?
- What is the contribution of closing cash to current assets?
- How many times initial cash evolved to generate sales revenue?

1.5 Significance of the Study

As we know that organization doesn't exist without cash. Similarly, mishandling of cash pushes organization towards the failure. Every activity either directly or indirectly relates with cash. Therefore management of cash is highly prioritized. For this every organization prepares cash flow statement with segregating into different headings: Operating, Investing and Financing Activities.

Only the preparation of cash flow statement is not sufficient. It should be analyzed in systematic manner. Therefore in this study cash flow ratios have been analyzed.

This study specially helps to practitioner for financial planning in their respective organization. Practitioner can use this study in formulation and execution of different kinds of policy relating to cash.

Similarly, this study helps to decision maker about the proper planning and implementation of cash flow in their organization. This study conveys the extent of success or failure in cash planning after comparing the different ratios. It helps to find out the role of cash flow in cash planning to policy makers.

It helps to compare between the required and actual relationship necessary between the different operating, investing and financing activities.

Furthermore, this study will be beneficial and helpful to concerned people like management, shareholders, policy makers and different stakeholders, concerned organizations and other researchers for further research.

This study will be library assets for common use. Everyone can easily understand the comparatively analyzed cash flow position of BNTL and UNL.

1.6 Limitations of the Study

The study is concerned with the implementation of cash flow statement in manufacturing organization. There are so many public as well as private manufacturing organization established with in the country. However study will be compared between two manufacturing organizations.

As every research work has its own limitations. This research is also not free from limitations; it has also some limitations regarding to different aspect of research.

i. Basically, this research is based on secondary data provided by the account section of BNTL & UNL which was published in their annual report. Therefore any discrepancy & reliability of study depend upon data provided by the concerned organization.

ii. Similarly, for this research only data from FY 2063/064 to 2067/068 is taken. The data of 5 years is not sufficient. It would give more accurate results if longer period of time is considered for this study.

iii. Furthermore, this study is concerned only with quantitative techniques of performance measurement. It ignores other qualitative techniques of performance measurement. It can basis for analysis but cannot generalize for all manufacturing companies.

1.7 Chapter Plan

Planning is the future course of action. Chapter plan is the planning of the study The whole research activity are organised in the following chapters:

Chapter 1 - Introduction: This is first chapter about introduction. Introduction chapter includes introduction of the study, problem identification, and objectives of the study, significance of the study, research methodology and limitation of the study.

Chapter 2 - Review of Literature: This chapter deals with the review of literature. It contains conceptual review of the study and review of related study.

Chapter 3 - Research Methodology: This chapter includes research design, data collection strategy and data analysis techniques.

Chapter 4 - Data presentation and analysis: The fourth chapter deals with the presentation and analysis of data according to the above mentioned methodology. Table, diagram, other necessary figures and different statistical tools are used to accomplish the research objectives.

Chapter 5 - Summary, Conclusion and Recommendation: This chapter contains summary, conclusion and recommendation of the study. At the end of the study bibliography and appendix are also included.

CHAPTER TWO

REVIEW OF LITERATURE

The word research is derived from French word i.e. re & search which means to seek again and again in existence or both repetitions of research work in the sense to review as per its relevancy to the subject matter. The main objective of this chapter is to analyse the research work and clarify the study on a rational basis. However, limited number of studies has been conducted in the field of cash flow statement.

2.1 Conceptual Framework

2.1.1 Meaning of Cash

Cash is the gasoline that makes any business run. Without cash no business activities can be taken place. Similarly cash is the oil that lubricates the wheels of business. Without adequate oil, machines grind to a halt, and a business with inadequate cash will do likewise. However, carrying cash is expensive because cash is a nonearning asset, a firm that holds cash beyond its minimum requirement lowers its earning potential.

The term cash according to the purpose for which it is used and persons with varying branches of knowledge convey various meaning of cash. If you ask with an economist, he/she considers cash as the means of satisfy human wants. But a lawmaker opines that cash is the legal tender money issued by a concerned authority. However, over concern of the meaning of cash is to look from a view point of the balance sheet. Cash is an asset constituting the most liquid item among all the assets. But to obtain cash involves cost because corporations have to rise through issue of share of by borrowing with interest. Indeed cash has a cost,

whether received internally through money market procurement is a liability and a wasted opportunity unless it is not put to its optimal use.

2.1.2 Meaning of Cash Equivalents

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value. It is defined as short-term, highly liquid investment that is readily convertible to known amounts of cash and must be sufficiently close to its maturity date. Treasury bills and commercial paper are regarded as cash equivalent. Bank Overdraft, as per Nepal Accounting Standards, are included as a component of cash and cash equivalents and cash flows exclude movements between items that constitute cash or cash equivalents. Cash management includes the investment of excess cash in cash equivalents. Statement 95 requires that companies treat cash and cash equivalents as a single poor for reporting purpose (*Munakarmi, 2003, P-214).*

2.1.3 Meaning of Extraordinary Items

Extraordinary items mean the items that are not items relating to normal business operation. By definition, extraordinary and exceptional items fall outside the normal operation of the business and included such items on profit or losses on disposal of fixed assets, gains or losses arising from foreign currency transactions, insurance settlement for natural calamities etc. The preferred treatment is to include extraordinary items as a separate category (*Munakarmi, 2003, P-212).*

2.2 Background on a Cash Flow Statement

Before getting into the nuts and bolts of cash flow statement, let’s take a brief look at how its importance has evolved over the years.

Initially, business was required to evaluate the changes in financial position or funds statement. The funds statement went through several years of development before it was widely used. In 1961, accounting research study no. 2 sponsored by

the American Public Accounts (APA), recommended that a funds statement be included with the income statement and balance sheet in annual reports to shareholders.

Two years later, Accounting Principles Board (APB) opinion no. 3 was issued and provided funds statement preparation guidelines. Although opinion no. 3 did not go so far as to make the funds statement mandatory, most businesses, aware of the statement's value, included it in their annual reports. Finally in 1971, APB opinion no. 19 officially made the funds statement one of the three primary financial documents required in annual reports to shareholder. The APB said that funds statement must be covered by the auditor's report. Opinion no. 19 did not specify a particular format for the funds statement, business still enjoyed considerable flexibility in how chose to report their funds flow statement.

That flexibility came to an end in late 1987, with the Financial Accounting Standard Board's (FASB) issuance of statement no. 95, which called for statement of cash flows to replace the more general funds statement. The FASB, in an effort to help investors and creditors better predict future cash flow, specified a universal statement format that highlighted cash flow from operating, investing and financial activities. This format is still used.

The statement of cash flows is now a standard feature of financing reporting in number of countries and is required in addition to the balance sheet and profit and loss account. From 1988, companies in United States have been required to present statement of cash flows. Beginning 1992, British companies were required to publish cash flow information. Cash flow statements are also required in other countries including Australia, New Zealand and South Africa.

In 1992, the International Accounting Standard Committee issued an accounting standard on cash flow statement. Nepal Company Act 2053 also made mandatory to present cash flow statement along with Balance Sheet and Income Statement. So, every enterprise should prepare it as an integral part of its financial statements for each period for which financial statement are presented (*Gyawali, Fago and Subedi, 2006: P-11.1).*

2.2.1 Concept and Meaning of Cash Flow Statement

How much cash is generated by business organization? How much cash is spent for current and non-current assets? Where did the company get cash for expenditure? How did the company become able to pay dividend? All these questions are some examples raised by the financial statement users. The Balance Sheet, Income Statement and Statement of Shareholder's Equity do not answer all these questions raised by the users of financial statement. For such, Cash Flow Statement answers these questions.

Cash Flow Statement describes the sources and uses of cash of an organization. It provides information about the inflow and outflow of cash of a company in an accounting period. It can thus be defined as a statement which explains the change in cash position from one balance sheet to the next balance sheet data.

The Institute of Cost and Work Accountants of India defines cash flow statement as "a statement setting out the flow of cash under distinct heads of source of funds and their utilization to determine the requirement of cash during the given period and to prepare for its adequate provision."

The statement which reports cash flows during the period classified by operating, investing and financing activities is known as cash flow statement. Cash flows are inflows and outflows of cash and cash equivalents. According to Nepal Accounting Standards issued by Accounting Standard Board "Cash equivalents are short-term, highly liquid investments that are readily convertible to know amounts of cash and which are subject to an insignificant risk of changes in value". Thus cash equivalents are short term highly liquid investment, such as money market funds, commercial papers and treasury bills.

As per Nepal Accounting Standard, "The cash flow statement is the part of the complete set of financial statements including balance sheet, income statement and accounting policies and extra ordinary notes." As before issuing Nepal Accounting Standard, the preparation of cash flow statement in the mandatory along with

balance sheet and income statement as per the Nepal Company Act 2053 BS (*Dangol, 2009,P-568).*

2.3 Need & Importance of Cash Flow Statement

Cash flow statement is an important financial tool for the management; it is useful internally to management and externally to investors and creditors. It helps the management to assess the liquidity of business to determine dividend policy, to evaluate the policies regarding investment and financing etc. Similarly, this statement is useful for investors and creditors in assessing the company's ability to manage cash flows to generate positive future cash flows to pay dividend and interest etc.

The importance and usefulness of cash flow statement is increasing day by day. Recognizing its importance, the Financial Accounting Statement Board (FASB), statement no. 95 stated to prepare a statement of cash flows to all companies in 1987. International Accounting Standards has also given direction to its members to prepare cash flow statement along with balance sheet and profit and loss account. According to sec. 83 of Nepal Company Act, 2053, the company should prepare cash flow statement along with income statement and balance sheet at the end of financial year.

The importance of cash flow statement is presented below:

a. The cash flow statement is prepared on the basis of cash. Hence, cash position of a firm can be easily evaluated.
b. Cash flow statement is helpful to a firm for planning and co-ordinating financial operation properly.
c. The statement can provide the concerned organization the necessary assistance for the effective steps to strengthen the internal financial position.
d. It is also helpful in planning the repayment of loan, replacement of fixed assets and other long term cash planning.

e. It is useful for both internal and external users. The external users refer to the bank and other financial institutions.

Hence cash flow statement provides relevant information about the cash receipts and cash payments of an enterprise during a period. Information about enterprises cash flows is useful in assessing its liquidity, financial flexibility, profitability and risk. Cash flow information is widely used by investors, analyst, creditors, managers and others stakeholders.

2.4 Objectives of Cash Flow Statement

Information about cash flows of an enterprise is useful in providing the users of financial statements with a basis to assess the ability of the enterprise to generate cash and cash equivalents and the needs of the enterprise to utilize those cash flows. The economic decisions that are taken by users require an evaluation of the ability of an enterprise to generate cash and cash equivalents and the timing and certainty of their generation (*NAS, 2002).*

One objective of preparing a cash flow statement is to understand the relationship between accrual accounting events and their cash impact. A second goal is to classify cash flows among operating, financing and investing activities as required by accounting standards.

The main objective of a statement of cash flows is to convey information about the cash receipts and cash payments of a firm during the accounting period. Though the same information comes through the cash book, already prepared in the course of posting in ledger, the statement of cash flows presents the same information in a different manner so that the decision makers come to know how much cash has increased or decreased in operating, investing and financing activities.

The statement of cash flows reflects the ability of the company:

- To generate positive cash flows in future periods.

- To meet its obligations and to pay dividends *(Bajracharya, Ojha, Goet, Sharma & Gautam, 2010, P-738).*

Other main objectives of cash flow statement are as follows:

- To provide information about a cash receipt and cash payment of a company during an accounting period.
- To provide information about a company's operating, investing and financing activities during the accounting period.
- To help to know the cash position so that it can make plans and policies regarding decision making activities for short term and long term financing.
- To evaluate the financial policies of the company.
- To help in understanding liquidity position of the firm.
- To locate the reasons for variations in cash position on two dates.
- To assist the firm in short term cash planning.
- To help the financial manager to explain the situation of cash.
- To make easy to prepare cash budget for the specific period for future reference.
- To help in evaluation of financial position of an organization *(Dangol, 2009, P-569).*

Precisely speaking, a statement of cash flows helps users of financial statements evaluate a company's ability to have sufficient cash- both in a short term and in a long term basis. For this reason, the statement of cash flows is useful to virtually everyone interested in the company's financial health: short and long term creditors, investors, management and both current and prospective competitors *(Bajracharya, et.al, 2010, P-738).*

2.5 Cash Flow Information for Decision Making

Users of an enterprise's financial statements are interested in how the enterprise generates and uses cash and cash equivalents. This is the case regardless of the nature of the enterprise's activities and irrespective of whether cash can be viewed

as the product of the enterprise, as may be the case with a financial institution. Enterprises need cash for essentially the same reasons however different their principal revenue-producing activities might be. They need cash to conduct their operations, to pay their obligations, and to provide returns to their investors. Accordingly, this standard requires all enterprises to present a cash flow statement.

A cash flow statement, when used in conjunction with the rest of the financial statements, provides information that enables users to evaluate the changes in the net assets of an enterprise, its financial structure (including its liquidity and solvency) and its ability to affect the amounts and timing of cash flows in order to adapt to changing circumstances and opportunities. Cash flow information is useful in assessing the ability of the enterprise to generate cash and cash equivalents and enables users to develop models to assess and compare the present value of the future cash flows of different enterprises. It also enhances the comparability of the reporting of operating performance by different enterprises because it eliminates the effects of using different accounting treatments for the same transactions and events (*NAS, 2002).*

Management, stakeholders and creditors can use the information provides by the statement of cash flows to make their decisions. The statement of cash flows provides that useful information to management, investors, creditors and other interested parties which are usually not depicted by any other financial statement. The statement of cash flow visualizes the picture of movements in cash owing to the operating, investing and financing activities of a company during an accounting period. The statement of cash flows reflects the financial consequences due to the management decisions made in the past on matters like expansion, retrenchment, issuance of capital stock, the sale of long term bonds and so forth.

Historical cash flow information is often used as an indicator of the amount, timing and certainty of future cash flows. It is also useful in checking the accuracy of past assessments of future cash flows and in examining the relationship between profitability and net cash flows and the impact of changing prices (*NAS, 2002).*

The information in the statement of cash flows provides a basis for analysing financial results. Additional analysis is possible through the use of three ratios relating to cash flow: the cash flow per share of common stock, cash flow margin and cash flow liquidity ratios.

$$\textbf{Cash Flow Per Share} = \frac{Net\,Cash\,Provided\,by\,Operating\,Activities}{Average\,No.of\ Common\,Shares}$$

$$\textbf{Cash Flow Margin} = \frac{Net\,Cash\,Provided\,by\,Operating\,Activities}{Net\,Sales}$$

Cash Flow Liquidity Ratio

$$= \frac{Net\,Cash\,Provided\,by\,Operating\,Activities\Gamma Cash\,Balance}{Current\,Liabilities}$$

More importantly, one can check at what stage of life cycle the firm is running.

The information in a statement of cash flows assists management, investors, creditors and others in assessing the following:

- The enterprise’s ability to generate positive future net cash flows.
- The enterprise’s ability to meet its obligations.
- The enterprise’s ability to pay dividends.
- The enterprise’s need for external financing.
- Reasons for difference between net income and associated cash receipts and payments.
- Effects on an enterprise’s financial position of both its cash and non-cash investing and financing transactions during the period.

2.6 The Structure of the Cash Flow Statement

Complementing the balance sheet and income statement, the cash flow statement (CFS), a mandatory part of a company's financial reports since 1987, records the amounts of cash and cash equivalents entering and leaving a company. The CFS allows investors to understand how a company's operations are running, where its

money is coming from, and how it is being spent. Here *we* will learn how the CFS is structured and how to use it as part of your analysis of a company.

The cash flow statement is distinct from the income statement and balance sheet because it does not include the amount of future incoming and outgoing cash that has been recorded on credit.

Therefore, cash is not the same as net income, which, on the income statement and balance sheet, includes cash sales *and* sales made on credit. Cash flow is determined by looking at three components by which cash enters and leaves a company: core operations, investing and financing:

Operations

Measuring the cash inflows and outflows caused by core business operations, the operations component of cash flow reflects how much cash is generated from a company's products or services. Generally, changes made in cash, accounts receivable, depreciation, inventory and accounts payable are reflected in cash from operations.

Cash flow is calculated by making certain adjustments to net income by adding or subtracting differences in revenue, expenses and credit transactions (appearing on the balance sheet and income statement) resulting from transactions that occur from one period to the next. These adjustments are made because non-cash items are calculated into net income (income statement) and total assets and liabilities (balance sheet). So, because not all transactions involve actual cash items, many items have to be re-evaluated when calculating cash flow from operations.

For example, depreciation is not really a cash expense; it is an amount that is deducted from the total value of an asset that has previously been accounted for. That is why it is added back into net sales for calculating cash flow. The only time income from an asset is accounted for in CFS calculations is when the asset is sold.

Changes in accounts receivable on the balance sheet from one accounting period to the next must also be reflected in cash flow. If accounts receivable decreases, this implies that more cash has entered the company from customers paying off their

credit accounts - the amount by which AR has decreased is then added to net sales. If accounts receivable increase from one accounting period to the next, the amount of the increase must be deducted from net sales because, although the amounts represented in AR are revenue, they are not cash.

An increase in inventory, on the other hand, signals that a company has spent more money to purchase more raw materials. If the inventory was paid with cash, the increase in the value of inventory is deducted from net sales. A decrease in inventory would be added to net sales. If inventory was purchased on credit, an increase in accounts payable would occur on the balance sheet, and the amount of the increase from one year to the other would be added to net sales.

The same logic holds true for taxes payable, salaries payable and prepaid insurance. If something has been paid off, then the difference in the value owed from one year to the next has to be subtracted from net income. If there is an amount that is still owed, then any differences will have to be added to net earnings.

Investing

Changes in equipment, assets or investments relate to cash from investing. Usually cash changes from investing are a "cash out" item, because cash is used to buy new equipment, buildings or short-term assets such as marketable securities. However, when a company divests of an asset, the transaction is considered "cash in" for calculating cash from investing.

Financing

Changes in debt, loans or dividends are accounted for in cash from financing. Changes in cash from financing are "cash in" when capital is raised, and they're "cash out" when dividends are paid. Thus, if a company issues a bond to the public, the company receives cash financing; however, when interest is paid to bondholders, the company is reducing its cash.

Of course, not all cash flow statements look this healthy, or exhibit a positive cash flow. But a negative cash flow should not automatically raise a red flag without

some further analysis. Sometimes, a negative cash flow is a result of a company's decision to expand its business at a certain point in time, which would be a good thing for the future. This is why analyzing changes in cash flow from one period to the next gives the investor a better idea of how the company is performing, and whether or not a company may be on the brink of bankruptcy or success.

Conclusion

A company can use a cash flow statement to predict future cash flow, which helps with matters in budgeting. For investors, the cash flow reflects a company's financial health: basically, the more cash available for business operations, the better. However, this is not a hard and fast rule. Sometimes a negative cash flow results from a company's growth strategy in the form of expanding its operations.

By adjusting earnings, revenues, assets and liabilities, the investor can get a very clear picture of what some people consider the most important aspect of a company: how much cash it generates and, particularly, how much of that cash stems from core operations (*http://www.investopedia.com/articles/04/033104.asp*).

2.7 Preparation of Cash Flow Statement

NAS has made compulsory to every enterprise to prepare cash flow statement classified by operating, investing and financing in a manner that is most appropriate to its business during a period. The information derived from cash flow statement can use to evaluate the relationship among those activities.

The US's FASB No. 95 "Statement of cash flows" issued in 1987 has classified the cash flows into following three categories.

a) Operating Activities
b) Investing Activities
c) Financing Activities

Similarly, according to Nepal Accounting Standard (NAS – 03) issued by Nepal Accounting Standard Board (2003), "the cash flow statement should report cash

flow during the period classified by operating, investing and financing activities" (Dangol, 2009, P-569).

On the basis of above three categories, the following three steps are to be completed:

Step 1. To determine cash flows from operating activities.

Operating Activities make up the day-to-day business, like selling products, purchasing inventory, paying wages, and paying operating expenses. Perhaps the most important line of the cash flow statement is the Net Cash Flow from Operations.

This section of the statement is associated with the Current Assets and Current Liabilities sections of the Balance Sheet, as well as the Revenue and Expenses section of the Income Statement.

Operating activities involve producing and delivering goods and providing services. Cash flow from operating activities includes receipt from customers for sales of goods and services (Collection from debtors). Cash outflows from operating activities include payments to purchase of material and for services, payment to employees for services and payment made to government for taxes and duties *(Gyawali, et.al, 2006, P-11.3).*

Those transactions which are considered in determination of net income are known as operating activities. According to NAS–03 (Sec-6), "Operating activities are the principal revenue-producing activities of the enterprise and other activities that are not investing or financing activities." Thus, it can be stated that the cash flows other than those related with financing and investing are classified as operating activities.

According to NAS-03 (Sec-14), examples of cash flows from operating activities are:

- Cash receipts from the sale of goods and the rendering of services.

- Cash receipts from royalties, fees, commissions and other revenue.
- Cash payments to suppliers for goods and services.
- Cash payments to and on behalf of employees.
- Cash receipts and cash payments of an insurance enterprise for premiums and claims, annuities and other policy benefits.
- Cash payments or refunds of income taxes unless they can be specially identified with financing and investing activities, and
- Cash receipts and payments from contracts held for dealing or trading purpose *(Dongol, 2009, P-569).*

An enterprise may hold securities and loans for dealing or trading purpose in which case they are similar to inventory acquired specifically for resale. Therefore cash flow arising from the purchase and sale of dealing or trading securities are classified as operating activities. Similarly cash advances and loans made by financial institutions are usually classified as operating activities since they relate to the main revenue producing activity of that enterprise.

Similarly, gain or loss derived due to the sales or purchase of current assets and current liabilities are also included in operating activities.

Step 2. To determine cash flows from investing activities.

According to NAS–03 (Sec-6), "Some transactions, such as the sale of an item of plant, may give rise to a gain or loss which is included in the determination of net profit or loss. However, the cash flows relating to such transactions are cash flows from investing activities."

Investing activities are related to long term assets which are shown in the balance sheet. NAS (03) defines "Investing activities are the acquisition and disposal of long term assets and other investment not included in cash equivalents." The cash flows from investing activities can be determined by considering the changes in related assets account during the year.

Investing Activities include buying and selling assets like property and equipment, lending money to others and collecting the principal and buying/selling investment

securities. This section of the statement is associated with the Long-Term Assets section of the balance sheet.

The separate disclosure of cash flows arising from investing activities is important because the cash flows represent the extent to which expenditures have been made for resources intended to generate future income and cash flows. Examples of cash flows arising from investing activities are:

- Cash payments to acquire property, plant and equipment, intangible and other long-term assets. These payments include those relating to capitalized development costs and self-constructed property, plant and equipment.
- Cash receipts from sales of property, plant and equipment, intangibles and other long term assets;
- Cash payments to acquire equity or debt instruments of other enterprises and interest in joint ventures (other than payments for those instruments considered to be cash equivalents or those held for dealing or trading purposes);
- Cash receipts from sales of equity or debt instruments of other enterprises and interests in joint ventures (other than payments for those instruments considered to be cash equivalents and those held for dealing or trading purpose);
- Cash advances and loans made to other parties (other than advances and loans made by financial institutions);
- Cash receipts from the repayment of advances and loans made to other parties (other than advances and loans of financial institution);
- Cash payments for futures contracts, forward contracts, option contracts and swap contracts except when the contracts are held for dealing or trading purposes, or the payments are classified as financing activities; and
- Cash receipts from futures contracts, forward contracts, option contracts and swap contracts except when the contracts are held for dealing or trading purposes or the receipts are classified as financing activities.

- When a contract is accounted for as a hedge of an identifiable position, the cash flows of the contract are classified in the same manner as the cash flows of the position being hedged *(Bajracharya, et.al, 2010, P-751).*

Step 3. To determine cash flows from financing activities.

The separate disclosure of cash flows arising from financing activities is important because it is useful in predicting claims on future cash flows by providers of capital to the enterprise.

This section of the statement is associated with the Long-Term Liabilities and Owners'/Stockholders' Equity from the Balance Sheet.

Some examples of cash flow arising from financing activities are:

- Cash proceeds from issuing shares or other equity instruments;
- Cash payments to owners to acquire of redeem the enterprise's shares;
- Cash proceeds from issuing debentures, loans, notes, bonds, mortgage and other short or long term borrowing;
- Cash repayments of amounts borrowed; and
- Cash payments by a lessee for the reduction of the outstanding liability relating to a finance lease.

Note that the borrowings, whether short or long term, should be classified as financing activities. Even short term liability can be classified as operating activity too *(Bajracharya, et.al, 2010, P-752-753).*

2.7.1 Method of Preparation of Cash Flow from Operating Activities

Cash from operating activities can be determined by applying either direct method or by indirect method. In direct method, major classes of gross cash receipts and gross cash payments are disclosed whereas, in indirect method, net profit or loss is adjusted for the effects of transactions of a non-cash nature and changes in current assets and current liabilities.

i) Direct Method

Table No. 2.1

Cash Flow from Operating Activities *(Under Direct Method)*

Particulars	Amt. (Rs.)	Amt. (Rs.)
A. Cash Collection from Debtors and Sales		
Net Sales (less Sales return & Trade discount paid)		xxx
Add: Decrease in Sundry debtors/Accounts receivable/Bills receivables	xxx	
Less: Increase in Sundry debtors/Accounts receivable/Bills receivables	(xxx)	
Add: Bad debts recovered	xxx	
Less: Bad debts written off	(xxx)	
Add: Increase in Provision for doubtful debts	xxx	
Less: Decrease in Provision for doubtful debts	(xxx)	xxx
Total Cash Collection from Debtors & Sales		**xxxx**
B. Cash Purchase and Payment Made to Suppliers		
Net Purchase/Cost of goods sold/Materials Supplies	xxx	
Add: Increase in Inventories/Stock	xxx	
Less: Decrease in Inventories/Stock	(xxx)	
Add: Decrease in Sundry Creditors/Accounts Payable/Bills Payable	xxx	
Less: Increase in Sundry Creditors/Accounts Payable/Bills Payable	(xxx)	
Add: Purchase related expenses	xxx	
Total Payment Made to Suppliers		**xxxx**
C. Payment Made to Employees and other Operating Expenses		
Direct Labour	xxx	
Manufacturing Overhead	xxx	
General Expenses	xxx	
Any Other Administration Expenses	xxx	
Interest Paid	xxx	
Rent Paid	xxx	
Selling and Distribution Expenses	xxx	
Add: Decrease in Outstanding Expenses	xxx	
Less: Increase in Outstanding Expenses	(xxx)	
Add: Increase in Prepaid Expenses	xxx	
Less: Decrease in Prepaid Expenses	(xxx)	
Total Payment Made to Employee and other Expenses		**xxxx**
D. Payment Made for Tax Expenses		
Tax Expenses for the year	xxx	
Add: Increase in Prepaid Tax	xxx	
Less: Decrease in Prepaid Tax	(xxx)	
Add: Decrease in Outstanding Tax	xxx	
Less: Increase in Outstanding Tax	xxx	
Total Payment Made to Tax Expenses		**xxxx**
E. Cash available from Operating Activities before Extra-Ordinary Items (A-B-C-D)		**xxxxxx**
Extra-Ordinary Items:		
Add: Increase in Bank Overdraft		xxx
Less: Decrease in Bank Overdraft		(xxx)
Add: Increase in Short Term Loan		xxx
Less: Decrease in Short Term Loan		(xxx)
Net Cash Available From Operating Activities		**xxxxxx**

Source: Fago, 2006, P -11.4-11.5

Enterprises are encouraged to report cash flow from operation under direct method because it provides that information which is useful in station of future cash flows. Under the direct method, information about major classes of gross cash payments may be obtained either

a) From the accounting records of the enterprise ; or
b) By adjusting sales, cost of sales (interests and similar income and interest expenses and similar charges for a financial institution) and other items in the income statement for:
   i) Changes during the period in inventories and operating receivable and payable;
   ii) Other non-cash items; and
   iii) Other items for which the cash effects are investing or financing cash flows.

The direct method of cash flow statement shows major classes of operating cash receipts and payments, such as cash received from customers, cash paid to suppliers and employees and income tax paid to government. The specimen of cash flow from operating activities is given below *(Fago, 2006, P-11.6):*

ii) Indirect Method

Under the indirect method, the net cash flows from operating activities are determined by adjusting net profit or loss for the effects of:

a) Changes during the period in inventories and operating receivables and payables,
b) Non-cash items such as depreciation, provisions, taxes, unrealised foreign currency gains and losses, undistributed profits of associated and where consolidated financial statements are prepared, minority interests and
c) All other items for which the cash effects are investing of financing cash flows.

Alternatively, the net cash flow from operating activities may be presented under the indirect method by showing the revenues and expenses disclosed in the income statement and the changes during the period in inventories and operating receivables and payables *(Dangol, 2009, P-754).*

Indirect method is that type of method which calculates the cash flow from operating activities by considering the non-cash items. The non-cash expenses are added on net profit and non-cash income is deducted on net profit and change in working capital are also considered. The specimen of cash flow from operating activities under direct method is given in next page:

Table No. 2.2

Cash Flow from Operating Activities *(Under Indirect Method)*

Particulars	**Amt. (Rs.)**	**Amt. (Rs.)**
Net Profit for the Period		xxx
Add: Non-Cash / Non-Operating Expenses		
1) Depreciation for the period	xxx	
2) Amortization of Good Will	xxx	
3) Amortization of Patents/Copy Right	xxx	
4) Amortization of Trade Mark/ Investment	xxx	
5) General Reserve Maintained	xxx	
6) Discount on Issue of Share and Debenture	xxx	
7) Premium on Redemption of Preference Share and Debenture	xxx	
8) Loss on Sale of Fixed Assets	xxx	
9) Preliminary Expenses Written Off	xxx	
10) Provision for Taxation	xxx	
11) Provision from Dividend	xxx	xxx
		xxxx
Less: Non-Cash/ Non-Operating Incomes		
1) Appreciation on Fixed Assets	xxx	
2) Premium on Issue of Share and Debenture	xxx	
3) Discount on Redemption of Preference Share and Debenture	xxx	
4) Profit on Sales of Fixed Assets	xxx	
5) Dividend Received	xxx	
6) Refund of Tax	xxx	xxx
Funds From Operation		**xxx**
Add: Increase in Current Liabilities (Item wise)		xxx
Decrease in Current Assets (Except cash)		xxx
Less: Decrease in Current Liabilities (Item wise)		xxx
Increase in Current Assets (Except cash)		xxx
Net Cash Available From Operating Activities before tax		xxx
Less: Tax Paid		(xxx)
Net Cash Available From Operating Activities		**Xxx**

Source: Fago, 2006, P-11.4-11.6

2.7.2 Method of Preparation of Cash Flow from Investing Activities

Investing activities are related to long term assets which are shown in the balance sheet. Investing activities are the acquisition and disposal of long term assets and other investment not included in cash equivalents. The cash flow from investing activities can be determined by considering the changes in related assets account during the year (Dangol, 2009, P-575).

The cash flows from investing activities are ascertained as follows:

Table No. 2.3

Cash Flow from Investing Activities

Particulars	**Amt. (Rs.)**	**Amt. (Rs.)**
Receipt from Sale of Old Equipment	xxx	
Receipt from Sale of Other Investments	xxx	
Decrease in Notes Receivable (Long Term)	xxx	
Dividend/Interest Received from Investment (If not included in operating activity)	xxx	
Payment for Fixed Assets Purchased	(xxx)	
Payment for Purchase of Other Investments	(xxx)	
Increase in Notes Receivable (Long Term)	(xxx)	
Cash Flows Under Investing Activities		**xxx**

Source: Bajracharya, et.al, 2010, P-751

2.7.3 Method of Preparation of Cash Flow from Financing Activities

Financing activities are related to the long term liability and shareholder's equity. Financing activities are activities that result in changes in the size and composition of the equity, capital and borrowing of the enterprises.

To get the claim from the investor in the future, it is compulsory to determine cash flows from financing activities. It is determined by analysing the debit and credit changes recorded during the period in the related liability and shareholder's equity (Dangol, 2009, P-576).

The cash flow from financing activities is ascertained as follows:

Table No. 2.4

Cash Flow from Financing Activities

Particulars	Amt. (Rs.)	Amt. (Rs.)
Issue of Equity Securities with Premium/Discount	xxx	
Issue of Debt Securities with Premium/Discount	xxx	
Increase in Bank Loan/Overdraft	xxx	
Increase in Notes Payable	xxx	
Redemption of Debenture with Premium/Discount	(xxx)	
Decrease in Bank Loan/Overdraft	(xxx)	
Decrease in Notes Payable	(xxx)	
Payment of Dividend	(xxx)	
Cash Flows Under Financing Activities		**xxx**

Source: Bajracharya, et.al, 2010, P-753

2.7.4 Method of Find out Change on Cash to Complete Cash Flow Statement

After determining the cash flows of three different activities, these three amounts ascertained are added. The addition shows the net increase or decrease in cash. Thereafter the beginning balance of cash is added to net increase or decrease in cash and result shows the closing balance of cash.

Till the completion of four steps discussed above, the cash flow statement, in short, is presented below:

Table No. 2.5

Cash Flow Statement

Particulars	Amt. (Rs.)
Cash Flows From Operating Activities	xxx
Cash Flows From Investing Activities	xxx
Cash Flows From Financing Activities	xxx
Total Cash Flows (Net Increase or Decrease)	xxx
Add: Cash at the Beginning	xxx
Cash at the End	xxx

Source: Dangol, 2009, P-576

2.8 Analysis of Cash Flow Statement

The cash flow analyst uses the cash flow statement for analysing the cash flows. The statement of cash flows gives the major sources and uses of cash. It explains how cash was generated and how it was used during a period. It is a report listing cash inflows and outflows by meaningful categories and explains the changes in cash during the period. As such it is widely used as a tool for assessing the financial health of organization. The cash flows appended at the bottom of the cash flow statement is cash abstract. It ends with closing cash and cash equivalent balance that will have place in balance sheet. The cash flows of business enterprise during certain period may have positive or negative. If the cash inflows are more than the cash outflows there will be positive cash flows and in opposite, if the cash inflow is less than cash outflows there will be negative cash flows. Cash flow information is increasingly valuable to the investors and creditors for assessing a firm's liquidity and risk. But the periodical deficits should not be considered as indicative of weak financial position nor the surpluses as an index of strong financial strength.

Basically the positive cash flows come from the following four sources:

i) New Investment
ii) New Debt
iii) Sales of Assets and
iv) Operating Profit

The statement of cash flow enables the analyst to appraise the quality of management decisions as well as their impact on the results of operations and financial condition of the enterprise. Evaluation of the SCF analysis will indicate the purposes to which management chose to commit funds, where it reduced investment, the source from which it derived additional cash and to what extent it reduced claims against the enterprise. Such an analysis will also show the disposition of earnings as well as how management reinvested the internal cash inflow over which it had discretion. The analysis will also reveal the size and composition of cash from operations and their pattern and degree of stability. The

components of the cash from operations figure hold important clues to the stability of that source of cash.

According to Harold Williams, Cash Flow from operation is a better measure of performance than earning per share.

In evaluating sources and uses of cash, the analyst should focus on these questions:

i) Has the enterprise been able to finance fixed assets replacements from internally generated cash?
ii) How have expansions and business acquisition been financed?
iii) To what extent is the enterprise dependent on outside financing?
iv) How frequently it required is and what form does it take?
v) What do the company's need for cash and its access to cash suggest as implications for its dividend policy?

If cash cannot be generated in sufficient amounts and at the right times a firm faces financial difficulty and even bankruptcy. For getting the answers to the above questions one should calculate the following ratios using cash flow data for appraising the performance and for use of manger in planning cash flow for future.

2.9 Performance Measurement Using Cash Flow Statement

Financial position and performance of a company can be measured using ratios between different variables of the statement of cash flows. Some of the key cash flow ratios are mentioned below.

1. Cash Coverage Ratio
   a) Cash Interest Coverage Ratio
   b) Cash Debt Coverage Ratios
      i) Cash from operation to current liability
      ii) Cash from operation to total debt ratio
2. Free Cash Flow
3. Quality Income Ratio

4. Capital Expenditure Ratio
   i) Investing-inflows ratio
   ii) Financing-inflows ratio
   iii) Cash flows from operation to Cash Flow from investing activity
   iv) Cash flows from financing activity to Cash flow from investing activity
   v) Cash reinvestment ratio
5. Ratio Measuring the Efficiency of Cash Utilization
   i) Gross Cash Flow Ratio/Margin
   ii) Cash in current assets/ Efficient use of cash ratio
   iii) Cash ratio/ Cash holding ratio
   iv) Return on sales ratio
   v) Cash turnover to sales
   vi) Ending cash and cash equivalents to sales ratio
6. Ratios for Operating Cash Flows
   i) Cash Flow Margin
   ii) Operating cash flow to capital employed
   iii) Cash flow adequacy ratio
   iv) Priority obligation ratio
   v) Cash realization ratio *(Munakarmi, 2003, P-136).*

2.10 Objectives of Analysis Cash Flow Statement

The cash flow statement classifies the activities into three categories; cash flow from operating, investing and financing. But only the classification is not sufficient for the evaluation of the cash generating and utilization capacity of an enterprise. For this purpose, the statement can be analysed according to the needs of user group. The main objectives of analysis cash flow statement are as follows:

a. To know the cash generating capacity of a firm as a whole
b. To find out the main cash generation items

c. To know about the adequacy of cash flows from operating activities to meet the long term debt

d. To determine rate of return on total assets investment activity, which the management can use as their discretion

e. To ascertain the remaining amount of cash from operating activity, which the management can use as their discretion

f. To test the capacity of the firm for financing fixed assets from internal flow of cash *(Dangol, 2009, P-569).*

2.11 Cash Budget: A Tool of Assessing Future Cash Flow

"The primary tool used by management to anticipate and shape future cash flow is a cash budget. Cash budget helps to forecast future cash receipts and payments. It is not a financial statement and is not widely distributed to people outside the organization. But it is most useful for all accounting reports" *(Bajracharya, et.al, 2010, P-767).*

Although a cash budget is similar to a statement of cash flows, it shows the result expected in future but cash flow statement shows the achievements in the past. The past budget is more detailed and prepared by showing expected cash flows month by month and separately for every department with in the organization.

"The cash budget however does not explain the type of activities, operating, investing and financing from and to which cash in generation and applied. Cash budget simply shows the projected cash receipts and disbursement irrespective of any activity" *(Bajracharya, et.al, 2010, P-768).*

Importance of Cash Budget

- Forcing managers to plan and coordinate the activities of each department in advance.
- Providing mangers with an advance notice of the resources at their disposal and the results they are expected to achieve.
- Providing targets useful in evaluating department performance.

- Providing advance warming of potential cash shortage.

2.12 Strategies for Improvement in Cash Flows

No business can afford to run out of cash and default on its obligation. Even being a few days late in payroll of paying suppliers or creditors can damage business relationship thus. The management's most basic responsibilities are to ensure that the business has enough cash to meet its obligation as they become due.

- Increase sales (particularly those involving cash payments)
- Reduce direct and indirect costs and overhead expenses.
- Defer discretionary projects which cannot achieve acceptable cash paybacks (e.g. within one year)
- Increase price especially to show payers.
- Review the payment performances of customer-involved sales force
- Become more selective when granting credit.
- Seek deposits or multiple stage payments.
- Reduce the amount/ time credit given to customers.
- Bill as soon as work has been done or order fulfilled.
- Improve system for paying suppliers.

2.13 Review of Articles

Various scholars as well as authors have given different views about cash flow statement. Some of them are to be taken as review of nooks for cash flow statement. According to Jennifer a rivers (2007), "Cash flow statement over a period of time, rather than being a snapshot at a fixed point in time as in the balance sheet". This statement reflects all the movements of cash into the company (cash inflow) and out of company (cash outflow) in a given period of time. This statement is essential for understanding the company's ability to survive over time. It is possible, for example, for a company to be profitable, yet to consume more cash than it has (for instance, due to a delay in receiving some of its revenues) and

therefore to find itself in a cash shortage. (A later section on accounting revenues and actual cash flows will give a more detailed discussion)

The cash flow statement is divided into three components describing the changes in the company's cash flows from operating, investing and financing activities. We will first demonstrate how the cash flow statement may be constructed on the basis of the company's other main financial statement, namely the balance sheet and the income statement. We will then review the three component of cash flow statement; the cash flows from operating activities, investing activities and financing activities. The analysis proposed here is to measure/evaluate the performance of company.

The starting point for analysing a company's cash flow is the cash items in the company's balance sheet at the beginning of the period and the end point is the cash item at the end of the analysed period. The change in company's cash position is the difference in its cash between these two points of time. This difference takes into account all of the movements and transactions in which the company was involved. Therefore, this figure alone is insufficient to understand the company's cash needs, cash generation and cash consumption over the period. Clearly, the value of cash infused into the company as a result of the sale of products or services is different from an inflow of cash to the company created by raising new capital.

The company's cash flow from operating activities is composed, in principle, of actions revolving the sale of products and services. Accordingly, expenses relating to the creation of such cash flows such as the acquisition of raw materials, sales expenses, marketing expenses and general expenses as well as tax payments are some components of the company's cash outflow resulting from operating activities.

The company's cash flow from investing activities is composed of actions such as the sale of real and financial assets of the repayment of long term loans given to third parties. Accordingly, acts such as the acquisition of assets and investments in equipment and long term financial assets are some of the components of the

company's cash outflow resulting from investment activities. The main component of the cash flow from investing activities is usually the change in the company's net fixed assets. As mentioned above, the company's net fixed assets at the end of period are equal to its net fixed assets at the beginning of the period plus assets purchased over the period minus depreciation accumulated over the period and minus net sales of assets sold over the period.

Joseph Devine have described about cash flow statement is the motor oil for any business finance engine. It measures the amounts of money that come into a company and out of it over a given time period. This way a company is able to keep track of how much cash it has on hand to pay expenses and buy assets.

Some people might confuse a cash flow statement with an income statement. An income statement only measures whether or not the company made a profit, whereas a cash flow statement can tell us how the company is generating cash during the period. These concepts may seem a bit confusing. Just because a company has generated cash does not mean that it has generated profit and vice versa. Cash flow statements work particularly with cash whereas income statement may also deal with assets.

Cash flow statement uses information from both income statements and balance sheets. Using this information, the cash flow statement will reveal the net increase or decrease in cash for the period.

2.14 Review of Previous Research Studies

Utter Kumar Mahato (2006) has conducted a research entitled "Working Capital Management of Nepal Lever Limited". He has used secondary data covering the period FY 2000/01 to 2004/05.

The objectives of the study are:

- To examine the working capital management of Nepal Lever Limited Company.

- To analyse the liquidity, profitability position, assets utilization and the liquidity composition of working capital of NL Ltd.
- To know whether the NL Ltd. has maintained optimum level of working capital or not.
- To examine the relationship between liquidity and profitability of NL Ltd.
- To analysis the current assets and liability of NL Ltd.
- He has drawn the following findings:
- The major components of current assets in NL Ltd. are inventories, sundry debtors, cash and bank balance etc. During the study period, inventory holds the major portion in CA.
- The trend of current assets and fixed asset is increasing year by year except in FY 2003/04.
- The major components of CL in NL Ltd. are loan and advance, sundry creditors etc. During the study period, sundry creditors hold the largest portion in CL.
- The gross profit margin of NL Ltd. is in decreasing trend during the study period except in FY 2003/04. The range of gross profit margin is 7.82% to 11.53% with an average of 9.52%.
- The inventory is ranging from 5.24 to 13.05 times with an average fluctuating of 9.10 times each year. This indicates the inventory management system of NL Ltd. is poor.
- The average STF to LTF ratio of NL Ltd. is 303.94% with fluctuating trend during study period. It indicates the company has adopted the aggressive financing policy.

Surendra Karki (2008) conducted a study under topic "Cash Management in Listed Manufacturing Companies: Unilever Nepal Ltd., Nepal Lube Oil Ltd., Bottlers Nepal Ltd., Nepal Banaspati Ghee Ltd. and Raghupati Jute Mills Ltd."

The objectives of the Study are:

- To examine and critically analysis the cash management practices in listed manufacturing companies.
- To identify the liquidity position of the companies.
- To study the relationship of cash with other influencing aspects of cash management. Whether it is significant or not.
- To analyse cash conversion cycle of the companies.
- To provide necessary recommendation for improvement of cash management on the basis of analysis.

To accomplish the above objectives, he has made research covering the FY 2000/01 to 2005/06. Other essential information is taken from the primary data while secondary source of data are used in the research methodology.

His major findings are as follows:

- Listed manufacturing companies don't have any definite policy regarding how much cash balance to hold in each period.
- Listed manufacturing companies have failed to maintain adequate proportion of cash on its current assets. The average cash to current ratio has been observed to be 7.95% , 1.25%, 5.71%, 11.92%, 10.06% and 13.86% in 2000 to 2006 respectively.
- Companies have not been precisely meeting their current liabilities payment.
- Companies are not found to maintain adequate proportion of cash as its quick assets.
- The average collection period and payable deferral period have been found to be 531 days and 88 days.
- Liquidity position of listed manufacturing companies has not been satisfactory. The companies' overall average CR and QR have been obtained 1.51 and 0.92 respectively.

Bhuwan Raj Chataut (2008) conducted a study under topic "A Study on Cash Management in Nepal Telecom"

The objectives of the study are:

- To examine the management of Cash in NT.
- To observe device of planning and control of cash in NT.
- To examine the existing internal control policy in NT regarding cash control practices.
- To identify the shortage or excess of cash in the company and the procedures of financing for the shortage and investment of excess cash.
- To study the liquidity position of the company.
- To analyse the gap between budgeted and actual sources and uses of cash and its trend.
- To review cash flow from operating, financing and investing activities.
- To suggest and recommend Nepal Telecom based on findings.

To accomplish the above objectives, he has made research covering the FY 2059/60 to 2063/64. Secondary source of data are used in the research methodology.

His major findings are as follows:

- The actual cash balance is higher than approved budgeted. It shows that there is no effective implication of budgeted amount.
- NT prepared and approved deficit budget each year from 2056/2057 to 2061/2062. When opening balance was not included in source side of budget, total budgeted cash uses was always higher.
- The total budgeted sources involved closing cash balance of previous year, external and internal source. Internal source of cash was main portion of the total cash source to meet the budget.
- Internal sources of financing of cash which was planned by the company in various fiscal years were categorized as Collection of revenue, Inter-

administration, Subscriber deposit, Sale of sets, Collection of Vat & Other services Maturation of Govt. Securities.

- External source of cash was financed in past mainly following international agencies:
  a) World Bank b) Danish Grant/ Loan
  c) Japanese Grant d) Korean Loan
  e) Belgium Loan.

However Belgium Loan was only the external source of financing over the study period.

- Cash Position of company was very strong over the study period.
- The company's cash turnover ratio was in decreasing trend up to FY 2061/61 and then increasing trend since 2061/62.
- The decision making process is lengthy and is still suffering from centralization problem of management.

Bodha Lal Puri (2009) has conducted a research entitled "Cash Flow Analysis of Nepal Telecom" He has used secondary data covering the period FY 2059/060 to 2063/064.

The objectives of the study are:

- To analyse the cash flow of NTC to get the in-depth information related with cash management.
- To analyse the trend of cash flow of NTC.
- To examine, analyse and compare the cash flow of different headings (i.e. operating, investing and financing)
- To identify the strengths and weaknesses of cash management of NTC.
- To reflect ability to generate cash flow in future periods.

He has drawn the following findings:

- Operating profit before adjustment of working capital is in positive growth for every year.

- Rate of operating cash flow of NTC is in increasing except in the FY 2060/061.
- There is not any sale of investment from FY 2060/061 to 2062/063.
- NTC has made huge repayment of retained earnings to Nepal Government on the FY 2061/062 and payment of long term debt on FY 2058/059 are the major cause of cash outflow for these FY.
- There is not any receipt of long term debt in FY 2062/063
- Regular financing activities of NTC are long term debt receipt/payment, dividend payment and repayment of retained earnings to Nepal Government (NG).
- There is loss on foreign exchange.
- Net cash flow is fluctuation.
- There is positive correlation between CFOA, NPBT and CFIA.
- There is not scarcity of cash during the period to operate its general activities.

Ishwar Prasad Khanal (2009) has conducted a research entitled "Revenue Planning and Cash Management (A case study of Nepal Electricity Authority)". He has used secondary data covering the period FY 2058/059 to 2062/063.

The objectives of the study are:

- To analyse revenue planning and cash management in NEA in order to identify problems and recommend possible remedial measures.
- To make a comparative study of revenue generation of NEA.
- To evaluate financial performance of NEA.
- To review cash management aspect of NEA.
- To analyse the relationship between total power available and losses in transmission.

He has drawn the following findings:

- The correlation coefficient (r) of budgeted sales and actual sales is 0.9804, which shows that correlation coefficient is highly positive.
- The highest current ratio and quick ratio is 1.23 and 0.54 during the FY 2058/059 and 2059/060 respectively while the lowest current ratio and quick ratio is 0.64 and 0.38 respectively during FY 2061/062.
- The highest and lowest debt to total capital ratio is 0.85 and 0.72 during the FY 2062/063 and 2058/059 respectively.
- Cash budget shows surplus in FY 2059/060/061 while deficit is seen in FY 2061/062/063.
- The cash flow statement show; cash from operating activities is negative during the FY 2058/059. Cash flow from investment activities is negative throughout the research period but financial activities are positive; this positive figure in financial activities is due to huge amount of borrowing.

Nabraj Chaudhary (2009) has conducted a research entitled "A Case Study on Cash Flow Analysis of Bottlers Nepal Limited". He has used secondary data covering the period FY 2003/04 to 2007/08.

The objectives of the study are:

- To analyse cash flow statement of Bottlers Nepal Limited.
- To provide information about a company's operating, investing and financing activities during the study period.
- To study and evaluate the financial position and liquidity.
- To provide information about the changes in the cash position of the company.

He has drawn the following findings:

- Cash and bank balance held during different period of study were observed to be highly fluctuated and thus the fact indicates the firm to

be locking definite policy regarding how much of cash balance to hold during each period.

- Average cash turnover ratio of BNL is 3.776. However the cash turnover ratio was found to be highly fluctuated. Correlation coefficient has been observed .66 negative. It indicates the negative relationship between cash and sales of BNL.
- The company has not been precisely meeting their current liabilities payment.
- BNL has failed to maintain adequate portion of cash on its current assets.
- BNL is unable to maintain adequate portion of cash as its quick assets.
- Average collection period is 49.83 days, which showed the slow collection from debtors.
- Liquidity position of BNL is satisfactory.
- The company is holding higher level of inventory, which is considered to be unproductive and treated as idle assets that earn nothing.
- The cash flow from operating activities is positive and company is able to meet the short term and long term obligations.
- The company had not adequate cash and bank balance to meet its short term and long term debts.

2.15 Research Gap

There were so many researches who conducted their research on different headings. Those researcher researched on different headings like: Cash Management, Cash Flow Analysis, Working Capital Management of different companies like: Unilever Nepal Limited, Bottlers Nepal Limited, Nepal Electricity Authority, Nepal Telecom. However there is no previous research made on comparative performance measurement of Bottlers Nepal (Terai) Ltd and Unilever Nepal Ltd using cash flow statement. Therefore, literature on the subject matter is not available.

No one study has available for analysis the Cash flow statement of the organization. There is no comparative study of cash position of the manufacturing organization. The present study focuses the nature and causes of cash crisis of the organization. So this study will be fruitful to those interested person, students, teachers, civil society, stakeholders, scholars, businessmen and government for academically as well as policy perspectives.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

The main purpose of this chapter is to focus on different research methods which are used while conducting this study. Every study needs a systematic methodology to show the better result of the research. In this study comparatively analysis of cash flow of both Bottlers Nepal (Terai) Limited and Unilever Pvt. Ltd. also need an appropriate research method. In order to conduct this study, the following processes are adopted.

3.2 Research Design

"Research design is the plan structure and strategy of investigation conceived so as to obtain answer to research question and to control variance" (Sthapit, 2004, P-45).

"Research design is the arrangement of condition for collection and analysis of data in a manner that aims to combine relevance to the research purpose with economy in procedure" (Kothari, 1990, P-658).

Thus research design is a research plan or structure which is path for conducting research work. Without research design, it is not possible to conduct a research work. A well settled research design is necessary to fulfil the objective of this study. It means definite procedure and techniques that guide to study and propounds way of research variability. The present study is basically a case study of Bottlers Nepal (Terai) Limited and Unilever Pvt. Ltd. This study is based on descriptive and analytical research design. For the comparatively study, historical data of last five year are collected to find out the performance of Bottlers Nepal (Terai) Limited and Unilever Pvt. Ltd.

3.3 Population and Sample

After the establishment of first modern commercial bank- Nepal Bank Limited in 1964 to provide financial and administrative support then, Raghupati Jute Mill, Morang Sugar Mill, Janakpur Cigrate Factory, Hetauda Cement Udhyog, Bhritkuti Pulps and Paper industry etc. were established. At present so many industries have been establishing in our country and they are involving in production and distribution of different types of commodities like: grocery, beverage, paper, cement etc.

Although there are so many companies in our country, it is not possible to study all regarding research topic. Therefore among them two companies Bottlers Nepal (Terai) Limited (BNTL) and Unilever Nepal Limited (UNL) are taken as sample from the population. Sample is chosen using judgemental technique because both companies are assumed as fast growing company in their respective field and BNTL is reputed for production of beverage product like: Coca-Cola, Fanta, Sprite etc. whereas UNL is reputed in production of daily need products like: Soap, Detergents, Cosmetics etc.

3.4 Source of Data

This study mainly uses the financial statement published by Bottlers Nepal (Terai) Limited and Unilever Pvt. Ltd. in their individual annual reports. Besides, these other supplementary data and information have been acquired from various sources like newspaper, magazine, website and articles. Other related information has been collected through the informal interview.

3.5 Data Collection Procedure

The data are collected from Bottlers Nepal (Terai) Limited and Unilever Pvt. Ltd. This study is based on secondary data. The financial statement has been collected directly from the account department of BNTL and UNL. Five year’s Balance

Sheet, Profit and Loss Account and other related document published in their annual reports are collected. The data are collected from the fiscal year 2063/064 to 2067/068.

3.6 Data Processing and Tabulation

The available data are compiled and processed according to the objectives of the study. Before processing the data, they are tabulated. This tabulation is based on the time series covering five years period from the fiscal year 2063/064 to 2067/068.

Percentage and index are also used in tabulation depending upon the necessity of the subject

3.7 Tools and Techniques Used to Analyze the Data

The data analysis is made on the basis of various financial and statistical tools to find the true position of Bottlers Nepal (Terai) Limited and Unilever Pvt. Ltd. Following tools and techniques will be used.

3.7.1 Financial Tools/ Financial Ratio/Cash Flow Ratios

Financial position and performance of a company can be measured using ratios between different variables of the statement of cash flows. Some of the key cash flow ratios are mentioned below.

A) Cash Coverage Ratio

This measures the extent of cash available in a firm to pay fixed charges on debt instruments and other fixed charges obligations. The ratio is computed as follows:

i) Cash Interest Coverage Ratio (CICR)

This ratio is used to measure the times the operating income before interest and taxes to the interest payments. As higher is the times of coverage ratio, the firm will be more comfortable in paying interest in time.

$$CICR = \frac{Cash\,From\,Operation \Gamma Interest\,Paid \Gamma Tax\,Paid}{Interest\,Expenses}$$

ii) Cash Debt Coverage Ratios (CDCR)

This ratio is used to evaluate the corporate credit worthiness in meeting debt obligations. Cash debt coverage ratios indicate the percentage of operating cash surplus available to pay the instalment of debt.

Following ratios are used to measure short term and long term liquidity position of concern and the ratios are calculated as follows:

a) Cash from Operation to Current Liability

$$Cash\ from\ Operation\ to\ Current\ Liability = \frac{Cash\,From\,Operation}{Average Current\,Liability}$$

A ratio of 40% or more is considered common/normal for healthy firm. The ratio measures the short term liquidity position of the firm.

b) Cash from Operation to Total Debt Ratio

$$Cash\ from\ Operation\ to\ Total\ Debt\ Ratio = \frac{Cash\,From\,Operation}{Average Total\,Debt}$$

The firm should be able to pay at least 10% of the total debt per year so that the total debt obligation of the present balance sheet can be repaid within 10 years. It shows the general liquidity position of the firm.

B) Free Cash Flow

Free cash flow is calculated to determine the ability of a firm to retire additional debt and the need for a firm to raise additional funds to support current operation and programs. Free cash refers to cash remaining after necessary operating and capital expenditures and debt service payments are covered. Free cash flow can be used to repurchase stock, pay dividends, expand, acquire other business or invest in debt and equity securities. The free cash flow is calculated as under:

Free Cash Flow = *Cash from operation – Cash used for essential investing activity – Cash used for essential financing acting – Dividend paid*

Cash from operation should be sufficient enough to pay for necessary investment for expansion, to pay for maturing debt obligations and the expected dividend to shareholders.

C) Quality Income Ratio (QIR)

Quality income ratio refers to how much cash flow from operation without deducting the interest expenses has been generated out of the net income before interest and depreciation.

This ratio measures the degree of difference between cash base notion of income and an accrual base notion of income. The quality base notion of income is generally considered to be a more subjective measurement than that of cash base notion of income. But the cash base income is better measurement of performance of business firm. It gives insight into the quality of income and also shows difference between the operating net income and net cash flows from operating activities. It is calculated as follows:

$$QIR = \frac{Cash\,From\,Operation \Gamma Interest\,Paid}{Net\,Income \Gamma Interest\,Expenses \Gamma Depreciation}$$

Higher quality income ratio indicates good sign of operating performance.

D) Capital Expenditure Ratio (CER)

Cash flow from investing activities show outflow on account of purchase of fixed assets by the firm for generating revenues in years to come. Presumably investments were made out of cash from operations or borrowing or both.

It measures the portion of investment supported by operating and financing activities.

Following ratios are calculated under capital investment ratio:

i) Investing Inflow Ratio (IIR)

$$IIR = \frac{Cash\ \ From\, Investing\ Activities}{Cash\ \ From\, Investing\ \ Activities \Gamma Cash\ \ From\, Financing\ Activities}$$

This ratio helps to assess whether the company is capable of financing capital investment for growth and/or renewal after dividend to the owner.

ii) Financing Inflow Ratio (FIR)

$$FIR = \frac{Cash\ \ From\, Financing\ Activities}{Cash\ \ From\, Investing\ \ Activities \Gamma Cash\ \ From\, Financing\ Activities}$$

Cash flow from financing activities generally include long term borrowing for financing the purchase of long term / fixed assets for use in business for generating revenues in the year to come.

iii) Cash Flow from Operating Activity to Cash Flow from Investing Activity (CFOA to CFIA)

$$CFOA\ to\ CFIA = \frac{Cash\ \ Flow\ from\, Operating\ Activities}{Cash\ \ Flow\ from\, Investing\ \ Activities}$$

This ratio helps to assess whether the company is capable of financing capital investment from the cash flow from operating activity. Generally, the investment in long term assets will be financed by the cash generated by operating activity of the firm.

iv) Cash Flow from Financing Activity to Cash Flow from Investing Activity (CFFA to CFIA)

$$CFFA\ to\ CFIA = \frac{Cash\ \ Flow\ from\, Financing\ Activities}{Cash\ \ Flow\ from\, Investing\ \ Activities}$$

Investment in long term assets for generating future revenues are done through raising fund from financing activities such as raising fund from issuing shares and debentures and raising long term loans and partially through the cash generated from operating activities. Therefore Cash flows from operation to Cash flow from

investing activity ratio is preferred to be higher than the Cash flow from financing activity to Cash flow from investing activity ratio.

v) Cash Reinvestment Ratio (CRR)

$$CRR = \frac{Cash\ \ from Operation Z Dividend\ Paid}{Gross\ Plant\ \Gamma\ Other\ Assets\ \Gamma\ Working Capital}$$

This ratio is useful in measuring the percentage of the investment in assets representing operating cash retained and reinvested in enterprise for replacement of assets and for growth in operation. A reinvestment of 8% to 10% is considered satisfactory level.

E) Ratio Measuring the Efficiency of Cash Utilization

Followings are some important ratios that help to measures the efficiency of cash usage:

i) Gross Cash Flow Margin (GCFM)

It shows that excess cash collection from customer than cash paid to supplier. This ratio is used to evaluate the cash collection efficiency of the firm and calculated as follows:

$$GCFM = \frac{Cash\ Collection\ from Customer\ Z Cash\ Paid\ to\ Supplier}{Cash\ Collection\ from Customer}$$

ii) Cash in Current Assets (CCA)

This ratio of cash balance to that of total current assets provides necessary guide to assess the likely cash balance requirements of a business on broad basis as against the more detailed cash budgets. The ratio is expressed as:

$$CCA = \frac{Closing\ Cash\ and\ Cash\ Equivalents}{Current\ Assets}$$

This ratio when compared with the previous year's ratio can give an indication of the efficiency with which the cash has been used in the operation of the business. Similar comparisons can be made with the ratio of other units in the same industry. The ratio should be in the range of 6% to 8%. The ratio indicates unduly high/low

liquidity and poor/good cash management. Cash holding should be taken closing cash balance of concern.

iii) Cash Holding Ratio (CHR)

This ratio helps to determine the extent of cash balances to be held by the firm/concern for meeting the current liabilities. The ratio is calculated as follows:

$$CHR = \frac{Cash\ Holding}{Current\ Liabilities}$$

Cash holding should be taken either closing or average cash holding of the concern. Excess or inadequate cash holding is undesirable. Just as less than the minimum holding of cash is dangerous as it affect the instant debt paying capacity, so as the holding of excess cash is equally bad. The ratio should be in the range of 8% to 10%.

iv) Return on Sales Ratio (ROSR)

This ratio determines working capital from operation by sales. This ratio shows the ability of the firm in generating working capital which is very necessary to the business. It is calculated as follows:

$$ROSR = \frac{Wroking\ Capital\ from\ Operation}{Sales\ Revenue}$$

Working capital from operations refers to operating profit before working capital change.

v) Cash Turnover to Sales

This is a next important ratio that measures the efficiency of the cash usage. This is a ratio of volume of sales in a period to the opening cash balance that period and measures the velocity of cash in terms of sales. The ratio is expressed as:

$$Cash\ Turnover\ to\ Sales = \frac{Sales\ for\ the\ Period}{Initial\ Cash\ Balance}$$

The ratio represents the number of times the initial cash balance is turned over in terms of sales effected during a period. For a given level of sales a high rate of

turnover will indicate a small cash balance which implies an effective usage of cash. It measures the velocity of cash in numbers of times. There is no universal standard with which to measure the turnover of cash in sales. Each company has to determine its own ratio by examining its historical records and comparing it with the industry average. A higher velocity cash turnover ratio can occur because of low cash balance. This low cash balance may not be result of efficient cash arrangement but due to liquidity crisis that may be the result of the inefficient cash management. Higher cash turnover ratio indicates good measures of efficiency of the cash usages.

vi) Ending Cash and Cash Equivalents to Sales Ratio

It is assumed that the ending cash and cash equivalent amount is related to net sales of the year. That is, other thing remaining the same, higher the sales of the year higher the amount of ending cash and cash equivalents and vice versa. The ratio is expressed as:

Ending Cash and Cash Equivalents to Sales Ratio =

$$\frac{Ending\ Cash\ and\ Cash\ Equivalents}{Net\ Sales}$$

F) Ratios for Operating Cash Flows

Operating cash flow plays a dominant role in the overall cash flow movement of a business. It is the major source of cash inflow. Operating cash flow is cash generated in a business through operating activities. Operating cash flow is directly influenced by the efficiency of cash flow cycle which is a key to the efficient cash management.

i) Cash Flow Margin (CFM)

$$CFM = \frac{Operating\ Cash\ Flow}{Sales}$$

This ratio indicates the relationship between the sales and cash flow from operation. Despite the higher sales value there may have very low amount cash from operation and vice versa. Thus it is needed to be measured. Higher net cash flow margin ratio is preferred.

ii) Operating Cash Flow to Capital Employed (OCF to CE)

$$OCF\ to\ CE = \frac{Operating\,Cash\,Flow}{Capital\,Employed}$$

Operating cash flow to capital employed ratio portrays the return which a company gets in the form of additional cash from its operation activities by deploying certain amount of investment in the business. It measures the efficiency with which capital is utilized to earn cash profit and show the prudent cash management.

iii) Cash Flow Adequacy Ratio (CFAR)

$$CFAR = \frac{Cash\ from\,Operation}{Sum\,of\ Capital\,Expenditure\,\Gamma\,Inventory\,Addition\,\Gamma\,Cash\,Dividend}$$

The purpose of cash flow adequacy ratio is to determine the degree to which an enterprise generated sufficient cash from operations to cover capital expenditures, net investment in inventories and cash dividends. The addition to inventories is regarded as net investment in inventories.

iv) Priority Obligation Ratio (POR)

$$POR = \frac{Net\,Operating\,Cash\,Flow}{Priority\,Outflows}$$

The priority obligations are those liquidity bugs which sting the finance manager hard. Cash outflow on account of interests, taxes and repayments of term loans, debentures and other short term loans and borrowing constitute the priority obligation

v) Cash Realization Ratio (CRR)

$$CRR = \frac{Cash\ from\,Operation}{Net\ Income}$$

Cash realization ratio indicates how close net income is to being realized in cash. The ratio higher than one is considered to signal high quality earning.

3.7.2 Statistical Tools

Statistical tool is very useful tool to analyze the available data to find the relation between these data and to predict about the trend and hidden fact in relation. So, different related statistical tools are used in terms research objectives, which are as follows:

a) Arithmetic Mean (Average)

Arithmetic mean is also called ‘the mean’ or ‘average’ as most popular and widely used measure of central tendency. Arithmetic Mean is statistical constants which enables us to comprehend in a single effort of the whole. Arithmetic mean represents the entire data by a single value. It provides the gist and gives the birds’ eye view of the huge mass of a widely numerical data. It is calculated as:

$$\overline{X} = \frac{1}{n} \sum_{i=1}^{n} xi$$

Where,

$\overline{X}$ = Mean value or arithmetic mean

$\sum_{i=1}^{n} xi$ = Sum of observation

n = number of observation

b) Standard Deviation (SD)

The measurement of the scatter ness of the mass figures in a series about an average is known as dispersion. Amongst all the methods of finding out dispersion, standard deviation is regarded as the best. The standard deviation measures the absolute dispersion. The greater the value of dispersion means greater the value of SD. A small value of standard deviation means a high degree of uniformity of the observations as well as homogeneity of a series. SD is also known as "Root Mean-Square Deviation". Because it is the square root of the arithmetic mean of the squares of the deviation. In this study standard deviation of different ratios are calculated as follows:

Standard Deviation ($\pm$) = $\sqrt{\frac{(x - \bar{x})^2}{N - 1}}$

C) Karl Persons Coefficient of Correlation

Correlation Coefficient is a statistical tool to measure the relative association between two variables series; it describes how much linear co-movement exits between two variables. Karl Persons measure, known as personas correlation coefficient between two variables (series) X and Y usually denoted by r(X,Y) or

or simply r can be obtained as;

$$r = \frac{N \sum XY - \sum X \sum Y}{\sqrt{N \sum X^2 - (\sum X)^2}\sqrt{N \sum Y^2 - (\sum Y)^2}}$$

The value of correlation coefficient, r lies between -1 to +1

If r = 1 there is perfect positive relationship

r = -1 there is perfect negative relationship

r= 0 there is no correlation at all

The closer the value of, r is 1 or -1, the closer the relationship between the variables and the closer, r is to 0, the less close relationship.

d) Coefficient of Variation (CV)

The coefficient of variation is measures the relative measures of dispersion, hence capable to compare two variables independently in term of variability.

$$CV = \frac{\pm}{\bar{X}} \times 100$$

Where,

$\pm$ = Standard deviation

$\sum X$ = sum of the observation

e) Probable Error (PE)

The probable error of the coefficient of correlation helps in interpreting its value. With the help of probable error, it is possible to determine the reliability of the

value of the coefficient in so far as it depends on the conditions of random sampling. The probable error of the coefficient of correlation is obtained as follows:

$$PE = 0.6745 \times \frac{1Zr^2}{\sqrt{n}}$$

Where,

r = correlation coefficient

n = number of pairs of observation

It is used in interpretation whether calculated value of r is significant or not.

If r < PE, it is insignificant. So, perhaps there is no evidence of correlation.

If r >6PE, it is significant.

In other cases nothing can be concluded.

f) Trend Analysis

Trend analysis is used to measure the change of financial, economical as well as commercial data. The least square method to trend analysis has been used in measuring the trend analysis. This method is widely used in practice. The Straight-line trend of a series of data is represented by the following formula.

$$Y\ X\sim \Gamma bx$$

Where,

Y = Dependent variable

x = Independent variable

a = Y - intercept

b = Slope of the trend line

Y is the dependent variable, a is y intercept or value of y when x = 0, b is the slope of the trend line.

CHAPTER FOUR

PRESENTATION AND ANALYSIS OF DATA

This is the section main text of the study and it helps to find out the answer of research questions as well as objectives of the study. This chapter includes presentation, analysis and integration of collected data as per the objectives of the study in organizing sequentially. In this chapter most recently published financial statements of the both Bottlers Nepal (Terai) Limited and Unilever Nepal Limited are analyzed. To analyze the collected and the tabulated data of both company different financial and statistical tools has been used. To analyze the performance of both companies using Cash Flow Statement, the published indirect method of cash flow statement of both companies has been changed into the direct method that is shown in appendix.

4.1 Analysis of Cash & Cash Equivalent, CFOA, CFIA & CFFA

Cash is the heart of business. It is one of the most important current assets for operation of business. Therefore the company should maintain sufficient cash, neither more nor less. Keeping more or less cash is harmful for the business. It may be the cause of losing opportunity cost. Cash and Cash Equivalent refers to the cash in hand, cash at bank and cash in transit.

Following table shows the closing cash & cash equivalent, Net Cash Flows from Operating Activities, Net Cash Flows from Investing Activities and Net Cash Flows from Financing Activities of UNL & BNTL.

Table No. 4.1

Components of Cash Flow Statement of BNTL & UNL

Bottlers Nepal (Terai) Limited

Particulars	Fiscal Year					Mean	SD	CV
	2063/064	2064/065	2065/066	2066/067	2067/068			
Closing Cash	21474000	26521000	20327000	38094000	26281000	26539400	7032568.542	26.5
CFOA	22409000	27561000	109346000	137247000	151047000	89522000	60826212.52	67.95
CFIA	-15791000	-22514000	-20413000	-119481000	-127604000	-61160600	57070836.82	-93.18
CFFA	0	0	-95127000	0	-35256000	-26076600	41509596.26	-159.18

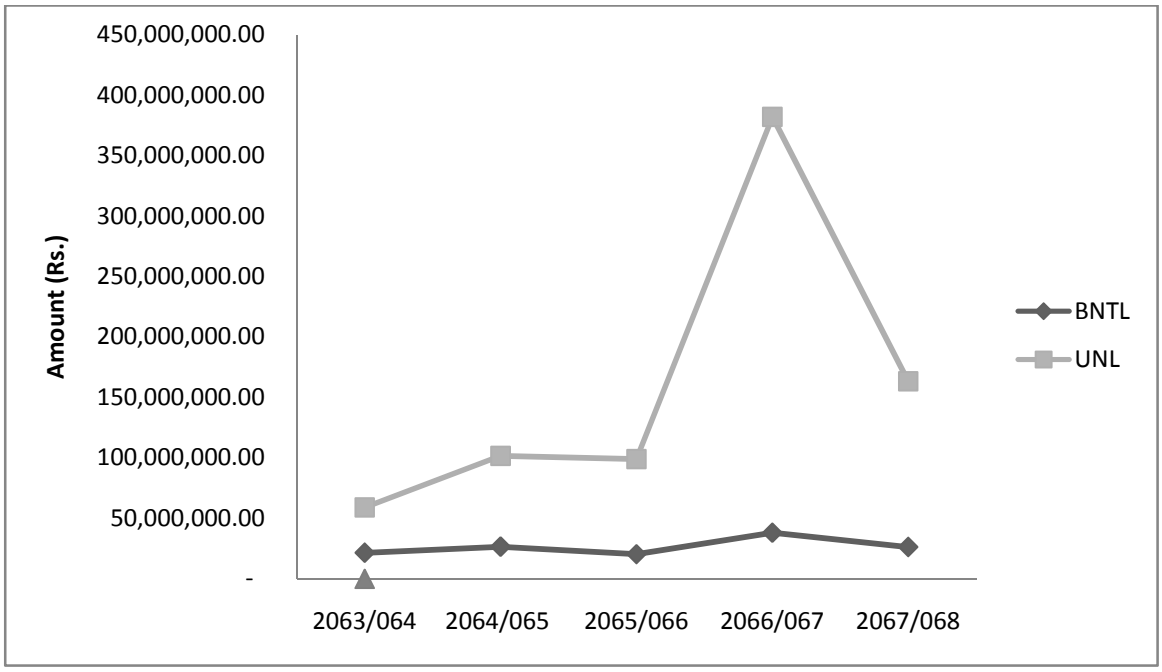
Unilever Nepal Limited

Particulars	Fiscal Year					Mean	SD	CV
	2063/064	2064/065	2065/066	2066/067	2067/068			
Closing Cash	59021739	101602475	98988795	382049195	163266004	160985641.6	129074495.5	80.18
CFOA	206154571	250607550	232513451	649534929	397435777	347249255.6	184598855.2	53.16
CFIA	142685951	22148185	18065369	-69799204	-201903967	-17760733.2	127706795.8	-719.04
CFFA	-368280000	-230175000	-253192500	-296675325	-414315000	-312527565	77496619.84	-24.8

Source: Annual Reports of UNL & BNTL in FY 2063/64 to 2067/68

Figure No. 4.1

Graphical Presentation of Closing Cash of BNTL and UNL



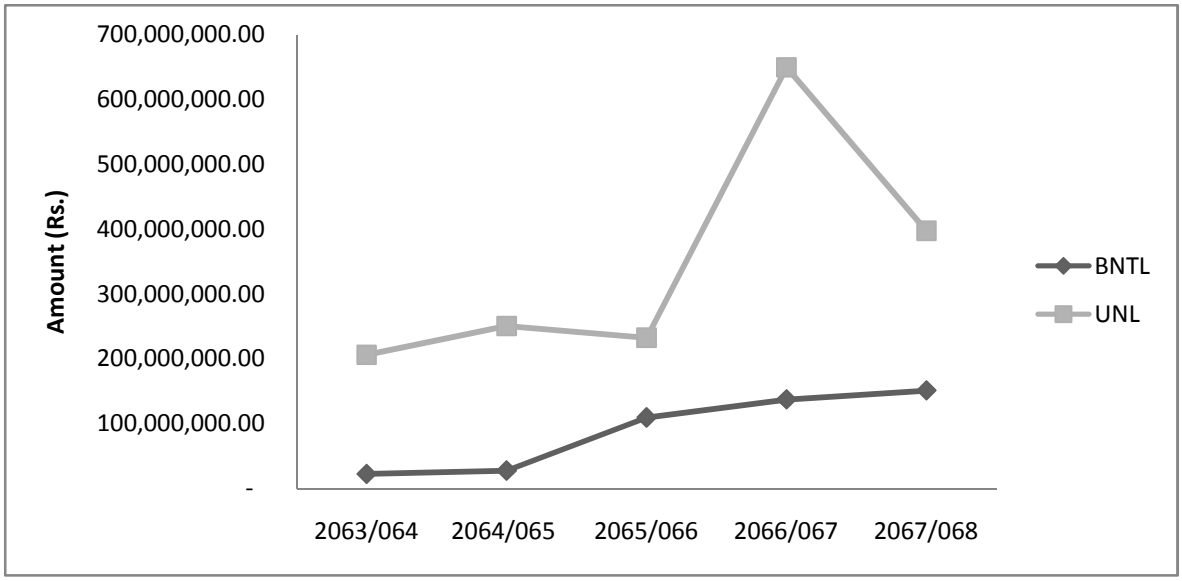
Source: Table No. 4.1

Above table no. 4.1 shows that every fiscal year, closing cash of UNL is higher than that of BNTL. The average closing cash of UNL and BNTL are Rs.160985641.6 and Rs. 26539400 respectively. The SD and CV of BNTL are Rs.7032568.542 and 26.5% respectively. Similarly SD and CV of UNL are Rs.129074495.5 and 80.18%. Since BNTL has lower SD as well as CV than UNL. Here it is concluded that lower SD of BNTL shows less spread out and lower CV of BNTL shows more uniformity than UNL. The closing cash and cash equivalent during the study period of both companies is represented in Figure No. 4.1.

The above figure shows closing cash and cash equivalent of BNTL is increasing slowly. Increased or decreased closing cash of BNTL is not more fluctuation but closing cash of UNL is highly fluctuation. FY 2065/066 UNL has only Rs. 98988795 as closing cash but in FY 2066/067 closing cash is drastically changed and reached to Rs. 382049195. Similarly in FY 2067/068 closing cash of UNL again drastically decreased and reached to Rs.163266004. So seeing above figure it can be concluded that there is no any special policy regarding managing cash in UNL but in case of BNTL the closing cash is likely seen constant. So, the BNTL has the proper closing cash policy than UNL.

Figure No. 4.2

Graphical Presentation of CFOA of BNTL and UNL



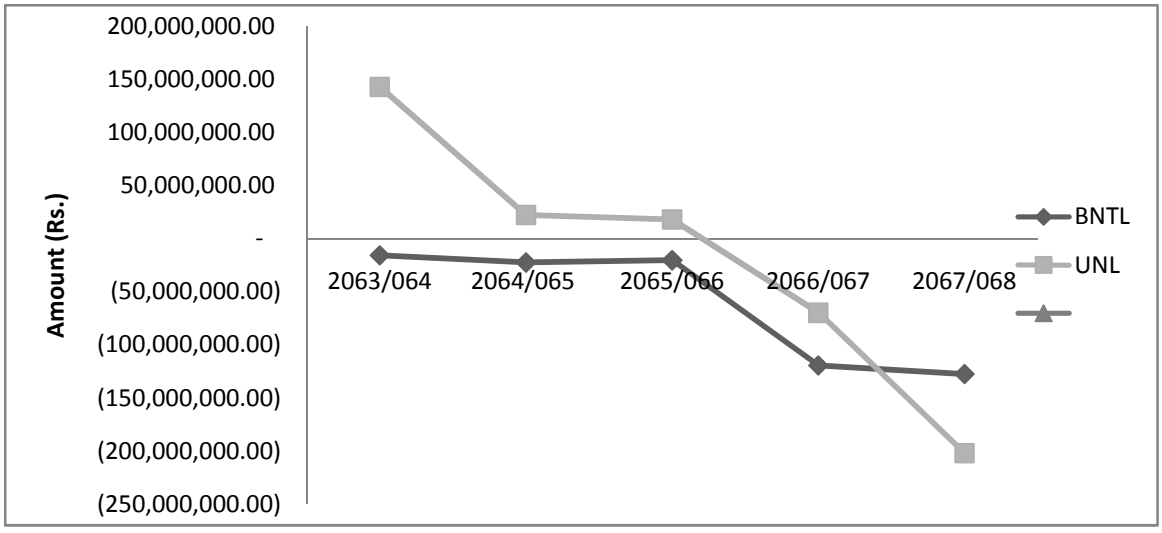
Source: Table No. 4.1

Like closing cash, every year CFOA of UNL is higher than CFOA of BNTL. The overall CFOA of BNTL and UNL are Rs. 89522000 and Rs. 347249255.6 respectively. The standard deviation of BNTL is Rs. 60826212.52, which is lower than SD of UNL of Rs. 184598855.2. However CV of BNTL is greater than CV of UNL. So there is highly inconsistence in CFOA of BNTL rather than UNL.

The above figure no. 4.2 shows net cash flows change in operating activities under UNL is higher than that of BNTL. CFOA of BNTL is increasing gradually every year. There is high consistence in CFOA under BNTL than UNL. Like the closing cash there is high fluctuation CFOA of UNL. It is because of increase and decrease in inventory. In FY 2065/066 and 2067/068, there is high investment in inventory i.e. inventory has increased but in FY 2066/067 inventory of UNL is decreased. The overall performance of operating activities of both companies is increased. If we compared since 2063/064 to 2067/068 CFOA of both companies is doubled. To increase or decrease in CFOA, net sales plays the vital role.

Figure No. 4.3

Graphical Presentation of CFIA of BNTL and UNL



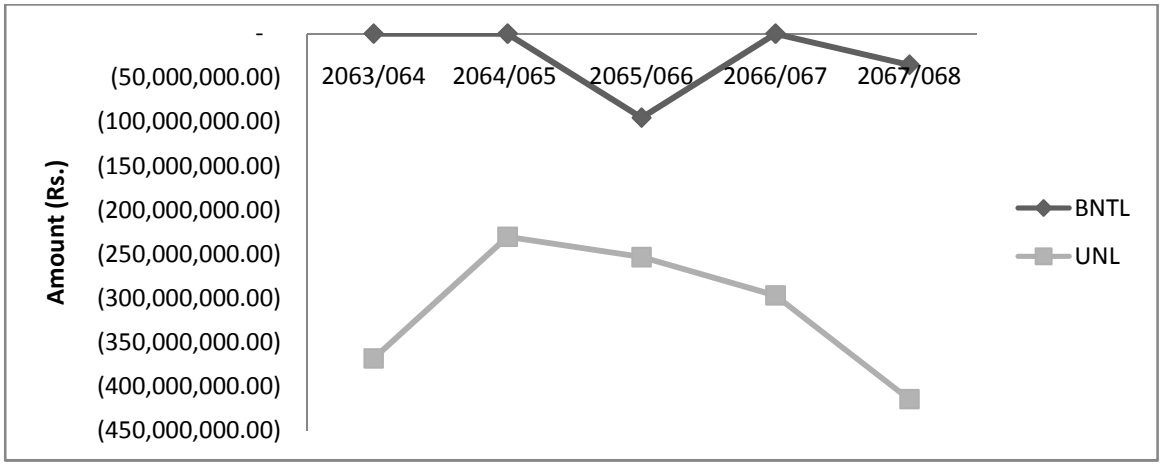
Source: Table No. 4.1

CFIA of BNTL is negative in every year but UNL has positive CFIA from FY 2063/064 to 2065/066 after that there is negative CFIA. Positive CFIA shows the company has collected cash by selling its either fixed assets or investment or securities and negative CFIA shows the company has invested its cash either in fixed assets or in securities. Negative CFIA of BNTL is increasing every year, which shows that company has invested its money for purchasing either fixed assets or securities. Similarly, UNL has positive CFIA from FY 2063/064 to 2065/066 and negative CFIA in 2066/067 and 2067/068. The overall CFIA of BNTL and UNL are (Rs.61160600) and (Rs.17760733.2). Similarly, SD and CV of BNTL and UNL are Rs.57070836.82 & -93.31% and Rs.127706795.8 & -719.04% respectively. Hence it is concluded that there is high fluctuation in CFIA of UNL rather than BNTL. CFIA of both BNTL and UNL is shown in Figure No. 4.3.

The above figure shows net cash flows change in investing activities of BNTL and UNL. Both companies have sloping downward CFIA but CFIA of UNL is decreased more rapidly than CFIA of BNTL. During the study period CFIA of BNTL is negative whereas CFIA of UNL is positive in first three year and later on it is negative. Negative CFIA of BNTL shows every year BNTL has purchase fixed assets and invested its cash for investment. Similarly, positive CFIA of UNL shows first three year company has sold its fixed deposit &government securities and has made less investment in fixed assets. Later on UNL has negative CFIA because company has purchased fixed assets as well as fixed deposit.

Figure No. 4.4

Graphical Presentation of CFFA of BNTL and UNL



Source: Table No. 4.1

Every year CFFA of UNL seems negative. But there is no any financial activity done during the FY 2063/064, 2064/065 & 2065/066 of BNTL and besides that in during the FY 2065/066 and 2067/068 it has negative CFFA. Negative CFFA shows that company has paid its money to the shareholders as a dividend and the company has not issued its any share.

BNTL has paid dividend only in FY 2065/066 and 2067/068 but UNL has paid dividend from the very beginning. The average CFFA of BNTL and UNL are (RS.26076600) and (RS.312527565) respectively. It shows that overall payment of dividend of UNL is greater than BNTL. The SD and CV of BNTL and UNL are Rs.41509596.26 &-159018% and Rs.77496619.84 &-24.8% respectively. Since, it is concluded that CFFA of BNTL is highly inconsistence than CFFA of UNL.

The above figure shows net cash flows change in financing activities of BNTL and UNL. CFFA of BNTL during the FY 2063/064, 2064/065 and 2066/067 is zero, which shows BNTL has neither paid dividend to its shareholder nor issued any share. But in FY 2065/066 and 2067/068 BNTL has paid dividend. Similarly, every year UNL has negative CFFA, which shows every year UNL has paid dividend to the shareholder and has not issued any share. BNTL has paid highest dividend in FY 2065/066 whereas UNL has paid highest dividend in FY

2067/068. The shapes of CFFA of BNTL and UNL are 'V' and 'reversed U' shaped respectively.

4.2 Trend Analysis of Closing Cash and Cash Equivalent of BNTL& UNL

Table No. 4.2

Actual and Trend Value of Closing Cash & Cash Equivalent

Bottlers Nepal (Terai) Limited

Particulars	Year				
	2063/064	2064/065	2065/066	2066/067	2067/068
Actual Closing Cash and Cash Equivalent	21474000	26521000	20327000	38094000	26281000
Trend Value of Closing Cash and Cash Equivalent	22302000	24420700	26539400	28658100	30776800

Unilever Nepal Limited

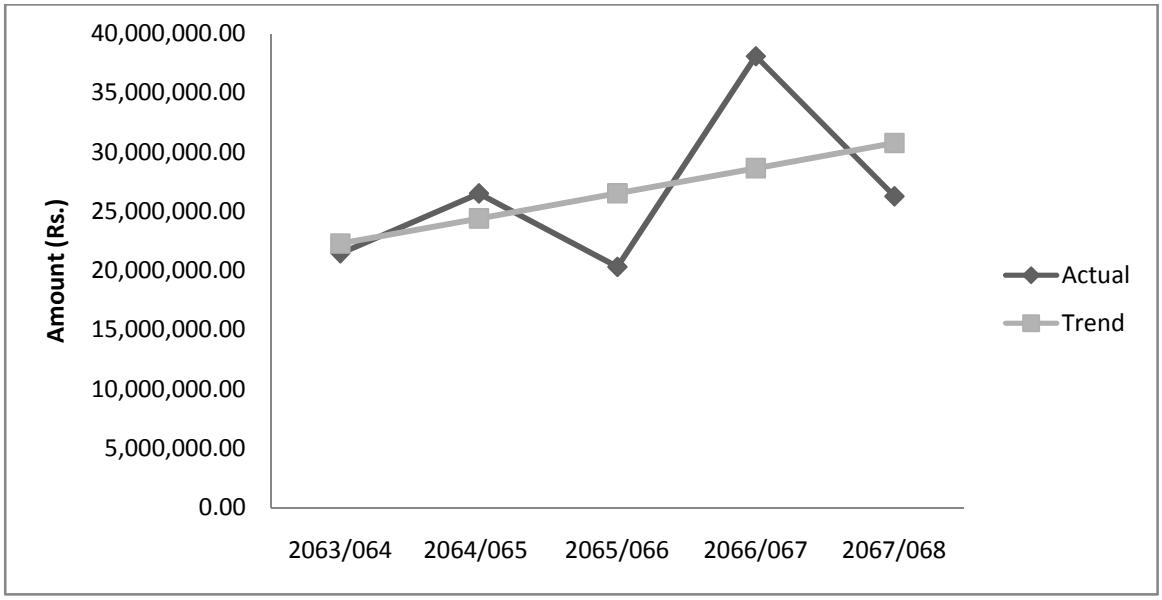
Particulars	Year				
	2063/064	2064/065	2065/066	2066/067	2067/068
Actual Closing Cash and Cash Equivalent	59021739	101602475	98988795	382049195	163266004
Trend Value of Closing Cash and Cash Equivalent	63198591	112092116	160985641	209879166	258772691

Source: Appendix-I

Every year the actual closing cash and cash equivalent of UNL is greater than BNTL. Both companies have kept highest cash balance during the FY 2066/067. UNL closing cash seems highly fluctuation than BNTL. The trend value of BNTL is increasing at decreasing rate because of its actual closing cash is not highly fluctuating. Similarly, the trend value of UNL is increasing at increasing rate because its closing cash is drastically increased during the FY 2066/067. The actual and trend value of closing cash of BNTL and UNL are shown in graph as follows:

Figure No. 4.5

Presentation of Actual & Trend Value of Closing Cash & Cash Equivalent of BNTL

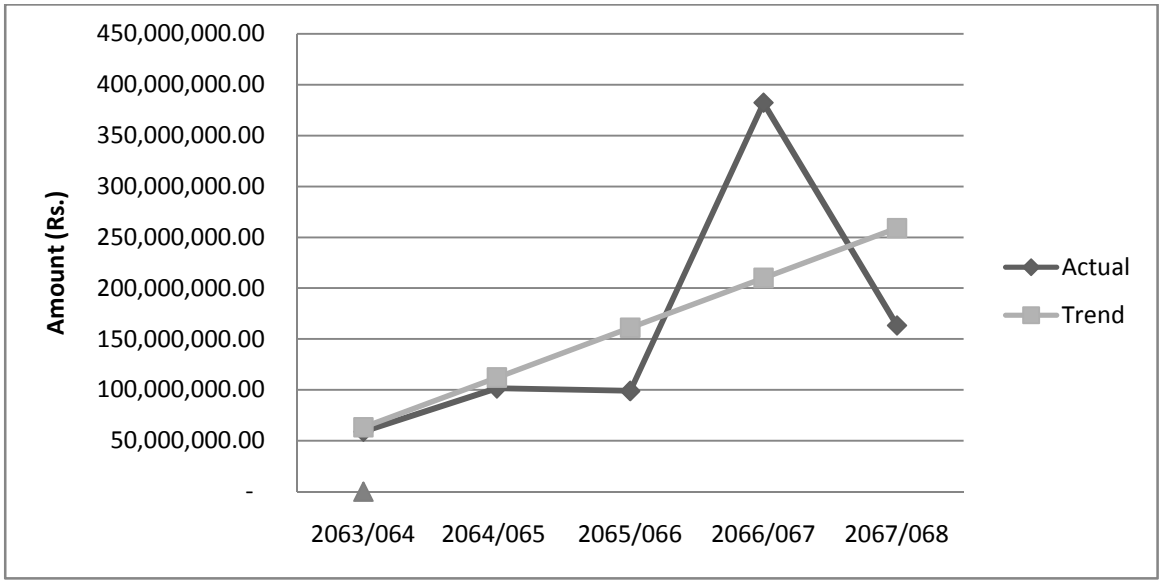


Source: Table No. 4.2

The above figure shows the actual and trend value of closing cash and cash equivalent of BNTL. During the study period actual closing cash and cash equivalent is increased in FY 2064/065 and 2066/067 whereas in FY 2065/066 and 2067/068 it is decreased. There is drastically increase and rapidly decrease in closing cash and cash equivalent of BNTL during FY 2066/067 and FY 2067/068 respectively. Similarly, the trend value of closing cash and cash equivalent of BNTL is sloping upward from left to right and it is increasing in decreasing rate, which indicates BNTL has high prospect to increase closing cash in future period.

Figure No. 4.6

Presentation of Actual & Trend Value of Closing Cash & Cash Equivalent of UNL



Source: Table No. 4.2

The above figure shows the actual and trend value of closing cash and cash equivalent of UNL. During the study period actual closing cash and cash equivalent is increased in FY 2064/065 and 2066/067 whereas in FY 2065/066 and 2067/068 it is decreased. There is drastically increase and rapidly decrease in closing cash and cash equivalent of UNL during FY 2066/067 and FY 2067/068 respectively. Similarly, the trend value of closing cash and cash equivalent of UNL is sloping upward from left to right and it is increasing in increasing rate, which indicates UNL has high prospect to increase closing cash in future period.

4.3 Trend Analysis of Net Cash Flows from Operating Activities of BNTL & UNL

Table No. 4.3

Actual and Trend Value of Net Cash Flows from Operating Activities

Bottlers Nepal (Terai) Limited

Particulars	Year				
	2063/064	2064/065	2065/066	2066/067	2067/068
Actual Value of Net Cash Flows from Operating Activities	22409000	27561000	109346000	137247000	151047000
Trend Value of Net Cash Flows from Operating Activities	16129600	52825800	89522000	126218200	162914400

Unilever Nepal Limited

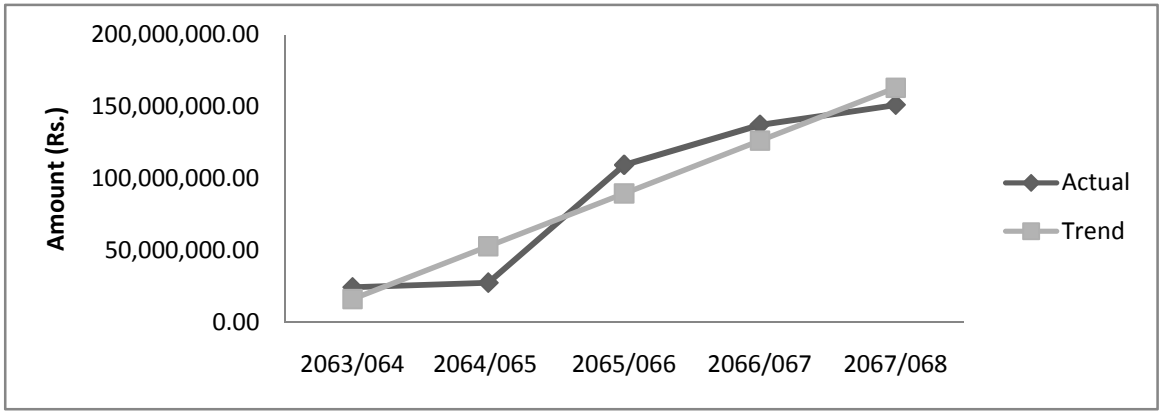
Particulars	Year				
	2063/064	2064/065	2065/066	2066/067	2067/068
Actual Value of Net Cash Flows from Operating Activities	206154571	250607550	232513451	649534929	397435777
Trend Value of Net Cash Flows from Operating Activities	190951297	269100277	347249255.6	425398234.7	503547213.8

Source: Appendix-II

Every year the actual Net Cash Flows from Operating Activities of UNL is greater than BNTL. Cash from Operating Activities of BNTL and UNL are drastically increased during the FY 2065/066 and 2066/067 respectively because of increase in sales and decrease in operating cost. UNL Cash from Operating activities is highly fluctuating than BNTL. The trend value of both companies is increasing but the pace of increase is higher in UNL than BNTL. The actual and trend value of Net Cash Flow from Operating Activities of BNTL and UNL are shown in graph 4.7.

Figure No. 4.7

Presentation of Actual & Trend Value of Net Cash Flows from Operating Activities of BNTL

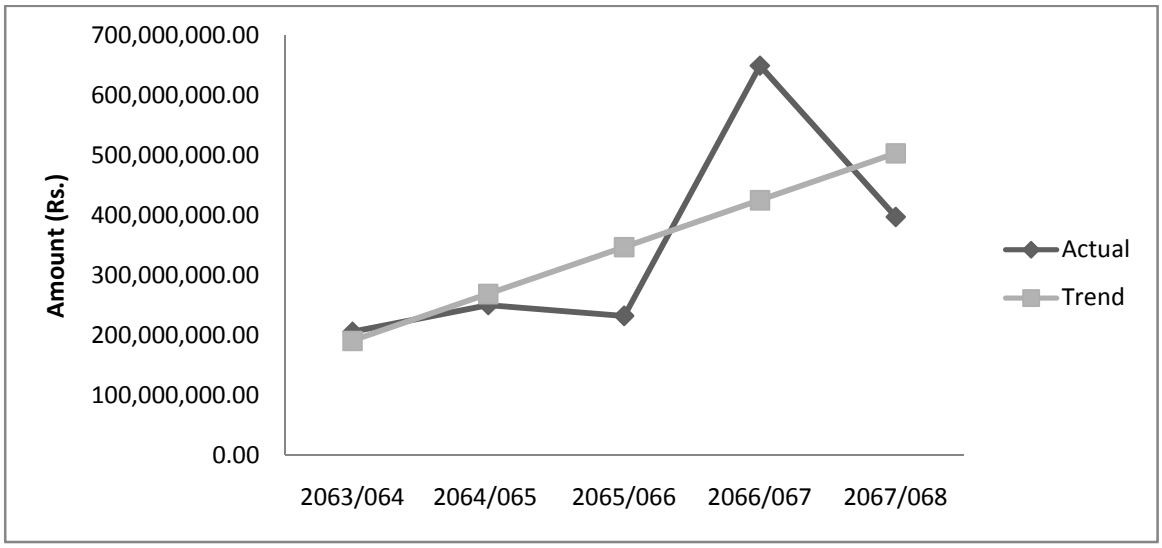


Source: Table No. 4.3

The above figure shows the actual and trend value of CFOA of BNTL. Actual CFOA of BNTL is increasing in decreasing rate during the study period except FY 2065/066. During the FY 2065/066 CFOA of BNTL is increasing in increasing rate. Similarly, the trend value of CFOA of BNTL is sloping upward from left to right and it is increasing in increasing rate, which indicates BNTL can generate and increase more CFOA in future period.

Figure No. 4.8

Presentation of Actual & Trend Value of Net Cash Flows from Operating Activities of UNL



Source: Table No. 4.3

The above figure shows the actual and trend value of CFOA of UNL. During the study period actual CFOA is increased in FY 2063/064 and 2065/066 whereas in FY 2065/066 and 2067/068 it is decreased. There is drastically increase and rapidly decrease in CFOA of UNL during FY 2066/067 and FY 2067/068 respectively. Similarly, the trend value of CFOA of UNL is sloping upward from left to right and it is increasing in increasing rate, which indicates UNL has high prospect to increase its CFOA in future period.

4.4 Trend Analysis of Net Cash Flows from Investing Activities of BNTL & UNL

Table No. 4.4

Actual and Trend Value of Net Cash Flows from Investing Activities

Bottlers Nepal (Terai) Limited

Particulars	Year				
	2063/064	2064/065	2065/066	2066/067	2067/068
Actual Value of Net Cash Flows from Investing Activities	-15791000	-22514000	-20413000	-119481000	-127604000
Trend Value of Net Cash Flows from Investing Activities	2958000	-29101300	-61160600	-93219900	-125279200

Unilever Nepal Limited

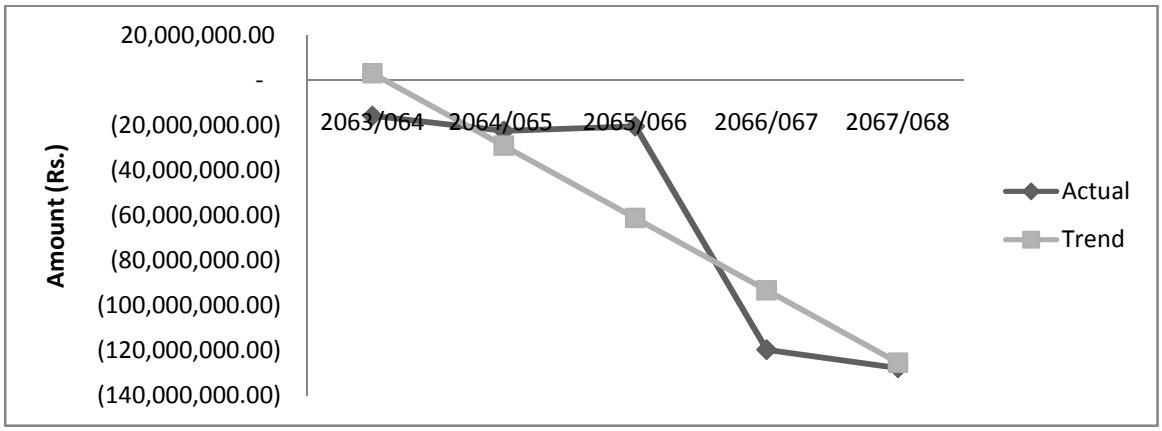
Particulars	Year				
	2063/064	2064/065	2065/066	2066/067	2067/068
Actual Value of Net Cash Flows from Investing Activities	142685951	22148185	18065369	-69799204	-201903967
Trend Value of Net Cash Flows from Investing Activities	138464711.8	60351989.3	-17760733.2	-95873455.7	-173986178.2

Source: Appendix-II

The actual value of Net Cash Flows from Investing Activities of BNTL during the study period is negative but Net Cash Flows from Investing Activities of UNL is positive in FY 2063/064 and 2064/065 after than it is negative. The trend value of both companies is decreasing because they are investing cash for expansion and growth of company in recent year. The actual and trend value of Net Cash Flow from Investing Activities of BNTL and UNL are shown in graph as follows:

Figure No. 4.9

Presentation of Actual & Trend Value of Net Cash Flows from Investing Activities of BNTL

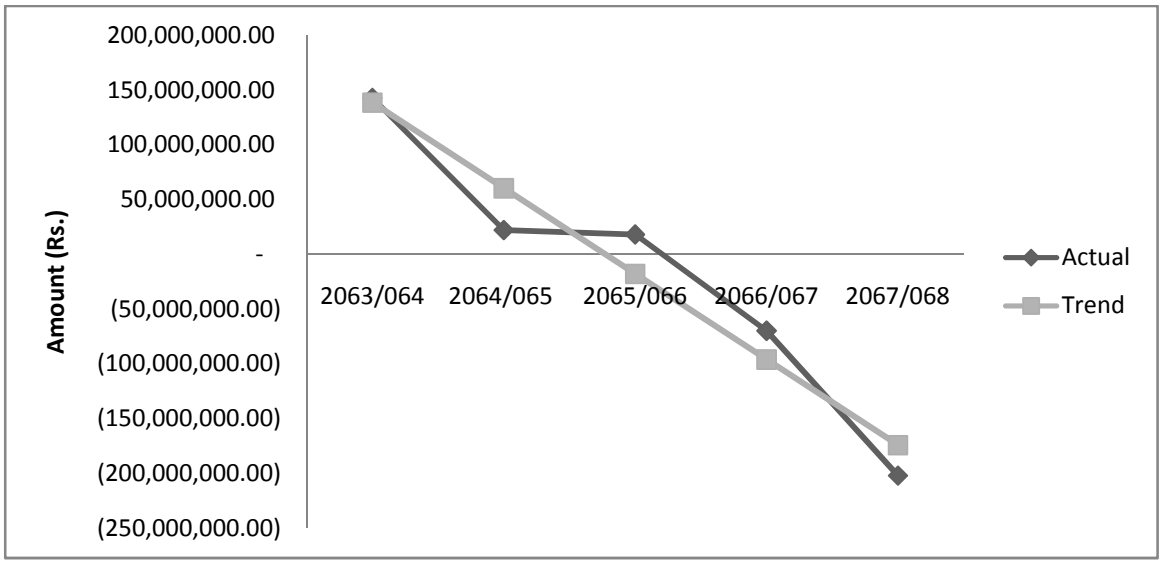


Source: Table No. 4.4

The above figure shows the actual and trend value of CFIA of BNTL. The actual CFIA of BNTL is negative during the study period. Negative CFIA shows the company has purchased fixed assets. There is rapidly decrease in CFIA of BNTL during FY 2066/067. Similarly, the trend value of CFIA of BNTL is sloping down ward from left to right and it is decreasing in decreasing rate. Therefore it can conclude that BNTL will make high invest for fixed assets in coming periods.

Figure No. 4.10

Presentation of Actual & Trend Value of Net Cash Flows from Investing Activities of UNL



Source: Table No. 4.4

The above figure shows the actual and trend value of CFIA of UNL. The actual CFIA of UNL is positive in FY 2063/064 and 2064/065 and later on it is negative. Positive CFIA shows company has sold its either fixed assets or fixed deposit or securities whereas negative CFIA shows the company has purchased either fixed assets or investment in fixed deposit and securities. There is rapid decrease in CFIA of UNL during FY 2067/068. Similarly, the trend value of CFIA of UNL is sloping down ward from left to right and it is decreasing in decreasing rate. Therefore it can say that UNL is investing its cash towards purchasing fixed assets and fixed deposit and will do so in future period.

4.5 Trend Analysis of Net Cash Flows from Financing Activities of BNTL & UNL

Table No. 4.5

Actual and Trend Value of Net Cash Flows from Financing Activities

Bottlers Nepal (Terai) Limited

Particulars	Year				
	2063/064	2064/065	2065/066	2066/067	2067/068
Actual Value of Net Cash Flows from Financing Activities	0	0	-95127000	0	-35256000
Trend Value of Net Cash Flows from Financing Activities	-11974200	-19025400	-26076600	-33127800	-40179000

Unilever Nepal Limited

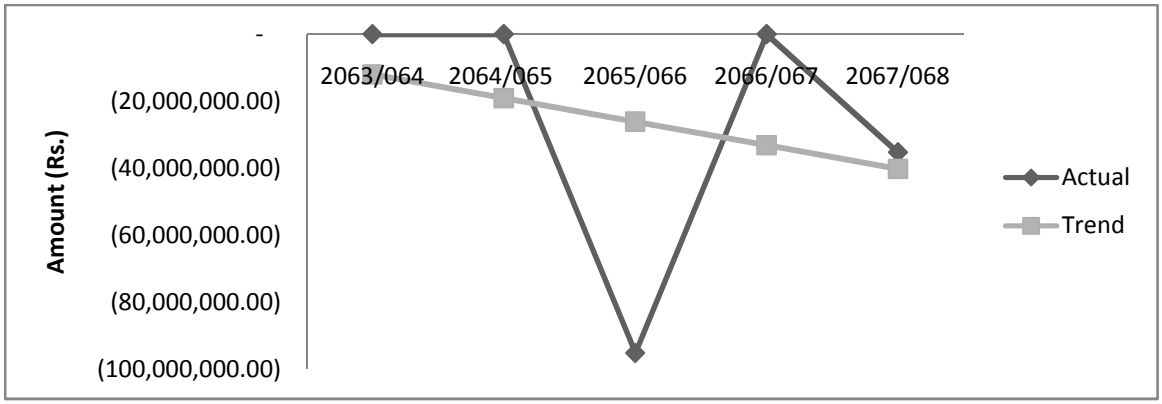
Particulars	Year				
	2063/064	2064/065	2065/066	2066/067	2067/068
Actual Value of Net Cash Flows from Financing Activities	-368280000	-230175000	-253192500	-296675325	-414315000
Trend Value of Net Cash Flows from Financing Activities	-280813500	-296670532	-312527564	-328384595.5	-344241627.5

Source: Appendix-II

The actual value of Net Cash Flows from Financing Activities of BNTL during the FY 2063/064, 2064/065 and 2066/067 is zero but in other FY company has paid dividend to their shareholder. Similarly, the actual value of Net Cash Flows from Financing Activities of UNL is negative during the study period. The actual figures of both companies show that UNL is paying high dividend to their shareholder than BNTL. Similarly, the trend value of both companies is decreasing but the pace of decreasing can see in the following graph.

Figure No. 4.11

Presentation of Actual & Trend Value of Net Cash Flows from Financing Activities of BNTL

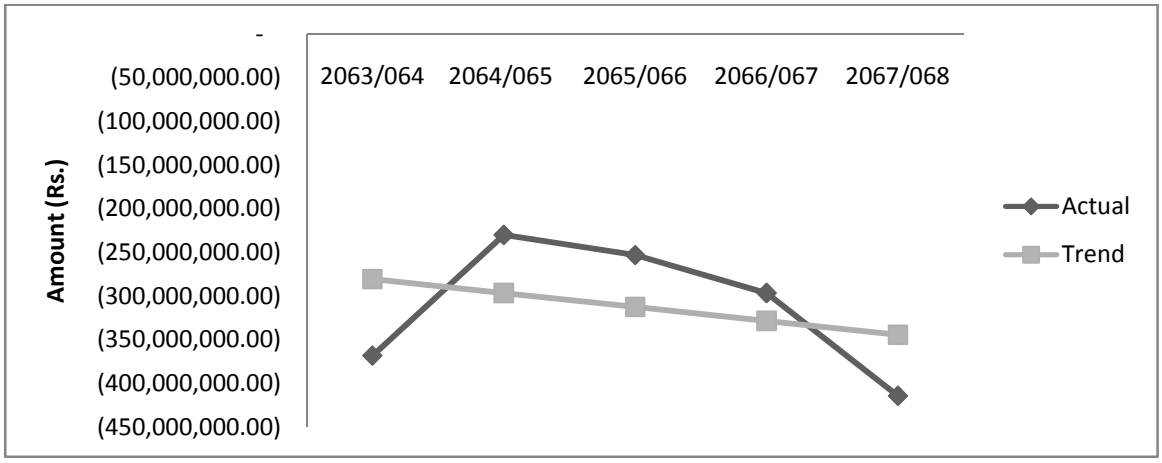


Source: Table No. 4.4

The above figure shows the actual and trend value of CFFA of BNTL. The actual CFFA of BNTL is zero during the FY 2063/064, 2064/065 and 2066/067. And negative CFFA in FY 2065/066 and 2067/068. Zero CFFA shows no transaction made of financing activities like: issue of share and debenture, repayment of loan and payment of dividend etc. and negatives CFFA shows either payment of dividend or repayment of loan. Here BNTL has paid dividend to its shareholder during the FY 2065/066 and 2067/068 only. BNTL has paid maximum dividend during the FY 2065/066. Similarly, the trend value of CFFA of BNTL is sloping down ward from left to right and it is decreasing in decreasing rate. Therefore it can conclude that BNTL can pay dividend to shareholders in coming periods.

Figure No. 4.12

Presentation of Actual & Trend Value of Net Cash Flows from Financing Activities of UNL



Source: Table No. 4.4

The above figure shows the actual and trend value of CFFA of UNL. The actual CFFA of UNL is negative during the study period. Negative CFFA shows either payment of dividend or repayment of loan. Here UNL has paid dividend to its shareholder during the study period. UNL has paid maximum dividend during the FY 2067/068 and minimum dividend during the FY 2064/065. The shape of CFFA under UNL is 'reversed U' shaped. Similarly, the trend value of CFFA of UNL is sloping down ward from left to right and it is also decreasing in decreasing rate. Therefore it can conclude that UNL will pay dividend to shareholders in future periods.

4.6 Cash Coverage Ratio (CCR)

CCR shows the extent of cash available to pay fixed charge. It is calculated follows:

4.6.1Cash Interest Coverage Ratio (CICR)

Table No. 4.6

Cash Interest Coverage Ratio *(In Times)*

Particulars	Year					Mean
	2063/064	**2064/065**	**2065/066**	**2066/067**	**2067/068**	
Bottlers Nepal (Terai) Limited	43.77	1620.26	1081.51	445.31	482.86	734.74
Unilever Nepal Limited	153.22	313.95	2591.47	29324.25	347.64	6546.11

Source: Appendix III

CICR of UNL during the FY 2063/064, 2065/066 & 2066/067 is higher than BNTL. But during the FY 2064/065 & 2067/068 CICR of BNTL has greater CICR than UNL. The Average CICR of BNTL and UNL are 734.74 times and 6546.11 times respectively. Higher the CICR shows more comfortable in paying interest in time. Therefore in average UNL has more comfort to pay its interest in time.

4.6.2 Cash Debt Coverage Ratio (CDCR)

This ratio is used to evaluate the company's credit worthiness for meeting debt obligation.

4.6.2.1 Cash from Operation to Current Liability

Table No. 4.7

Cash from Operation to Current Liability

Particular	**Year**					**Mean**
	2063/064	**2064/065**	**2065/066**	**2066/067**	**2067/068**	
BNTL	17.25%	20.33%	52.56%	69.76%	54.14%	42.81 %
UNL	56.98%	69.44%	60.40%	226.05%	197.13%	122.00%

Source: Appendix III

During the study period Cash from Operation to Current Liability of UNL is higher than that of BNTL. Similarly, Cash from Operation to Current Liability of UNL is higher than normal (assumed 40%) in every year. But BNTL's Cash from Operation to Current Liability is gradually increasing during the study period except 2067/068. During FY 2063/064 & 2064/065, BNTL has lower Cash from Operation to Current Liability than normal (assumed 40%) but after FY 2064/065 it is greater than normal. The average Cash from Operation to Current Liability of UNL and BNTL are 122.00% and 42.81%. This ratio indicates operating cash flow covers up to 122.00% and 42.81% of current liabilities by UNL and BNTL respectively. Similarly, it shows the short term liquidity position of BNTL is worse than UNL. Since it can conclude that credit worthiness in meeting debt obligation of UNL is better than BNTL.

4.6.2.2 Cash from Operation to Total Debt Ratio

Table No. 4.8

Cash from Operation to Total Debt Ratio

Particular	Year					Mean
	2063/064	2064/065	2065/066	2066/067	2067/068	
BNTL	7.25%	20.33%	52.56%	69.76%	54.14%	42.81 %
UNL	56.98%	69.44%	60.40%	226.05%	197.13%	122.00%

Source: Appendix III

Cash from Operation to Total Debt Ratio of UNL and BNTL is equal to their Cash from Operation to Current Liabilities because both companies are enjoying without long term debt. The average Cash from Operation to Total Debt Ratio of UNL and BNTL are 122.00% and 42.81%.This ratio indicates operating cash flow covers up to 122.00% and 42.81% of total debt by UNL and BNTL respectively. And both companies have cash from operation to total debt ratio is greater than normal (assumed 10%), which is assumed good. However total debt obligation capacities of UNL is more appreciable than BNTL.

4.7 Free Cash Flow (FCF)

Table No. 4.9

Free Cash Flow *(In Rs.)*

Particular	Year					Mean
	2063/064	2064/065	2065/066	2066/067	2067/068	
BNTL	(11414000)	8290000	(5826000)	65360000	(25542000)	6173600
UNL	(200639479)	(7183450)	(32613680)	336211898	(65657897)	6023478.4

Source: Appendix III

FCF is the amount of cash from operation activity left after using in essential investment, essential financing activity and dividend.

Free Cash Flow of UNL is negative except FY 2065/066. Similarly FCF of BNTL is also negative except FY 2063/2064 and 2065/066. FCF of UNL in FY 2065/066 is Rs.336211898 and FCF of BNTL during FY 2063/064 and FY 2065/2066 are Rs. 8290000 and 65360000 respectively. The average FCF is positive and UNL and BNTL have Rs.6023478.4 and Rs.6173600 respectively. In an average BNTL has high amount to repurchase stock, pay dividends, expand, acquire other business or invest in debt and equity securities than UNL. However, many FY both companies suffered from shortage of cash to expand the business and pay dividend.

4.8 Quality Income Ratio (QIR)

Table No. 4.10

Quality Income Ratio *(In Times)*

Particular	Year					Mean
	2062/063	2063/064	2064/065	2065/066	2066/067	
BNTL	0.7038	0.4005	2.039	1.263	0.8248	1.0462
UNL	0.8012	0.8873	0.6537	1.422	0.6743	0.8877

Source: Appendix III

QIR shows the difference between the net operating income and net cash flows from operating activities. UNL has higher QIR during FY 2063/064, 2064/065 and

2066/067 whereas BNTL has higher QIR during FY 2065/066 & 2067/068. The average QIR of BNTL and UNL are 1.0462 and 0.8877 respectively, which shows BNTL has good sign of operating performance. The cash position of only BNTL is satisfactory.

4.9 Capital Expenditure Ratio

Capital Expenditure ratio measures what portion of investment supported by operating and financing activities.

4.9.1 Investing Inflows Ratio (IIR)

Table No. 4.11

Investing Inflows Ratio

Particular	Year					Mean
	2063/**06**4	**206**4/**06**5	**206**5/**06**6	**206**6/**06**7	**206**7/**06**8	
BNTL	100%	100%	17.67%	100%	78.35%	79.204%
UNL	-63.25%	-10.65%	-7.68%	19.05%	32.76%	-5.954%

Source: Appendix III

IIR shows the contribution of cash flows from investing cum cash flows from financing activities to cash outflow used for investing activities. IIR of BNTL during FY 2063/064, 2064/065 and 2066/066 is 100%. 100% IIR shows there is only investing activities. Similarly, IIR of UNL during FY 2063/064, 2064/065 and 2065/066 is negative, it is because of positive investing activities. During the study period UNL and BNTL both have negative financing activities therefore there is no any contribution of financing activities for investing activities.

4.9.2 Financing Inflows Ratio (FIR)

Table No. 4.12

Financing Inflows Ratio

Particular	Year					Mean
	2063/064	**2064/065**	**2065/066**	**2066/067**	**2067/068**	
BNTL	0%	0%	82.33%	0%	21.65%	20.796%
UNL	163.25%	110.65%	107.68%	80.95%	67.24%	105.954%

Source: Appendix III

FIR shows the ratio of cash flows from investing cum cash flows from financing activities to cash from financing activities. FIR of BNTL during FY 2063/064, 2064/065 and 2066/67 is 0%. 0% FIR shows there is no financing activity. Similarly, FIR of UNL during FY 2063/064, 2064/065 and 2065/066 is more than 100%, it is because of positive investing activities. The overall FIR of UNL is higher than that of BNTL. Therefore it is concluded that UNL has invested its cash for financing activities is more than investing activities.

4.9.3 Cash Flow from Operation to Cash Flow from Investing Activity

Table No. 4.13

Cash Flow from Operation to Cash Flow from Investing Activity

Particular	Year					Mean
	2063/064	2064/065	2065/066	2066/067	2067/068	
BNTL	141.91%	122.42%	535.67%	114.87%	118.37%	206.648%
UNL	144.48%	1131.50%	1287.07%	930.57%	196.84%	738.092%

Source: Appendix III

This ratio helps to find out that whether the cash from operating activity sufficiently supports for the expansion and growth program of the company at present or not. Cash Flow from Operation to Cash Flow from Investing Activity of both companies is more than 100% during the study period. It is the indication of highly support of operating activities for expansion and growth of the company. The overall Cash Flow from Operation to Cash Flow from Investing Activity of BNTL and UNL are 206.648% and 738.092% respectively. Since it is concluded that the supporting role of operating activities to investing activities of UNL is higher than that of BNTL.

4.9.4 Cash Flow from Financing Activity to Cash Flow from Investing Activity

Table No. 4.14

Cash Flow from Financing Activity to Cash Flow from Investing Activity

Particular	Year					Mean
	2063/064	2064/065	2065/066	2066/067	2067/068	
BNTL	0%	0%	466.01%	0%	27.63%	98.73%
UNL	258.11%	1039.25 %	1401.54%	425.04%	205.20%	665.83%

Source: Appendix III

This ratio shows the contribution of financing activities to investing activities. During the study period BNTL and UNL both have negative financing activities. Therefore it can say that all the activities of investing are made only from operating activities not from financing activities. There is no role of financing activities for investing activities. The overall ratio of Cash Flow from Financing Activity to Cash Flow from Investing Activity of BNTL and UNL are 98.728% and 665.828% respectively, which indicates Investing Activities of BNTL is more than Investing Activities of UNL in comparison to their Financing Activities.

4.9.5 Cash Reinvestment Ratio (CRR)

Table No. 4.15

Cash Reinvestment Ratio

Particular	Year					Mean
	2063/064	2064/065	2065/066	2066/067	2067/068	
BNTL	21.76%	20.83%	15.36%	121.33%	63.60%	48.576%
UNL	112.73%	-17.26%	81.00%	113.45%	-6.60%	56.664%

Source: Appendix III

CRR of BNTL and UNL is greater than normal (assumed 10%) except FY 2064/065 and 2067/068 of UNL. CRR of UNL is negative during the FY 2064/065 and 2067/068 because of high decrease in inventory. Except FY 2064/065 and 2067/068 of UNL both companies can reinvest their operating cash for replacement of assets. The overall CRR of BNTL and UNL are 48.576% and 56.664% respectively. Since, it is concluded that UNL can reinvest more operating cash for replacement of assets than BNTL.

4.10 Efficiency of Cash Utilization Ratio

Under the efficiency of cash utilization ratio following ratios are calculated.

4.10.1 Gross Cash Flow Margin (GCFM)

Table No. 4.16

Gross Cash Flow Margin

Particular	Year					Mean
	2063/064	2064/065	2065/066	2066/067	2067/068	
BNTL	43.34%	60.77%	51.36%	63.89%	62.21%	56.314%
UNL	36.94%	32.07%	33.4%	37.13%	38.46%	35.6%

Source: Appendix III

GCFM of BNTL is fluctuation but GCFM of UNL is decreased during the FY 2064/065 after that it is increasing. The average GCFM of BNTL and UNL are 56.314% and 35.6% respectively. It shows that excess cash collection from customer than cash paid to supplier of BNTL and UNL are 56.314% and 35.6% respectively. Similarly it indicates BNTL has 56.314% and UNL has 35.6% of the cash collected from customers for other than paying suppliers of goods and services, means the 43.686% of BNTL and 64.4% of UNL of cash collection is used to pay to suppliers. Therefore it is concluded that UNL uses more cash collected from customer to pay to suppliers than BNTL.

4.10.2 Cash in Current Assets (CCA)

Table No. 4.17

Cash in Current Assets

Particular	Year					Mean
	2063/064	2064/065	2065/066	2066/067	2067/068	
BNTL	9.54%	8.07%	7.14%	9.09%	4.56%	7.68%
UNL	10.58%	16.32%	13%	48.32%	21.51%	21.95%

Source: Appendix III

CCA shows the population of cash in current assets. CCA of BNTL and UNL is fluctuation during the study period. The average CCA of BNTL and UNL are 7.68% and 21.946% respectively. That means the contribution of cash to current assets of BNTL and UNL is 7.68% and 21.946% respectively. CCA of BNTL is in the range of 6% to 8%, which indicates BNTL is good in cash management. CCA

of UNL is very higher than BNTL, which shows that UNL is poor in cash management.

4.10.3 Cash Holding Ratio (CHR)

Table No. 4.18

Cash Holding Ratio

Particular	Year					Mean
	2063/064	2064/065	2065/066	2066/067	2067/068	
BNTL	19.69%	16.36%	13.19%	15.92%	8.25%	14.68%
UNL	16.71%	27.57%	25.77%	200.48%	76.78%	69.46%

Source: Appendix III

It shows the percentage of cash to current liabilities. To keep cash more than current liability is not good; therefore excess cash should invest in productive sector. CHR of BNTL and UNL is fluctuating during the study period. In FY 2066/067 CHR of UNL is 200.48%. The average CHR of BNTL and UNL are 14.682% and 69.462% respectively. Both companies' CHR is out of range; however BNTL has lower CHR than UNL. Therefore it is concluded that CHR of BNTL is satisfactory than UNL. UNL has high CHR, which shows undesirable closing cash.

4.10.4 Return on Sales Ratio (ROSR)

Table No. 4.19

Return on Sales Ratio

Particular	Year					Mean
	2063/064	2064/065	2065/066	2066/067	2067/068	
BNTL	9.38%	15.97%	14.75%	26.11%	31.64%	19.57%
UNL	23.27%	18.67%	21.46%	22.14%	23.83%	21.87%

Source: Appendix III

ROSR of BNTL is increasing except FY 2065/066 whereas ROSR of UNL in decreased in 2064/065; later on it is increasing. In FY 2067/068 both companies have highest ROSR. The overall ROSR of BNTL and UNL are 19.57% and 21.874% respectively. Since, it can say that UNL has higher ability to generate working capital than BNTL.

4.10.5 Cash Turnover to Sales

Table No. 4.20

Cash Turnover to Sales Ratio *(In Times)*

Particular	Year					Mean
	2063/064	2064/065	2065/066	2066/067	2067/068	
BNTL	23.84	22.58	17.91	30.56	22.19	23.416
UNL	18.73	30.81	21.11	26.53	8.00	21.036

Source: Appendix III

Cash Turnover to Sales shows the how many times initial cash balance evolved to generate sales. Cash Turnover to Sales of BNTL and UNL is fluctuating during the study periods. The average Cash Turnover to Sales of BNTL and UNL are 23.416 times and 21.036 times respectively. Since BNTL has higher Cash Turnover to Sales than UNL. In an average BNTL initial cash balance has been evolved 23.416 times to generate its sales. Similarly, in an average UNL initial cash balance has been evolved 21.03 times to generate its sales. Since, it is concluded that BNTL cash usages efficiency is greater than UNL.

4.10.6 Ending Cash and Cash Equivalent to Sales

Table No. 4.21

Ending Cash and Cash Equivalent to Sales

Particular	Year					Mean
	2063/064	2064/065	2065/066	2066/067	2067/068	
BNTL	6.06%	5.47%	4.28%	6.13%	3.11%	5.01%
UNL	4.02%	5.59%	4.62%	14.55%	5.34%	6.824%

Source: Appendix III

Ending Cash and Cash Equivalent to Sales shows relationship between closing cash and net sales during the period. There is up down in Ending Cash and Cash Equivalent to Sales during the study period of both BNTL & UNL. However in an average BNTL and UNL have 5.01% and 6.824% closing cash to sales respectively. It indicates BNTL is more success to use available cash for generating the revenue efficiently than UNL.

4.11 Operating Cash Flow Ratio

4.11.1 Cash Flow Margin (CFM)

Table No. 4.22

Cash Flow Margin

Particular	Year					Mean
	2063/064	2064/065	2065/066	2066/067	2067/068	
BNTL	6.33%	5.68%	23.01%	22.09%	17.87%	14.99%
UNL	14.03%	13.78%	10.84%	24.74%	13.00%	15.28%

Source: Appendix III

FM of BNTL is highest in 2064/065; after that it is decreasing. Similarly, CFM of UNL is fluctuation during the study period. UNL's highest CFM is in FY 2066/067. The overall CFM of BNTL and UNL are 14.996% and 15.278% respectively. BNTL's operating cash flow is 14.996% of sales and UNL's operating cash flow is 15.278% of sales, which is about similar to each other. Therefore it is concluded that 85.004% of BNTL and 84.722% of UNL's sales is using for payment to supplier, for payment of wages, for payment of interest and for payment of taxes etc. And these figures are not satisfactory.

4.11.2 Operating Cash Flow to Capital Employed

Table No. 4.23

Operating Cash Flow to Capital Employed

Particular	Year					Mean
	2063/064	2064/065	2065/066	2066/067	2067/068	
BNTL	8.51%	9.68%	49.00%	49.5%	42.59%	31.86%
UNL	91.66%	106.74%	85.9%	94.43%	47.86%	85.32%

Source: Appendix III

Operating Cash Flow to Capital Employed calculates the extent of capital employed can finance by operating cash flow. BNTL's Operating Cash Flow to Capital Employed is increasing during the study period except in FY 2067/068; whereas UNL's Operating Cash Flow to Capital Employed is fluctuating. However, overall Operating Cash Flow to Capital Employed of BNTL and UNL are 31.856% and 85.318% respectively. It indicates 31.856% of BNTL's capital

employed can be financed by operating cash flow and it is satisfactory. Similarly, 85.318% of UNL's capital employed can be financed by operating cash flow and it is remarked as good. Hence it is concluded that Operating Cash Flow to Capital Employed of UNL is better than BNTL.

4.11.3 Cash Flow Adequacy Ratio (CFAR)

Table No. 4.24

Cash Flow Adequacy Ratio

Particular	Year					Mean
	2063/064	2064/065	2065/066	2066/067	2067/068	
BNTL	97.58%	228.74%	120.95%	205.53%	78.33%	146.23%
UNL	47.59%	74.6%	65.75%	303.58%	46.19%	107.54%

Source: Appendix III

CFAR of BNTL and UNL is fluctuation during the study periods. BNTL and UNL have highest CFAR during the FY 2064/065 and 2066/067 respectively. The overall CFAR of BNTL and UNL are 146.226% and 107.542% respectively. BNTL has higher CFAR than UNL. Therefore it is concluded that BNTL can generate sufficient cash from operation to cover capital expenditures, net investment in inventories and cash dividend.

4.11.4 Priority Obligation Ratio (POR)

Table No. 4.25

Priority Obligation Ratio *(In Times)*

Particular	Year					Mean
	2063/064	2064/065	2065/066	2066/067	2067/068	
BNTL	42.77	8.55	34.92	24.09	34.07	28.88
UNL	3.03	3.06	2.28	4.83	2.4	3.12

Source: Appendix III

The priority outflow indicates that the company has to payout these obligation prior to company's other obligation. To pay the priority obligation the company should be able to generate the sufficient cash from operating activities. Although BNTL and UNL's POR is fluctuating during the study period, the average POR is 28.88 times and 3.12 times respectively. BNTL's POR seems very much higher

than UNL's POR. 3.12 times and 28.88 times POR indicates the company is able to generate 3.12 times and 28.88 times the operating cash flow to priority obligations. Since, it can conclude that BNTL can easily pay its priority obligations than UNL.

4.11.5 Cash Realization Ratio (CRR)

Table No. 4.26

Cash Realization Ratio *(In Times)*

Particular	Year					Mean
	2063/064	2064/065	2065/066	2066/067	2067/068	
BNTL	-0.8614	1.11	7.91	1.75	1.13	2.20772
UNL	0.8656	0.9526	0.6938	1.463	0.6894	0.93288

Source: Appendix III

CRR shows the extent of Cash from Operation to Net Income. BNTL has negative CRR during the FY 2063/064.Negative CRR shows - although, CFOA is negative, there may be profit and vice versa. In FY 2063/064 although BNTL is suffering from loss, CFOA is positive. Therefore value of CRR of BNTL is negative during the FY 2063/064. Trend of CRR of both companies is fluctuating during the study periods. The average CRR of BNTL and UNL is 2.20772 times and 0.93288 times respectively. Higher the CRR higher the quality earning, therefore BNTL's CRR is in good position than UNL's CRR. And UNL's CRR is not good itself whereas BNTL's CRR is in good position itself.

4.12 Analysis of relationship between Cash Flows from Operating Activities and Sales of BNTL & UNL

Table No. 4.27

Relationship between CFOA and Sales of BNTL & UNL

Company	Correlation Coefficient (r)	Coefficient of Determination (r^2)	PE	6PE
BNTL	0.82	0.6724	0.0988	0.5929
UNL	0.68	0.4624	0.1622	0.9729

Source: Calculation by SPSS

To analyze the relationship between CFOA and Sales, Karl Pearson's correlation coefficient is calculated. Correlation coefficient of BNTL and UNL are 0.82 and 0.68 respectively. 0.82 of BNTL shows there is very highly positive (significant) relationship between CFOA and its Sales. Similarly, 0.68 of UNL shows high degree of positive relationship between CFOA and its Sales.

Another statistical tool r^2 is determined. r^2 measures the proportion of the variation in one variable which can be explained by variation in the second variable. BNTL's and UNL's r^2 are 67.24% and 46.24% respectively. BNTL has higher r^2 than UNL. 67.24% of BNTL and 46.24% of UNL's variation in the dependent variable is explained by the independent variable respectively. r^2 shows that the consistency between CFOA and Sales in BNTL is closely related than UNL.

To measure the reliability and test of significance of correlation coefficient, r is compared with PE and 6PE BNTL's r is greater than 6PE, which indicates BNTL's r is significant. The significant r shows increment in one increase to other. Similarly, UNL's r is greater than PE and less than 6xPE; therefore nothing can be concluded.

4.13 Analysis of relationship between Cash Flows from Operating Activities and Closing Cash & Cash Equivalent of BNTL & UNL

Table No. 4.28

Relationship between CFOA and Closing Cash of BNTL & UNL

	Correlation Coefficient (r)	Coefficient of determination (r2)	PE	6 PE
BNTL	0.44	0.1936	0.2432	1.4592
UNL	0.99	0.9801	0.0060	0.0360

Source: Calculation by SPSS

Correlation coefficient of BNTL and UNL between CFOA and Closing Cash are 0.44 and 0.99 respectively. BNTL and UNL have low positive and highly positive (about perfect) relationship between CFOA and its Closing Cash respectively.

BNTL and UNL's coefficient of determination are 19.36% and 98.01% respectively. UNL has higher r^2 than BNTL. 19.36% of BNTL and 98.01% of UNL's variation in the dependent variable is explained by the independent variable respectively.

To measure the reliability and test of significance of correlation coefficient, r is compared with PE and 6xP.E.BNTL's r is greater than PE and less than 6PE; therefore nothing can be concluded. But UNL's r is greater than 6PE, which indicates UNL's r is significant. The significant r shows increment in one increase to other.

4.14 Major Findings of the study

The major findings of this study are stated as under**.**

1. Both companies' actual closing cash and cash equivalent is increased in FY 2064/065 and 2066/067 whereas in FY 2065/066 and 2067/068 it is decreased. There is drastically increase and rapidly decrease in closing cash and cash equivalent of BNTL & UNL during FY 2066/067 and FY 2067/068 respectively. Similarly, the trend value of closing cash and cash equivalent of BNTL & UNL is sloping upward from left to right. BNTL's trend value of closing cash and cash equivalent is increasing in decreasing rate whereas UNL's trend value of closing cash and cash equivalent is increasing in increasing rate. However itis the indication of high prospect in increase closing cash and cash equivalent of both companies in future period.
2. Actual CFOA of BNTL is increasing in decreasing rate during the study period except FY 2065/066. During the FY 2065/0656CFOA of BNTL is increasing in increasing rate.

   During the study period actual CFOA of UNL is increasing in FY 2064/065 and 2066/07 whereas in FY 2065/066 and 2067/068 it is decreasing. There

is drastically increase and rapidly decrease in CFOA of UNL during FY 2066/067 and FY 2067/068 respectively.

However, the trend value of CFOA of BNTL & UNL is sloping upward from left to right and it is increasing in increasing rate, which indicates both companies can generate more CFOA in future period.

3. The actual CFIA of BNTL is negative during the study period. Negative CFIA shows the company has purchased fixed assets. There is rapidly decrease in CFIA of BNTL during FY 2066/067.

   The actual CFIA of UNL is positive in FY 2064/065 and 2064/065 and later on it is negative. Positive CFIA shows company has sold its either fixed assets or fixed deposit or securities whereas negative CFIA shows the company has purchased either fixed assets or investment in fixed deposit and securities. There is rapid decrease in CFIA of UNL during FY 2067/068.

   Similarly, the trend value of CFIA of BNTL and UNL is sloping down ward from left to right and it is decreasing in decreasing rate. Therefore it can say that BNTL & UNL are investing its cash to purchase fixed assets and fixed deposit and will do so in future period.

4. The actual CFFA of BNTL is zero during the FY 2063/064, 2064/065 and 2066/067. And negative CFFA in FY 2065/066 and 2067/068. Zero CFFA shows no transaction made of financing activities like: issue of share and debenture, repayment of loan and payment of dividend etc. and negatives CFFA shows either payment of dividend or repayment of loan. Here BNTL has paid dividend to its shareholder during the FY 2065/066 and 2066/067 only. BNTL has paid maximum dividend during the FY 2065/066.

   The actual CFFA of UNL is negative during the study period. Negative CFFA shows either payment of dividend or repayment of loan. Here UNL has paid dividend to its shareholder during the study period. UNL has paid maximum dividend during the FY 2067/068 and minimum dividend during the FY 2064/065. The shape of CFFA under UNL is ‘reversed U’ shaped.

Similarly, the trend value of CFFA of BNTL is sloping down ward from left to right and it is decreasing in decreasing rate. Therefore it can conclude that BNTL can pay dividend to shareholders in coming periods.

5. Cash from Operation to Current Liability of UNL is higher than that of BNTL. Similarly, Cash from Operation to Current Liability of UNL is higher than normal (assumed 40%) in every year whereas BNTL has higher than normal (assumed 40%) Cash from Operation to Current Liability only in FY 2064/065.Similarly the average Cash from Operation to Current Liability of UNL and BNTL are 122.00% and 42.81%. This ratio indicates operating cash flow covers up to 122.00% and 42.81% of current liabilities by UNL and BNTL respectively. Similarly, it shows the short term liquidity position of BNTL is worse than UNL. Since it can conclude that credit worthiness in meeting debt obligation of UNL is better than BNTL.
6. Cash from Operation to Total Debt Ratio of UNL and BNTL is equal to their cash from operation to current liabilities because both companies are enjoying without long term debt. The average Cash from Operation to Total Debt Ratio of UNL and BNTL are 122.00% and 42.81%.This ratio indicates operating cash flow covers up to 122.00% and 42.81% of total debt by UNL and BNTL respectively. And both companies have Cash from Operation to Total Debt Ratio is greater than normal (assumed 10%), which is assumed good. However total debt obligation capacities of UNL is more appreciable than BNTL.
7. The average FCF is positive and UNL and BNTL have Rs. 6023478.4 and Rs. 6173600 respectively. In an average BNTL has high amount to repurchase stock, pay dividends, expand, acquire other business or invest in debt and equity securities than UNL. However, many FY both companies suffered from shortage of cash to expand the business and pay dividend.
8. UNL has higher QIR during FY 2063/064, 2064/065 and 2066/067 whereas BNTL has higher QIR during FY 2065/066 & 2067/068. However, the average QIR of BNTL and UNL are 1.0462 and 0.8877 respectively, which

shows BNTL has good sign of operating performance. The cash position of only BNTL is satisfactory.

9. IIR of BNTL during FY 2063/064, 2064/065 and 2066/067 is 100%. 100% IIR shows there is only investing activities. IIR of UNL during FY 2063/064, 2064/065 and 2065/066 is negative, it is because of positive investing activities. During the study period UNL and BNTL both have negative financing activities therefore there is no any contribution of financing activities for investing activities.
10. FIR of BNTL during FY 2063/064, 2064/065 and 2066/067 is 0%. 0% FIR shows there is no financing activity. Similarly, FIR of UNL during FY 2063/064, 2064/065 and 2065/066 is more than 100%, it is because of positive investing activities. The overall FIR of UNL is higher than that of BNTL. Therefore it is concluded that UNL has invested its cash for financing activities is more than investing activities.
11. Cash Flow from Operation to Cash Flow from Investing Activity of both companies is more than 100% during the study period. It is the indication of highly support of operating activities for expansion and growth of the company. The overall Cash Flow from Operation to Cash Flow from Investing Activity of BNTL and UNL are 206.648% and 738.092% respectively. Since it is concluded that the supporting role of operating activities to investing activities of UNL is higher than that of BNTL.
12. During the study period BNTL and UNL both have negative financing activities. Therefore all the activities of investing are made only from operating activities not from financing activities. There is no role of financing activities for investing activities. The overall ratio of Cash Flow from Financing Activity to Cash Flow from Investing Activity of BNTL and UNL are 98.728% and 665.828% respectively, which indicates Investing Activities of BNTL is more than Investing Activities of UNL in comparison to their Financing Activities.
13. CRR of BNTL and UNL is greater than normal (assumed 10%) except FY 2064/065 and 2067/068 of UNL. CRR of UNL is negative during the FY

2064/065 and 2067/068 because of high decrease in inventory. Except FY 2064/065 and 2067/068 of UNL both companies can reinvest their operating cash for replacement of assets. The overall CRR of BNTL and UNL are 48.576% and 56.664% respectively. Since, it is concluded that UNL can reinvest more operating cash for replacement of assets than BNTL.

14. GCFM of BNTL is fluctuation but GCFM of UNL is decreased during the FY 2064/065 after that it is increasing. The average GCFM of BNTL and UNL are 56.314% and 35.6% respectively. It indicates BNTL has 56.314% and UNL has 35.6% of the cash collected from customers for other than paying suppliers of goods and services, means the 43.686% of BNTL and 64.4% of UNL of cash collection is used to pay to suppliers. Therefore it is concluded that UNL uses more cash collected from customer to pay to suppliers than BNTL.

15. CCA of BNTL and UNL is fluctuation during the study period. The average CCA of BNTL and UNL are 7.68% and 21.946% respectively. That means the contribution of cash to current assets of BNTL and UNL is 7.68% and 21.946% respectively. CCA of BNTL is in the range of 6% to 8%, which indicates BNTL is good in cash management. CCA of UNL is very higher than BNTL, which shows that UNL is poor in cash management.

16. There is highly fluctuation in CHR of BNTL and UNL. The average CHR of BNTL and UNL are 14.682% and 69.462% respectively. Both companies' CHR is out of range; however BNTL has lower CHR than UNL. Therefore it is concluded that CHR of BNTL is satisfactory than UNL. UNL has high CHR, which shows undesirable closing cash.

17. ROSR of BNTL is increasing except FY 2064/065 whereas ROSR of UNL in decreased in 2064/065; later on it is increasing. In FY 2067/068 both companies have highest ROSR. The overall ROSR of BNTL and UNL are 19.57% and 21.874% respectively. Since, it can say that UNL has higher ability to generate working capital than BNTL.

18. In an average BNTL's initial cash balance has been evolved 23.416 times to generate its sales. Similarly, in an average UNL's initial cash balance has been evolved 21.03 times to generate its sales. Since, it is concluded that BNTL's cash usages efficiency is greater than UNL's.

19. There is up down in Ending Cash and Cash Equivalent to Sales during the study period of both BNTL & UNL. However in an average BNTL and UNL have 5.01% and 6.824% closing cash to sales respectively. It indicates BNTL is more success to use available cash for generating the revenue efficiently than UNL.

20. The overall CFM of BNTL and UNL are 14.99% and 15.28% respectively. BNTL's operating cash flow is 14.99% of sales and UNL's operating cash flow is 15.28% of sales, which is about similar to each other. Therefore it is concluded that 85.04% of BNTL and 84.72% of UNL's sales is using for payment to supplier, for payment of wages, for payment of interest and for payment of taxes etc. And these figures are not satisfactory.

21. BNTL's Operating Cash Flow to Capital Employed is increasing during the study period except in FY 2067/068; whereas UNL's Operating Cash Flow to Capital Employed is fluctuating. However, overall Operating Cash Flow to Capital Employed of BNTL and UNL are 31.86% and 85.32% respectively. It indicates 31.86% of BNTL's capital employed can be financed by operating cash flow and it is satisfactory. Similarly, 85.32% of UNL's capital employed can be financed by operating cash flow and it is remarked as good. Hence it is concluded that Operating Cash Flow to Capital Employed of UNL is better than BNTL.

22. CFAR of BNTL and UNL is fluctuation during the study periods. In an overall BNTL has higher CFAR than UNL. Therefore it is concluded that BNTL can generate sufficient cash from operation to cover capital expenditures, net investment in inventories and cash dividend.

23. Although BNTL and UNL's POR is fluctuating during the study period, the average POR is 28.88 times and 3.12 times respectively. BNTL's POR seems very much higher than UNL's POR. 3.12 times and 28.88 times POR

indicates the company is able to generate 3.12 times and 28.88 times the operating cash flow to priority obligations. Since, it can conclude that BNTL can easily pay its priority obligations than UNL.

24. In FY 2063/064 although BNTL is suffering from loss, CFOA is positive. Therefore value of CRR of BNTL is negative during the FY 2063/064. Trend of CRR of both companies is fluctuating during the study periods. The average CRR of BNTL and UNL is 2.20772 times and 0.93288 times respectively. Higher the CRR higher the quality earning, therefore BNTL's CRR is in good position than UNL's CRR. And UNL's CRR is not good it self whereas BNTL's CRR is in good position itself.

25. Correlation coefficient of BNTL and UNL between CFOA and Sales are 0.82 and 0.68 respectively. 0.82 of BNTL shows there is very highly positive (significant) relationship between CFOA and its Sales. Similarly, 0.68 of UNL shows high degree of positive relationship between CFOA and its Sales.

26. Correlation coefficient of BNTL and UNL between CFOA and Closing Cash are 0.44 and 0.99 respectively. BNTL and UNL have low positive and highly positive (about perfect) relationship between CFOA and its Closing Cash respectively.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Summary

The main objective of the study is to examine financial position and performance of company using ratios between different variables of the statement of cash flows. This study focuses on the comparative analysis of BNTL and UNL.

In order to make research more comprehensive and complete, review of related studies are done in second chapter. To get better result of research, different research methods, tool and techniques are explained in third chapter. Similarly, to meet the objective, third chapter is concerned with the implementation of tools and techniques mentioned in third chapter.

As per the nature of the study, the published financial statements of BNTL and UNL from FY 2063/064 to 2067/068 are collected. Besides, this other necessary information has been collected from various sources like newspaper, magazine, website etc. To make research complete, indirect method of cash flow statement made by company has been changed to direct method. Similarly, different kinds of financial ratio as well as statistical tools like regression line, arithmetic mean, and standard deviation, coefficient of determination, probable error, graph and diagram are used.

5.2 Conclusion

There are two methods of preparing financial statement including cash flow statement using either direct or indirect method. But they do not measure their performance using cash flows ratios to get insight knowledge regarding cash. In this study, different kinds of cash flows ratios as well as statistical tools are used to compare the performance of BNTL and UNL. After analyzing the implemented tools and techniques following conclusions are drawn:

- Closing cash of UNL is greater than closing cash of BNTL. However, BNTL's closing cash is more uniformity than UNL's.
- Although, having higher CFOA in UNL, UNL's CFOA is highly consistence than BNTL's.
- First two year UNL has collected cash by selling fixed deposit after that UNL has invested to purchase fixed assets whereas BNTL is investing cash to purchase fixed assets for growth and expansion. And UNL's investment in investing activities seems highly fluctuation than BNTL's.
- There is regularity in payment of dividend under UNL than BNTL. UNL is paying high amount of dividend to its shareholder.
- The trend of closing cash of BNTL is increasing in decreasing rate but the trend of closing cash under UNL is increasing in increasing rate, which indicates UNL has higher prospect to increase closing cash in future period than BNTL.
- The trend of CFOA of BNTL is increasing in increasing rate whereas the trend of CFOA of UNL is increasing in decreasing rate. It shows the operating performance of BNTL is better than UNL.
- The trend of CFIA of BNTL and UNL is decreasing at decreasing rate, which shows both companies are investing cash to purchase fixed assets for their expansion and growth.
- The interest coverage ratio of UNL is higher than that of BNTL. So, UNL can pay its interest comfortable and in timely than BNTL.
- Cash from Operation to Current Liability and Cash from Operation to Total Debt Ratio of UNL are greater than Cash from Operation to Current Liability and Cash from Operation to Total Debt Ratio of BNTL. Therefore the credit worthiness in meeting debt obligation is more appreciable than BNTL.
- Except the FY 2064/065 and 2066/067 of BNTL and FY 2066/067 of UNL, FCF of BNTL and UNL are negative. This indicates both companies are suffering from shortage of cash to expand the business and pay dividend. Similarly, it shows although CFOA is not sufficient to pay dividend, both companies have paid dividend to their shareholder from collecting other

sources like: selling fixed deposit, selling different securities and using opening cash etc.

- BNTL's QIR is higher than UNL's. It indicates BNTL has good sign of operating performance and BNTL's cash position is satisfactory.
- Financing activities of BNTL and UNL are negative. This shows that both companies have not issued any share and debenture, raised any long term loan and only paid dividend. So, there is no any contribution of financing activities for investing activities.
- The overall investments of UNL on financing activities are higher than investing activities whereas BNTL's investments in investing activities are higher than its financing activities.
- The supporting role of operating activities to its investing activities of UNL is higher than that of BNTL.
- In comparison to their financing activities, BNTL has invested in investing activities more than UNL.
- The operating cash flow of UNL can use for replacement of assets than operating cash flow of BNTL.
- UNL is using more cash collected from customer to pay to suppliers than BNTL.
- The contribution of cash in current assets is good in BNTL, which is in the range of industry norm. This indicates BNTL is good in cash management whereas UNL seems poor in managing cash.
- Although, cash holding ratio of BNTL and UNL is greater than industry norms, BNTL's cash holding ratio seems satisfactory but UNL's cash holding ratio shows that UNL has undesirable closing cash.
- UNL has higher ability to generate working capital than BNTL.
- Initial cash balance of UNL evolves less time to generate its sales than that of BNTL.
- BNTL is more success to use available cash for generating the revenue efficiently than UNL.

- About 85% of both companies' sales is using for payment to supplier, wages, interest and taxes, which is not satisfactory.
- Operating cash flow to capital employed of UNL is higher as well as better than BNTL.
- BNTL can generate sufficient cash from operation to cover capital expenditures, net investment in inventory and cash dividend than UNL.
- BNTL can easily pay its priority obligation than UNL.
- BNTL has higher quality earning than UNL.
- BNTL and UNL have very highly positive (significant) and high degree of positive relationship between CFOA and its Sales respectively.
- BNTL and UNL have low positive and highly positive (about perfect) relationship between CFOA and its Closing Cash respectively.

5.3 Recommendation

After the detail analysis of cash flow ratios, other related calculation and information of both BNTL and UNL, the following recommendations are forwarded, which would be beneficial to the concern people and would be helpful to manage cash flow in future.

- **Minimize the fluctuation of Cash Balance**

  It can be seen that there is highly fluctuation in closing cash of BNTL and UNL, which should be minimized and make it consistence.

- **Consistency in payment of dividend**

  Paying dividend in gap is not good. BNTL has to pay dividend to its shareholders consistently like UNL. Which might create the environment of believe to the shareholders.

  Payment of dividend with highly fluctuation is also not good. There should be consistence in payment of dividend of UNL and BNTL.

- **Create sound and healthy cash management policy**

  UNL has to invest its cash resources for expansion and growth of company rather than paying dividend by selling fixed deposit.

- **Increase the contribution of financing activities to investing activities**

  Both companies have to issue share for expansion and growth of company and they have to use their operating activities a little bit for investing activities and more for dividend payment i.e. the contribution of financing activities for investing activities should increase.

- **Raise Long Term Debt**

  BNTL has to raise long term debt to make better short term liquidity position and it has to pay its current liabilities to make credit worthiness in meeting debt obligation better because there is no long term debt in BNTL and its total debt obligation capacity is good.

- **Requirement of Free Cash Flow**

  Normally being free cash flow negative, both companies are suffering from shortage of cash to expand the business and pay dividend. Therefore both need to increase operating activities.

- **Do not use more cash for financing activities then investing activities**

  UNL has invested more cash for financing activities rather than investing activities, which should be decrease. In short term use of high cash for financing than investing activities may beneficial to shareholder but in long term it would be harmful because of not spending cash for company's growth and expansion.

- **Increase the gap between cash collection from customer and payment to supplier**

  UNL has to decrease to use of more cash collected from customers to pay to suppliers. For this company need to increase the gap between cash collection from customers and payment of suppliers.

- **Reduce the contribution of cash in current assets**

  UNL should give more emphasis on management of cash. For this UNL should reduce the high contribution of cash in current assets like BNTL. The frozen cash should be utilized towards the productive sector.

- **Reduce undesirable closing cash**

  The fluctuation in cash holding ratio of both companies should minimize and make it more consistence.

- **Be aware of non-operating activities**

  Although, CFOA is positive, there may be loss and vice versa due to the non -operating activities. Therefore every company should aware of non-operating activities. High non-operating expenses reduce profit and income tax whereas low non-operating expenses increase both profit and income tax.

- **Prepare cash budget**

  Both company should prepare cash budget considering the influencing variable of cash flow statement. This will be very helpful in proper cash management.

- **Calculate cash flow ratios every year**

  In an overall, every year, BNTL and UNL have to calculate cash flows ratios to compare with their previous year's ratios as well as other companies' ratio and to evaluate their performance themselves. Therefore every company should overlook other company's cash flow ratios and compare with them to make healthy organization.

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APPENDIX I

Financial Statement of BNTL & UNL

Financial Statement of BNTL

Balance Sheet as on FY 2063/064

बोटलर्स नेपाल (तराई) लिमिटेड
Bottlers Nepal (Terai) Limited
BOTTLERS NEPAL (TERAI) LIMITED

Balance Sheet
as at July 16, 2007 (Ashad 32, 2064)

	Schedule No.	As at July 16, 2007 Rs '000	As at July 16, 2006 Rs '000
Capital and liabilities			
Capital and Reserves			
Share capital	1	121,000	121,000
Reserves and retained earnings	2	142,244	280,174
Grand Total		**263,244**	**401,174**
Assets			
Fixed assets	3	193,623	320,235
Current assets			
Inventories	4	108,415	119,274
Trade and other receivables	5	16,413	57,246
Cash and bank balances	6	21,474	14,856
Prepaid, advances, loans and deposits	7	78,847	107,309
Total current assets		**225,149**	**298,685**
Less: Current liabilities and provisions			
Current liabilities	8	109,043	150,817
Provisions	9	46,945	85,523
Total current liabilities and provisons		**155,988**	**236,340**
Net current assets		**69,161**	**62,345**
Deferred Revenue Expenditure	10	460	18,594
(To the extent not written off)			
Grand Total		**263,244**	**401,174**
Contingent liabilities	14		
Significant Accounting Policies and Notes to the Accounts	15		

Schedules 1 to 10, 14 & 15 forms an integral part of this Balance Sheet

Kadir Gunduz	Colin Rushmere		Ian Garnett
Director	Director		Director
Rabi Shrestha	Mike Smith	Digambar Man Amatya	NN Singh
Country Finance Manager	Country Manager	Director	Executive Chairman

As per our attached report of even date

Madan K Sharma
Senior Partner
For CSC & Co
Chartered Accountants

Kathmandu
Date: 07 December 2007

7

Income Statement as on FY 2063/064

बोटलर्स नेपाल (तराई) लिमिटेड
Bottlers Nepal (Terai) Limited
BOTTLERS NEPAL (TERAI) LIMITED

Income Statement

for the period July 17, 2006 to July 16, 2007

(Shrawan 1, 2063 to Ashad 32, 2064)

	Schedule No.	Current Year Rs '000	Previous Year Rs '000
Sales		354,095	401,320
Cost of sales	11	187,716	191,959
Gross profit		**166,379**	**209,361**
Other income	12	**7,815**	**8,139**
Business expenses			
Distribution expenses		56,959	74,293
Administrative expenses	13	84,548	96,770
Profit from operation		**32,687**	**46,437**
Interest		524	219
Depreciation		58,072	17,567
Deferred expenses written off	10	101	6,800
(Profit)/ loss on sale of fixed assets		5	-
Provision for staff quarter		-	1,092
Provision for bonus		-	1,887
Profit before tax		**(26,015)**	**18,872**
Provision for tax		-	3,020
Provision for special fee		-	227
Net Profit after tax		**(26,015)**	**15,625**
Balance brought forward		279,222	262,941
Depreciation expenses in respect of earlier years		106,569	-
Tax in respect of earlier years		5,346	(656)
Balance of profit transferred to balance sheet		**141,292**	**279,222**
Contingent liabilities	14		
Significant Accounting Policies and Notes to the Accounts	15		

Schedules 10 to 14 & 15 forms an integral part of this Income Statement

Kadir Gunduz Director	Colin Rushmere Director		Ian Garnett Director
Rabi Shrestha Country Finance Manager	Mike Smith Country Manager	Digambar Man Amatya Director	NN Singh Executive Chairman

As per our attached report of even date

Madan K Sharma
Senior Partner
For CSC & Co
Chartered Accountants

Kathmandu
Date: 07 December 2007

8

Balance Sheet as on FY 2064/065

बोटलर्स नेपाल (तराई) लिमिटेड
Bottlers Nepal (Terai) Limited

Balance Sheet
as at July 15, 2008 (Ashad 31, 2065)

	Schedule No.	As at July 15, 2008 (Rs.'000)	As at July 16, 2007 (Re-stated) (Rs.'000)
Capital and liabilities			
Capital and Reserves			
Share capital	1	121,000	121,000
Reserves and retained earnings	2	163,840	142,244
Grand Total		284,840	263,244
Assets			
Fixed assets	3	168,848	193,623
Capital work in progress		1,892	
Current assets			
Inventories	4	100,102	107,324
Trade and other receivables	5	10,695	16,413
Cash and bank balances	6	26,521	21,474
Prepaid, advances, loans and deposits	7	191,290	78,847
Total current assets		328,608	224,058
Less: Current liabilities and provisions			
Current liabilities	8	162,069	109,043
Provisions	9	53,515	46,945
Total current liabilities and provisons		215,584	155,988
Net current assets		113,024	68,070
Deferred Revenue Expenditure (To the extent not written off)	10	1,076	1,551
Grand Total		284,840	263,244
Contingent liabilities	14		
Significant Accounting Policies and Notes to the Accounts	15		

Schedules 1 to 10, 14 & 15 forms an integral part of this Balance Sheet

Kadir Gunduz
Chairman

Ian Robert Garnett
Director

Colin Bryan Rushmere
Director

Digambar Man Amatya
Director

Rabi Shrestha
Country Finance Manager

NN Singh
Managing Director

As per our attached report of even date

Madan K Sharma
Senior Partner
For CSC & Co
Chartered Accountants

Date: 02 December 2008
Kathmandu

Income Statement as on FY 2064/065

बोटलर्स नेपाल (तराई) लिमिटेड
Bottlers Nepal (Terai) Limited

Income Statement
for the period July 17, 2007 to July 15, 2008
(Shrawan 1, 2064 to Ashad 31, 2065)

	Schedule No.	Current Year (Rs.'000)	Previous Year (Re-stated) (Rs.'000)
Sales		484,987	354,095
Cost of sales	11	259,928	187,719
Gross profit		**225,059**	**166,376**
Other income	12	**18,324**	**7,815**
Business expenses			
Distribution expenses		79,417	56,958
Administrative expenses	13	89,668	83,520
Profit from operation		**74,298**	**33,713**
Interest		19	524
Depreciation		44,046	58,072
Deferred expenses written off	10	1,826	1,127
(Profit)/ loss on sale of fixed assets		(56)	5
Provision for staff quarter		1,263	-
Provision for bonus		2,399	-
Profit before tax		**24,801**	**(26,015)**
Provision for tax		-	-
Provision for special fee		-	-
Net Profit after tax		**24,801**	**(26,015)**
Balance brought forward		141,292	279,222
Depreciation expenses in respect of earlier years		-	106,569
Tax in respect of earlier years		3,205	5,346
Profit available for appropriation		162,888	141,292
Proposed dividend		-	
Balance of profit transferred to balance sheet		**162,888**	**141,292**
Contingent liabilities	14		
Significant Accounting Policies and Notes to the Accounts	15		

Schedules 10 to 14 & 15 forms an integral part of this Income Statement

Kadir Gunduz
Chairman

Ian Robert Garnett
Director

Colin Bryan Rushmere
Director

Digambar Man Amatya
Director

Rabi Shrestha
Country Finance Manager

NN Singh
Managing Director

As per our attached report of even date

Madan K Sharma
Senior Partner
For CSC & Co
Chartered Accountants

Date: 02 December 2008
Kathmandu

Balance Sheet as on FY 2065/066

बोटलर्स नेपाल (तराई) लिमिटेड
Bottlers Nepal (Terai) Limited

Balance Sheet
as at July 15, 2009 (Ashad 31, 2066)

	Schedule No.	As at July 15, 2009 Rs.'000	As at July 15, 2008 (Re-stated) Rs.'000
Capital and liabilities			
Capital and Reserves			
Share capital	1	121,000	121,000
Reserves and retained earnings	2	102,124	88,306
Grand Total		**223,124**	**209,306**
Assets			
Fixed assets	3	149,939	168,848
Capital work in progress		1,462	1,892
Current assets			
Inventories	4	74,537	100,102
Trade and other receivables	5	28,085	10,695
Cash and bank balances	6	20,327	26,521
Prepaid, advances, loans and deposits	7	143,017	191,290
Deferred tax assets		18,835	24,294
Total current assets		**284,801**	**352,902**
Less: Current liabilities and provisions			
Current liabilities	8	154,148	261,897
Provisions	9	58,955	53,515
Total current liabilities and provisons		**213,103**	**315,412**
Net current assets		**71,698**	**37,490**
Deferred Revenue Expenditure (To the extent not written off)	10	25	1,076
Grand Total		**223,124**	**209,306**
Contingent liabilities	14		
Significant Accounting Policies and Notes to the Accounts	15		

Schedules 1 to 10, 14 & 15 forms an integral part of this Balance Sheet

Kadir Gunduz
Chairman

Ian Robert Garnett
Director

Brian Horn
Director

Digamber Man Amatya
Director

Bharat Babu Dahal
Country Finance Manager

Saumindra Bhattacharya
Managing Director

As per our attached report of even date

Madan K Shrama
Senior Partner
For CSC & Co.
Chartered Accountants

Kathmandu
Date: 14th Dec. 2009

Income Statement as on FY 2065/066

बोटलर्स नेपाल (तराई) लिमिटेड
Bottlers Nepal (Terai) Limited

Income Statement
for the period July 16, 2008 to July 15, 2009
(Shrawan 1, 2065 to Ashad 31, 2066)

	Schedule No.	Current Year Rs.'000	Previous Year (Re-stated) Rs.'000
Sales		475,109	484,987
Cost of sales	11	250,803	259,928
Gross profit		**224,306**	**225,059**
Other income	12	**25,072**	**18,324**
Business expenses			
Distribution expenses		77,369	79,417
Administrative expenses	13	107,704	89,668
Profit from operation		**64,305**	**74,298**
Interest		104	19
Depreciation		39,752	44,046
Deferred expenses written off	10	1,051	1,826
(Profit)\Loss on sale of fixed assets		(777)	(56)
Provision for staff quarter		1,209	1,263
Provision for bonus		2,297	2,399
Profit before tax		**20,669**	**24,801**
Provision for tax		1,392	-
Deferred tax		5,459	(24,294)
Net Profit after tax		**13,818**	**49,095**
Balance brought forward		87,354	141,291
Tax expenses in respect of earlier years		-	6,232
Profit available for appropriation		101,172	184,154
Proposed Dividend		-	96,800
Balance of profit transferred to balance sheet		**101,172**	**87,354**

Contingent liabilities 14
Significant Accounting Policies and Notes to the Accounts 15
Schedules 10 to 14 & 15 forms an integral part of this Income Statement

Kadir Gunduz
Chairman

Ian Robert Garnett
Director

Brian Horn
Director

Digamber Man Amatya
Director

Bharat Babu Dahal
Country Finance Manager

Saumindra Bhattacharya
Managing Director

As per our attached report of even date

Madan K Shrama
Senior Partner
For CSC & Co.
Chartered Accountants

Kathmandu
Date: 14th Dec. 2009

Balance Sheet as on FY 2066/067

बोटलर्स नेपाल (तराई) लिमिटेड
Bottlers Nepal (Terai) Limited

Balance Sheet

as at Ashad 32, 2067 (July 16, 2010)

	Schedule	As at July 15, 2010 (Rs '000)	As at July 15, 2009 (Rs '000)
Capital and liabilities			
Capital and Reserves			
Share capital	1	121,000	121,000
Reserves and retained earnings	2	156,260	123,657
Grand Total		**277,260**	**244,657**
Assets			
Fixed assets	3	191,163	149,939
Capital work in progress		12,585	1,462
Current assets			
Inventories	4	69,427	74,537
Trade and other receivables	5	36,760	28,085
Cash and bank balances	6	38,094	20,327
Prepaid, advances, loans and deposits	7	259,695	164,551
Deferred tax assets		14,950	18,835
Total current assets		**418,925**	**306,334**
Less: Current liabilities and provisions			
Current liabilities	8	239,343	154,148
Provisions	9	138,348	58,956
Deferred tax liabilities			
Total current liabilities and provisons		**377,691**	**213,104**
Net current assets		**41,235**	**93,231**
Deferred Revenue Expenditure	10	32,277	25
(To the extent not written off)			
Grand Total		**277,260**	**244,657**
		-	-
Contingent liabilities	14	23,659	21,055
Significant Accounting Policies and Notes to the Acc	15		

Schedules 1 to 10, 14 & 15 forms an integral part of this Balance Sheet

Kadir Gunduz Chairman	Ian Robert Garnette Director	Brian Horn Director
Digambar Man Amatya Director	Bharat Babu Dahal Country Finance Manager	Saumindra Bhat Managing Direct

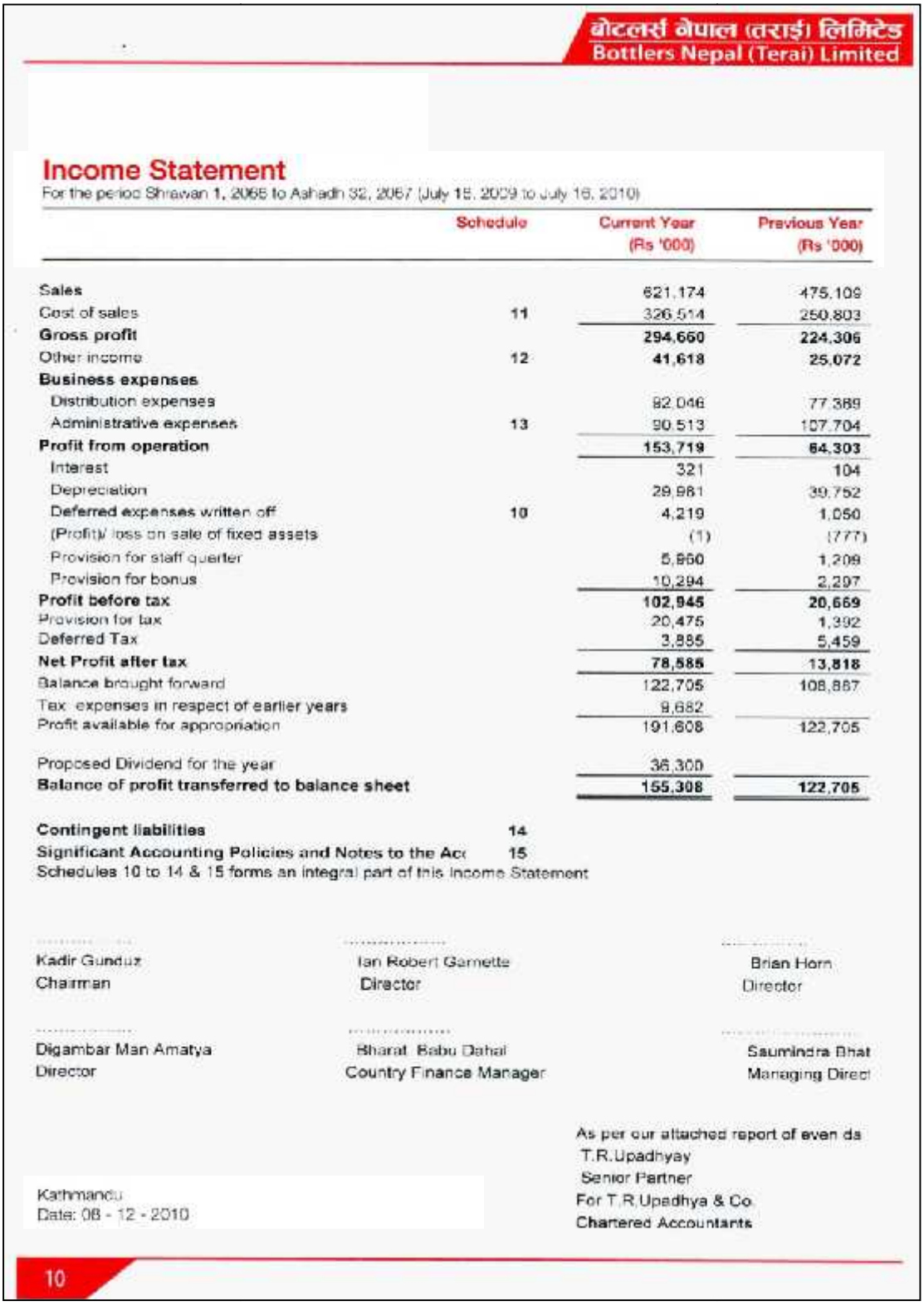
As per our attached report of even date

T.R.Upadhyay
Senior Partner
For T.R.Upadhya & Co.
Chartered Accountants

Kathmandu
Date: 08 - 12 - 2010

9

Income Statement as on FY 2066/067



बोटलर्स नेपाल (तराई) लिमिटेड
Bottlers Nepal (Terai) Limited

Income Statement

For the period Shrawan 1, 2066 to Ashadh 32, 2067 (July 16, 2009 to July 16, 2010)

	Schedule	Current Year (Rs '000)	Previous Year (Rs '000)
Sales		621,174	475,109
Cost of sales	11	326,514	250,803
Gross profit		**294,660**	**224,306**
Other income	12	**41,618**	**25,072**
Business expenses			
Distribution expenses		82,046	77,389
Administrative expenses	13	90,513	107,704
Profit from operation		**153,719**	**64,303**
Interest		321	104
Depreciation		29,961	39,752
Deferred expenses written off	10	4,219	1,050
(Profit)/ loss on sale of fixed assets		(1)	(777)
Provision for staff quarter		5,950	1,209
Provision for bonus		10,294	2,297
Profit before tax		**102,945**	**20,669**
Provision for tax		20,475	1,392
Deferred Tax		3,885	5,459
Net Profit after tax		**78,585**	**13,818**
Balance brought forward		122,705	108,887
Tax expenses in respect of earlier years		9,682	
Profit available for appropriation		191,608	122,705
Proposed Dividend for the year		36,300	
Balance of profit transferred to balance sheet		**155,308**	**122,705**
Contingent liabilities	14		
Significant Accounting Policies and Notes to the Ac	15		

Schedules 10 to 14 & 15 forms an integral part of this Income Statement

Kadir Gunduz
Chairman

Ian Robert Garnette
Director

Brian Horn
Director

Digambar Man Amatya
Director

Bharat Babu Dahal
Country Finance Manager

Saumindra Bhat
Managing Direct

As per our attached report of even da
T.R.Upadhyay
Senior Partner
For T.R.Upadhya & Co.
Chartered Accountants

Kathmandu
Date: 08 - 12 - 2010

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Balance Sheet as on FY 2067/068

Balance Sheet

as at Ashad 31, 2068 (July 17, 2011)

	Schedule	Current Year (Rs '000)	Previous Year (Rs '000)
Capital and liabilities			
Capital and Reserves			
Share capital	1	121,000	121,000
Reserves and retained earnings	2	224,827	156,260
Deferred Income		8,867	
Grand Total		**354,694**	**277,260**
Assets			
Fixed assets	3	280,105	191,163
Capital work in progress		-	12,585
Current assets			
Inventories	4	85,676	69,430
Trade and other receivables	5	49,194	36,759
Cash and bank balances	6	26,281	38,094
Prepaid, advances, loans and deposits	7	414,696	259,693
Total current assets		**575,847**	**403,976**
Less: Current liabilities and provisions			
Current liabilities	8	318,610	239,343
Provisions	9	216,525	138,348
Total current liabilities and provisons		**535,135**	**377,691**
Net current assets		**40,712**	**26,285**
Deferred tax assets		12,472	14,950
Amortized cost	10	21,405	32,277
(To the extent not written off)			
Grand Total		**354,694**	**277,260**
Contingent liabilities	**14**	**42,137**	**23,659**
Significant Accounting Policies and Notes to the Accounts	15		

Schedules 1 to 10, 14 & 15 forms an integral part of this Balance Sheet

Philip David Humphreys Chairman	Stephanus Nothnagel Director	Ian Robert Garnett Director	Brian Horn Director
Digambar Man Amatya Director	Chandra Prakash Khetan Director	Saumindra Bhattacharya Cheif Executive Officer	Bharat Babu Dahal Country Finance Man

As per our attached report of even date

T R Upadhyay
Senior Partner
For T R Upadhya & Co
Chartered Accountants

Kathmandu
Date: 10 - 12 - 2011

Income Statement as on FY 2067/068

Income Statement

For the period Shrawan 1, 2067 to Ashad 31, 2068 (July 17, 2010 to July 17, 2011)

	Schedule	Current Year (Rs '000)	Previous Year (Rs '000)
Sales		845,258	621,174
Cost of sales	11	406,073	326,514
Gross profit		**439,185**	**294,660**
Other income	12	75,243	41,617
Business expenses			
Distribution expenses		109,561	92,046
Administrative expenses	13	140,263	90,513
Profit from operation		**264,604**	**153,718**
Interest		322	321
Depreciation		50,012	29,981
Amortization	10	11,223	4,219
(Profit)\Loss on sale of fixed assets		534	(1)
Provision for staff quarter		10,126	5,960
Provision for bonus		17,490	10,294
Profit before tax		**174,897**	**102,944**
Provision for tax		39,240	20,475
Deferred tax		2,478	3,884
Net Profit after tax		**133,179**	**78,585**
Balance brought forward		155,308	122,705
Tax expenses in respect of earlier years		4,112	9,682
Profit available for appropriation		284,375	191,608
Proposed Dividend for the year		60,500	36,300
Balance of profit transferred to balance sheet		**223,875**	**155,308**
Contingent liabilities	14		
Significant Accounting Policies and Notes to the Accounts	15		

Schedules 10 to 14 & 15 forms an integral part of this Income Statement

Philip David Humphreys
Chairman

Stephanus Nothnagel
Director

Ian Robert Garnett
Director

Brian Horn
Director

Digambar Man Amatya
Director

Chandra Prakash Khetan
Director

Saumindra Bhattacharya
Chief Executive Officer

Bharat Babu Dahal
Country Finance Manager

As per our attached report of even date

T R Upadhyay
Senior Partner
For T R Upadhya & Co
Chartered Accountants

Kathmandu
Date: 10 - 12 - 2011

APPENDIX II

Cash Flow Statement of BNTL

(As on 32nd Ashad, 2064, Under Direct Method)

Rs. '000'

Particulars	Amt (Rs.)	Amt. (Rs.)
Cash Flows From Operating Activities		
A. Cash Collection from Debtors and Sales		
Net Sales	354095	
Other Income	7815	
Add: Decrease in Trade & Other Receivable (16413-57246)	23978	**385888**
B. Cash Purchase and Payment made to Suppliers		
Cost of Sales	(187716)	
Less: Decrease in Inventories (108415-119274)	10859	
Add: Decrease in Sundry Creditors (109043-150817)	(41774)	**(218631)**
C. Payment made to Employees and other Operating Expenses	(56959)	
Distribution Expenses	(84008)	
Administration Expenses (84548)		
Less: Non-Cash Expenses 540	(373)	
Payment of Gratuity	(2984)	
Payment of Bonus & Staff Quarter		**(144324)**
D. Payment made for Interest		
Interest Paid for the year	(524)	**(524)**
E. Payment made for Tax Expenses		
Tax Paid for the year	-	
(i) Net Cash Flows From Operating Activities		**22409**
Cash Flows From Investing Activities		
Purchase of Fixed Assets	(33823)	
Additional of Deferred Expenditure	18032	
(ii) Net Cash Flows From Investing Activities		**(15791)**
Cash Flows From Financing Activities		
Dividend Distribution	-	
(iii)Net Cash Flows From Financing Activities		**-**
Net Increase/(Decrease) in Cash and Bank Balance (i+ii+iii)		**6618**
Cash and Cash Equivalent at the beginning of the year		**14856**
Cash and Cash Equivalent at the end of the year		**21474**

Cash Flow Statement of BNTL

(As on 31st Ashad, 2065, Under Direct Method)

Rs. '000'

Particulars	Amount (Rs.)	Amount (Rs.)
Cash Flows From Operating Activities		
A. Cash Collection from Debtors and Sales		
Net Sales	484987	
Other Income	18324	
Add: Decrease in Trade & Other Receivable (10695-16413)	5718	
		509029
B. Cash Purchase and Payment made to Suppliers		
Cost of Sales	(259928)	
Less: Decrease in Inventories (100102-107324)	7222	
Less: Increase in Sundry Creditors (162069-109043)	53026	
		(199680)
C. Payment made to Employees and other Operating Expenses	(79417)	
Distribution Expenses	(86508)	
Administration Expenses (89668)		
Less: Non-Cash Expenses 3160	(112443)	
Add: Increase in Prepaid Expenses (191290-78847)	(196)	
Payment of Gratuity		**(278564)**
D. Payment made for Interest	(19)	
Interest Paid for the year		**(19)**
E. Payment made for Tax Expenses	(3205)	
Tax Paid for the year		**(3205)**
(i) Net Cash Flows From Operating Activities		**27561**
Cash Flows From Investing Activities		
Purchase of Fixed Assets/Investment	(19271)	
Additions of Deferred Expenditure	(1351)	
Others (Capitalization of CWIP)	(1892)	
(ii) Net Cash Flows From Investing Activities		**(22514)**
Cash Flows From Financing Activities	-	
Dividend Distribution		
(iii)Net Cash Flows From Financing Activities		**-**
Net Increase/(Decrease) in Cash and Bank Balance (i+ii+iii)		**5047**
Cash and Cash Equivalent at the beginning of the year		**21474**
Cash and Cash Equivalent at the end of the year		**26521**

Cash Flow Statement of BNTL

(As on 31st Ashad, 2066, Under Direct Method)

Rs. '000'

Particulars	Amount (Rs.)	Amount (Rs.)
Cash Flows From Operating Activities		
A. Cash Collection from Debtors and Sales		
Net Sales	475109	
Other Income	25072	
Less: Increase in Trade & Other Receivable (28085-10695)	(17390)	**482791**
B. Cash Purchase and Payment made to Suppliers		
Cost of Sales	(250803)	
Less: Decrease in Inventories (74537-100102)	25565	
Add: Decrease in Sundry Creditors	(9594)	**(234832)**
C. Payment made to Employees and other Operating Expenses	(77369)	
Distribution Expenses	(101933)	
Administration Expenses (107704)		
Less: Non-Cash Expenses 5771	48273	
Less: Decrease in Prepaid Expenses (143017-191290)	(791)	
Payment of Gratuity	(3662)	
Payment of Bonus & Staff Quarter		**(135482)**
D. Payment made for Interest	(104)	
Interest Paid for the year		**(104)**
E. Payment made for Tax Expenses	(3027)	
Tax Paid for the year		**(3027)**
(i) Net Cash Flows From Operating Activities		**109346**
Cash Flows From Investing Activities	(20045)	
Purchase of Fixed Assets/Investment	(368)	
Others (Capitalization of CWIP)		
(ii) Net Cash Flows From Investing Activities		**(20413)**
Cash Flows From Financing Activities	(95127)	
Dividend Paid		
(iii)Net Cash Flows From Financing Activities		**(95127)**
Net Increase/(Decrease) in Cash and Bank Balance (i+ii+iii)		**(6193)**
Cash and Cash Equivalent at the beginning of the year		**26521**
Cash and Cash Equivalent at the end of the year		**20327**

Cash Flow Statement of BNTL

(As on 32nd Ashad, 2067, Under Direct Method)

Rs. '000'

Particulars	Amount (Rs.)	Amount (Rs.)
Cash Flows From Operating Activities		
A. Cash Collection from Debtors and Sales		
Net Sales	621174	
Other Income	41618	
Less: Increase in Trade & Other Receivable (36760-28085)	(8675)	**654117**
B. Cash Purchase and Payment made to Suppliers		
Cost of Sales	(326514)	
Less: Decrease in Inventories (69427-74537)	5110	
Less: Increase in Sundry Creditors	85195	**(236209)**
C. Payment made to Employees and other Operating Expenses	(92046)	
Distribution Expenses	(82034)	
Administration Expenses (90513)		
Less: Non-Cash Expenses 8479	(95144)	
Add: Increase in Prepaid Expenses (259695-164551)	(2235)	
Payment of Gratuity	(3505)	
Payment of Bonus & Staff Quarter		**(274964)**
D. Payment made for Interest	(321)	
Interest Paid for the year		**(321)**
E. Payment made for Tax Expenses	(5376)	
Tax Paid for the year		**(5376)**
(i) Net Cash Flows From Operating Activities		**137247**
Cash Flows From Investing Activities	(71887)	
Purchase of Fixed Assets/Investment	(36471)	
Additions of Deferred Expenditure	(11123)	
Addition of Capital Work in Progress		
(ii) Net Cash Flows From Investing Activities		**(119481)**
Cash Flows From Financing Activities	-	
Dividend Distribution		
(iii)Net Cash Flows From Financing Activities		-
Net Increase/(Decrease) in Cash and Bank Balance (i+ii+iii)		**17767**
Cash and Cash Equivalent at the beginning of the year		**20327**
Cash and Cash Equivalent at the end of the year		**38094**

Cash Flow Statement of BNTL

(As on 31st Ashad, 2068, Under Direct Method)

Rs. '000'

Particulars	Amount (Rs.)	Amount (Rs.)
Cash Flows From Operating Activities		
F. Cash Collection from Debtors and Sales		
Net Sales	845258	
Other Income	75243	
Less: Increase in Trade & Other Receivable (49194-36759)	(12435)	**908066**
G. Cash Purchase and Payment made to Suppliers		
Cost of Sales	(406073)	
Add: Increase in Inventories (85676-69430)	(16246)	
Less: Increase in Current Liabilities	79176	**(343143)**
H. Payment made to Employees and other Operating Expenses	(109561)	
Distribution Expenses	(126842)	
Administration Expenses (140263)		
Less: Non-Cash Expenses 13421	(155003)	
Add: Increase in Prepaid Expenses (414696-259693)	(1966)	
Payment of Gratuity	(16070)	
Payment of Bonus & Staff Quarter		**(409442)**
I. Payment made for Interest	(322)	
Interest Paid for the year		**(322)**
J. Payment made for Tax Expenses	(4112)	
Tax Paid for the year		**(4112)**
(i) Net Cash Flows From Operating Activities		**151047**
Cash Flows From Investing Activities	(141336)	
Purchase of Fixed Assets/Investment	(351)	
Additions of Deferred Expenditure	12584	
Deletion of Capital Work in Progress	1499	
Other (Capitalization of CWIP)		
(ii) Net Cash Flows From Investing Activities		**(127604)**
Cash Flows From Financing Activities	(35256)	
Dividend Paid		
(iv)Net Cash Flows From Financing Activities		**(35256)**
Net Increase/(Decrease) in Cash and Bank Balance (i+ii+iii)		**(11813)**
Cash and Cash Equivalent at the beginning of the year		**38094**
Cash and Cash Equivalent at the end of the year		**26281**

Cash Flow Statement of UNL

(As on 32nd Ashad, 2064, Under Direct Method)

Particulars	Amount (Rs.)	Amount (Rs.)
Cash From Operating Activities		
A. Cash Collection from Debtors and Sales		
Net Sales	1469685740	
Other Income	42374824	
Add: Decrease in Trade & Other Receivable	19402729	
		1531463293
B. Cash Purchase and Payment made to Suppliers		
Cost of Sales	(922333811)	
Add: Increase in Inventories	(26403408)	
Add: Decrease in Trade & Other Payable	(16928343)	
		(965665562)
C. Payment made to Employees and other Operating Expenses	(27376534)	
Distribution Expenses	(34390165)	
Administration Expenses	(170533185)	
Promotional Expenses	(105507566)	
Add: Decrease in Provision of Royalty, Staff Housing & Staff Bonus	1204482	
Less: Decrease in Prepaid Expenses		**(336602968)**
D. Payment made for Interest	(1789825)	
Interest Paid for the year		**(1789825)**
E. Payment made for Tax Expenses	(66285242)	
Tax Paid for the year		**(66285242)**
F. Extra-ordinary Item		
Decrease in Loan, Advance & Deposit	45034875	
		45034875
(i) Net Cash Available From Operating Activities		**206154571**
Cash From Investing Activities		
Purchase of Fixed Assets	(38514050)	
Fixed Deposit	181200000	
(ii) Net Cash Available From Investing Activities		**142685950**
Cash From Financing Activities		
Dividend Distribution	(368280000)	
(iv) Net Cash Available From Financing Activities		**(368280000)**
Net Increase/(Decrease) in Cash and Bank Balance (i+ii+iii)		**(19439479)**
Opening Balance of Cash		**78461218**
Closing Balance of Cash		**59021739**

Cash Flow Statement of UNL

(As on 31st Ashad, 2065, Under Direct Method)

Particulars	Amount (Rs.)	Amount (Rs.)
Cash From Operating Activities		
G. Cash Collection from Debtors and Sales		
Net Sales	1818527500	
Other Income	87779312	
Add: Decrease in Trade & Other Receivable	1868887	
		1908175699
H. Cash Purchase and Payment made to Suppliers		
Cost of Sales	(1263207651)	
Add: Increase in Inventories	(48158938)	
Less: Increase in Trade & Other Payable	15175049	
		(1296191540)
I. Payment made to Employees and other Operating Expenses	(37536753)	
Distribution Expenses	(42534699)	
Administration Expenses	(157388895)	
Promotional Expenses	(66063531)	
Add: Decrease in Provision of Royalty, Staff Housing & Staff Bonus	15894	
Less: Decrease in Prepaid Expenses		**(303507984)**
J. Payment made for Interest		
Interest Paid for the year	(1059458)	
		(1059458)
K. Payment made for Tax Expenses		
Tax Paid for the year	(80950000)	
		(80950000)
L. Extra-ordinary Item		
Decrease in Loan, Advance & Deposit	24140833	
		24140833
(ii) Net Cash Available From Operating Activities		**250607550**
Cash From Investing Activities		
Purchase of Fixed Assets	(27616000)	
Fixed Deposit	(30000000)	
Sale of Govt. Securities	79764185	
(ii) Net Cash Available From Investing Activities		**22148185**
Cash From Financing Activities		
Dividend Distribution	(230175000)	
(v) Net Cash Available From Financing Activities		**(230175000)**
Net Increase/(Decrease) in Cash and Bank Balance (i+ii+iii)		**42580735**
Opening Balance of Cash		**59021739**
Closing Balance of Cash		**101602475**

Cash Flow Statement of UNL

(As on 31st Ashad, 2066, Under Direct Method)

Particulars	Amount (Rs.)	Amount (Rs.)
Cash From Operating Activities		
M. Cash Collection from Debtors and Sales		
Net Sales	2144589477	
Other Income	54389596	
Less: Increase in Trade & Other Receivable	(11682961)	
		2163439245
N. Cash Purchase and Payment made to Suppliers		
Cost of Sales	(1350737178)	
Add: Increase in Inventories	(88491688)	
Add: Decrease in Trade & Other Payable	(1670597)	
		(1440899463)
O. Payment made to Employees and other Operating Expenses		
Distribution Expenses	(48205399)	
Administration Expenses	(51634128)	
Promotional Expenses	(251188507)	
Add: Decrease in Provision of Royalty, Staff Housing & Staff Bonus	(37069241)	
Add: Increase in Prepaid Expenses	(101273)	
		(388198548)
P. Payment made for Interest		
Interest Paid for the year	(129055)	
		(129055)
Q. Payment made for Tax Expenses		
Tax Paid for the year	(101800000)	
		(101800000)
R. Extra-ordinary Item		
Increase in Loan, Advance & Deposit	(23755594)	
		(23755594)
(iii)Net Cash Available From Operating Activities		**232513451**
Cash From Investing Activities		
Purchase of Fixed Assets	(11934631)	
Fixed Deposit	30000000	
(ii) Net Cash Available From Investing Activities		**18065369**
Cash From Financing Activities		
Dividend Distribution	(253192500)	
(vi)Net Cash Available From Financing Activities		**(253192500)**
Net Increase/(Decrease) in Cash and Bank Balance (i+ii+iii)		**(2613680)**
Opening Balance of Cash		**101602475**
Closing Balance of Cash		**98988795**

Cash Flow Statement of UNL

(As on 32nd Ashad, 2067, Under Direct Method)

Particulars	Amount (Rs.)	Amount (Rs.)
Cash From Operating Activities		
A. Cash Collection from Debtors and Sales		
Net Sales	2625826798	
Other Income	20430279	
Service Charge on Elida Sales	66968946	
Add: Decrease in Trade & Other Receivable	14264210	
		2727490233
B. Cash Purchase and Payment made to Suppliers		
Cost of Sales	(1685605867)	
Less: Decrease in Inventories	164366250	
Add: Decrease in Trade & Other Payable	(193545736)	
		(1714785353)
C. Payment made to Employees and other Operating Expenses		
Distribution Expenses	(63220518)	
Administration Expenses	(61684648)	
Promotional Expenses	(269979234)	
Less: Increase in Provision of Royalty, Staff Housing & Staff Bonus	91065593	
Add: Increase in Prepaid Expenses	(179181)	
		(303997988)
D. Payment made for Interest		
Interest Paid for the year	(26738)	
		(26738)
E. Payment made for Tax Expenses		
Tax Paid for the year	(134510185)	
		(134510185)
F. Extra-ordinary Item		
Decrease in Loan, Advance & Deposit	75364960	
		75364960
(i) Net Cash Available From Operating Activities		**649534929**
Cash From Investing Activities		
Purchase of Fixed Assets	(16647706)	
Fixed Deposit	(65000000)	
Interest/Dividend Received	11848502	
(ii) Net Cash Available From Investing Activities		**(69799204)**
Cash From Financing Activities		
Dividend Distribution	(296675325)	
(vii) Net Cash Available From Financing Activities		**(296675325)**
Net Increase/(Decrease) in Cash and Bank Balance (i+ii+iii)		**283060400**
Opening Balance of Cash		**98988795**
Closing Balance of Cash		**382049195**

Cash Flow Statement of UNL

(As on 31st Ashad, 2068, Under Direct Method)

Particulars	Amount (Rs.)	Amount (Rs.)
Cash From Operating Activities		
A. Cash Collection from Debtors and Sales		
Net Sales	3055070869	
Other Income	42128027	
Service Charge on Elida Sales	108505965	
Add: Decrease in Trade & Other Receivable	5883845	
		3211588706
B. Cash Purchase and Payment made to Suppliers		
Cost of Sales	(1685605867)	
Add: Increase in Inventories	(197427895)	
Less: Increase in Trade & Other Payable	22081115	
		(1976260487)
C. Payment made to Employees and other Operating Expenses		
Distribution Expenses	(73812280)	
Administration Expenses	(81892260)	
Promotional Expenses	(444919087)	
Add: Decrease in Provision of Royalty, Staff Housing & Staff Bonus	(76109533) 207099	
Less: Decrease in Prepaid Expenses	(1619543)	
		(676526061)
D. Payment made for Interest		
Interest Paid for the year	(163958856)	
		(1619543)
E. Payment made for Tax Expenses		
Tax Paid for the year	4212018	
		(163958856)
F. Extra-ordinary Item		
Decrease in Loan, Advance & Deposit		**4212018**
(i) Net Cash Available From Operating Activities		**397435777**
Cash From Investing Activities		
Sales of FM car	700000	
Purchase of Fixed Assets	(48778674)	
Fixed Deposit	(200000000)	
Interest/Dividend Received	28697330	
Sales Proceed of non-current assets held for sale	17477377	
(ii) Net Cash Available From Investing Activities		**(201903967)**
Cash From Financing Activities		
Dividend Distribution	(414315000)	
(viii) Net Cash Available From Financing Activities		**(414315000)**
Net Increase/(Decrease) in Cash and Bank Balance (i+ii+iii)		**(218783191)**
Opening Balance of Cash		**382049195**
Closing Balance of Cash		**163266004**

APPENDIX III

Bottlers Nepal (Terai) Limited
Calculation of Cash Coverage Ratio

Amount Rs. '000'

Particulars	Fiscal Year				
	2063/064	2064/065	2065/066	2066/067	2067/068
a) Cash Interest Coverage Ratio	$\frac{22409+524+0}{524}$ = 43.77 times	$\frac{27561+19+3205}{19}$ =1620.26 times	$\frac{109346+104+3027}{104}$ =1081.51 times	$\frac{137247+321+5376}{321}$ =445.31 times	$\frac{151047+322+4112}{322}$ =482.86 times
b) Cash Debt Coverage Ratios					
i) Cash from operation to current liability	$\frac{22409}{\frac{109043+150817}{2}}$ =17.25%	$\frac{27561}{\frac{162069+109043}{2}}$ =20.33%	$\frac{109346}{\frac{154148+261897}{2}}$ =52.56%	$\frac{137247}{\frac{239343+154148}{2}}$ =69.76%	$\frac{151047}{\frac{318610+239343}{2}}$ =54.14%
ii) Cash from operation to total debt ratio	$\frac{22409}{\frac{109043+150817}{2}}$ =17.25%	$\frac{27561}{\frac{162069+109043}{2}}$ =20.33%	$\frac{109346}{\frac{154148+261897}{2}}$ =52.56%	$\frac{137247}{\frac{239343+154148}{2}}$ =69.76%	$\frac{151047}{\frac{318610+239343}{2}}$ =54.14%

Bottlers Nepal (Terai) Limited
Calculation of Free Cash Flow & Quality Income Ratio

Amount Rs. '000'

Particulars	Fiscal Year				
	2063/064	2064/065	2065/066	2066/067	2067/068
Free Cash Flow	22409-33823-0-0 = (Rs. 11414)	27561-19271-0-0 =Rs. 8290	109346-20045-0-95127 =(Rs. 5826)	137247-71887-0-0 =Rs. 65360	151047-141336-0-35256 =(Rs. 25542)
Quality Income Ratio	22409+524 (26015)+524+58072 =0.7038 times	27561+19 24801+19+44046 =0.4005 times	109346+104 13818+104+39752 =2.039 times	137247+321 78585+321+29981 =1.263 times	151047+322 133179+322+50012 =0.8248 times

Bottlers Nepal (Terai) Limited
Calculation of Capital Expenditure Ratio

Amount Rs. '000'

Particulars	Fiscal Year				
	2063/064	2064/065	2065/066	2066/067	2067/068
i) Investing-inflows ratio	$\frac{(15791)}{(15791)+0}$ =100%	$\frac{(22514)}{(22514)+0}$ =100%	$\frac{(20413)}{(20413)+(95127)}$ =17.67%	$\frac{(119481)}{(119481)+0}$ =100%	$\frac{(127604)}{(127604)+(35256)}$ =78.35%
ii) Financing-inflows ratio	$\frac{0}{0+(15791)}$ =0%	$\frac{0}{0+(22514)}$ =0%	$\frac{(95127)}{(20413)+(95127)}$ =82.33%	$\frac{0}{0+(119481)}$ =0%	$\frac{(35256)}{(127604)+(35256)}$ =21.65%
iii) Cash flows from operation to Cash Flow from investing activity	$\frac{22409}{(15791)}$ = 141.91%	$\frac{27561}{(22514)}$ = 122.42%	$\frac{109346}{(20413)}$ = 535.67%	$\frac{137247}{(119481)}$ = 114.87%	$\frac{151047}{(127604)}$ = 118.37%
iv) Cash flows from financing activity to Cash flow from investing activity	$\frac{0}{(15791)}$ =0%	$\frac{0}{(22514)}$ =0%	$\frac{(95127)}{(20413)}$ =466.01%	$\frac{0}{(119481)}$ =0%	$\frac{(35256)}{(127604)}$ =27.63%
v) Cash reinvestment ratio	$\frac{22409-0}{33823+69161}$ =21.76%	$\frac{27561-0}{19271+113024}$ =20.83%	$\frac{109346-95127}{20844+71698}$ =15.36%	$\frac{137247-0}{71887+41235}$ =121.33%	$\frac{151047-35256}{141337+40712}$ =63.60%

Bottlers Nepal (Terai) Limited
Calculation of Efficiency of Cash Utilization Ratio

Amount Rs. '000'

Particulars	Fiscal Year				
	2063/064	2064/065	2065/066	2066/067	2067/068
i) **Gross Cash Flow Ratio/Margin**	$\frac{385888-218631}{385888}$ =43.34%	$\frac{509029-199680}{509029}$ =60.77%	$\frac{482791-234832}{482791}$ =51.36%	$\frac{654117-236209}{654117}$ =63.89%	$\frac{908066-343143}{908066}$ =62.21%
ii) **Cash in current assets/ Efficient use of cash ratio**	$\frac{21474}{225149}$ =9.54%	$\frac{26521}{328608}$ =8.07%	$\frac{20327}{284801}$ =7.14%	$\frac{38094}{418925}$ =9.09%	$\frac{26281}{575847}$ =4.56%
iii) **Cash ratio/ Cash holding ratio**	$\frac{21474}{109043}$ = 19.69%	$\frac{26521}{162069}$ = 16.36%	$\frac{20327}{154148}$ = 13.19%	$\frac{38094}{239343}$ = 15.92%	$\frac{26281}{318610}$ = 8.25%
iv) **Return on sales ratio:**	$\frac{33227}{354095}$ =9.38%	$\frac{77458}{484987}$ =15.97%	$\frac{70077}{475109}$ =14.75%	$\frac{162198}{621174}$ =26.11%	$\frac{267413}{845258}$ =31.64%
v) **Cash turnover to sales**	$\frac{354095}{14856}$ =23.84 times	$\frac{484987}{21474}$ =22.58 times	$\frac{475109}{26521}$ =17.91 times	$\frac{621174}{20327}$ =30.56 times	$\frac{845258}{38094}$ =22.19 times
vi) **Ending cash and cash equivalents to sales ratio**	$\frac{21474}{354095}$ =6.06%	$\frac{26521}{484987}$ =5.47%	$\frac{20327}{475109}$ =4.28%	$\frac{38094}{621174}$ =6.13%	$\frac{26281}{845258}$ =3.11%

Bottlers Nepal (Terai) Limited
Calculation of Operating Cash Flow Ratio

Amount Rs. '000'

Particulars	Fiscal				
	2063/064	2064/065	2065/066	2066/067	2067/068
i) **Cash Flow Margin**	22409 / 354095 = 6.33%	27561 / 484987 = 5.68%	109346 / 475109 = 23.01%	137247 / 621174 = 22.09%	151047 / 845258 = 17.87%
ii) **Operating cash flow to capital employed**	22409 / 263244 = 8.51%	27561 / 284840 = 9.68%	109346 / 223124 = 49.00%	137247 / 277260 = 49.50%	151047 / 354694 = 42.59%
iii) **Cash flow adequacy ratio**	22409 / 33823+(10859)+0 = 97.58%	27561 / 19271+(7222)+0 = 228.74%	109346 / 20844+(25565)+95127 = 120.95%	137247 / 71887+(5110)+0 = 205.53%	151047 / 141337+16246+35256 = 78.33%
iv) **Priority obligation ratio**	22409 / 524+0+0 = 42.77 times	27561 / 19+3205+0 = 8.55 times	109346 / 104+3027+0 = 34.92 times	137247 / 321+5376+0 = 24.09 times	151047 / 322+4112+0 = 34.07 times
v) **Cash realization ratio**	22409 / (26015) = -0.8614 times	27561 / 24801 = 1.11 times	109346 / 13818 = 7.91 times	137247 / 78585 = 1.75 times	151047 / 133179 = 1.13 times

Unilever Nepal Limited
Calculation of Cash Coverage Ratio

Particulars	Fiscal				
	2063/064	2064/065	2065/066	2066/067	2067/068
a) Cash Interest Coverage Ratio	$\frac{206154574+1789825+66285242}{1789825}$ =153.22 times	$\frac{250607550+1059458+80950000}{1059458}$ =313.95 times	$\frac{232513451+129055+101800000}{129055}$ =2591.47 times	$\frac{649534929+26738+134510185}{26738}$ =29324.25 times	$\frac{397435777+1619543+163958856}{1619543}$ =347.64 times
b) Cash Debt Coverage Ratios					
i) Cash from operationto current liability	$\frac{206154571}{\frac{353309001+370237344}{2}}$ =56.98%	$\frac{250607550}{\frac{368484050+353309001}{2}}$ =69.44%	$\frac{232513451}{\frac{384111430+385782027}{2}}$ =60.40%	$\frac{649534929}{\frac{190565694+384111430}{2}}$ =226.05%	$\frac{397435777}{\frac{212646809+190565694}{2}}$ =197.13%
ii) Cash from operation to total debt ratio	$\frac{206154571}{\frac{353309001+370237344}{2}}$ =56.98%	$\frac{250607550}{\frac{368484050+353309001}{2}}$ =69.44%	$\frac{232513451}{\frac{384111430+385782027}{2}}$ =60.40%	$\frac{649534929}{\frac{190565694+384111430}{2}}$ =226.05%	$\frac{397435777}{\frac{212646809+190565694}{2}}$ =197.13%

Unilever Nepal Limited
Calculation of Free Cash Flow & Quality Income Ratio

Particulars	Fiscal Year				
	2063/064	2064/065	2065/066	2066/067	2067/068
Free Cash Flow	206154571-38514050-0-368280000 =(Rs. 200639479)	250607550-27616000-0-230175000 =(Rs. 7183450)	232513451-11934631-0-253192500 =(Rs. 32613680)	649534929-16647706-0-296675325 =Rs. 336211898	397435777-48778674-0-414315000 =(Rs. 65657897)
Quality Income Ratio	$\frac{206154571+1789825}{238156507+1789825+19581408}$ =0.8012 times	$\frac{250607550+1059458}{263064838+1059458+19517262}$ =0.8873 times	$\frac{232513451+129055}{335121739+129055+20650892}$ =0.6537 times	$\frac{649534929+26738}{444042761+26738+12669079}$ =1.422 times	$\frac{397435777+1619543}{576534001+1619543+13671942}$ =0.6743 times

Unilever Nepal Limited
Calculation of Capital Expenditure Ratio

Particulars	Fiscal Year				
	2063/064	2064/065	2065/066	2066/067	2067/068
i) Investing-inflows ratio	$\frac{142685951}{142685951+(368280000)}$ = -63.25%	$\frac{22148185}{22148185+(230175000)}$ =-10.65%	$\frac{18065369}{18065369+(253192500)}$ =-7.68%	$\frac{(69799204)}{(69799204)+(296675325)}$ =19.05%	$\frac{(201903967)}{(201903967)+(414315000)}$ =32.76%
ii) Financing-inflows ratio	$\frac{(368280000)}{142685951+(368280000)}$ =163.25%	$\frac{(230175000)}{22148185+(230175000)}$ =110.65%	$\frac{(253192500)}{18065369+(253192500)}$ =107.68%	$\frac{(296675325)}{(69799204)+(296675325)}$ =80.95%	$\frac{(414315000)}{(201903967)+(414315000)}$ =67.24%
iii) Cash flows from operation to Cash Flow from investing activity	$\frac{206154571}{142685951}$ = 144.48%	$\frac{250607550}{22148185}$ = 1131.50%	$\frac{232513451}{18065369}$ = 1287.07%	$\frac{649534929}{(69799204)}$ = 930.57%	$\frac{397435777}{(201903967)}$ = 196.84%
iv) Cash flows from financing activity to Cash flow from investing activity	$\frac{(368280000)}{142685951}$ =258.11%	$\frac{(230175000)}{22148185}$ =1039.25 %	$\frac{(253192500)}{18065369}$ =1401.54%	$\frac{(296675325)}{(69799204)}$ =425.04%	$\frac{(414315000)}{(201903967)}$ =205.20%
v) Cash reinvestment ratio	$\frac{206154571-368280000}{40459929+ (184275518)}$ =112.73%	$\frac{250607550-230175000}{9448462+ (127796959)}$ =-17.26%	$\frac{232513451-253192500}{27654022+ (53186459)}$ =81.00%	$\frac{649534929-296675325}{27616000+283399855}$ =113.45%	$\frac{397435777-414315000}{48778674+ 206849436}$ =-6.60%

Unilever Nepal Limited
Calculation of Efficiency of Cash Utilization Ratio

Particulars		Fiscal Year				
		2063/064	2064/065	2065/066	2066/067	2067/068
i)	**Gross Cash Flow Ratio/Margin**	$\frac{1531463293-96566562}{1531463293}$ =36.94%	$\frac{1908175699-129619540}{1908175699}$ =32.07%	$\frac{2163439245-144089463}{2163439245}$ =33.40%	$\frac{2727490233-171478353}{2727490233}$ =37.13%	$\frac{3211588706-197626487}{3211588706}$ =38.46%
ii)	**Cash in current assets/ Efficient use of cash ratio**	$\frac{59021739}{557956265}$ =10.58%	$\frac{101602475}{622670323}$ =16.32%	$\frac{98988795}{761386137}$ =13.00%	$\frac{382049195}{790630298}$ =48.32%	$\frac{163266004}{758972039}$ =21.51%
iii)	**Cash ratio/ Cash holding ratio**	$\frac{59021739}{353309001}$ = 16.71%	$\frac{101602475}{368484050}$ = 27.57%	$\frac{98988795}{384111430}$ = 25.77%	$\frac{382049195}{190565694}$ = 200.48%	$\frac{163266004}{212646809}$ = 76.78%
iv)	**Return on sales ratio:**	$\frac{341989053}{1469685740}$ =23.27%	$\frac{339575282}{1818527500}$ =18.67%	$\frac{460144620}{2144589477}$ =21.46%	$\frac{581350981}{2625826798}$ =22.14%	$\frac{728057994}{3055070869}$ =23.83%
v)	**Cash turnover to sales**	$\frac{1469685740}{78461218}$ =18.73 times	$\frac{1818527500}{59021739}$ =30.81 times	$\frac{2144589477}{101602475}$ =21.11 times	$\frac{2625826798}{98988795}$ =26.53 times	$\frac{3055070869}{382049195}$ =8.00 times
vi)	**Ending cash and cash equivalents to sales ratio**	$\frac{59021739}{1469685740}$ =4.02%	$\frac{101602475}{1818527500}$ =5.59%	$\frac{98988795}{2144589477}$ =4.62%	$\frac{382049195}{2625826798}$ =14.55%	$\frac{163266004}{3055070869}$ =5.34%

Unilever Nepal Limited
Calculation of Operating Cash Flow Ratio

Particulars	Fiscal Year				
	2063/064	2064/065	2065/066	2066/067	2067/068
i) **Cash Flow Margin**	206154571 / 1469685740 =14.03%	250607550 / 1818527500 =13.78%	232513451 / 2144589477 =10.84%	649534929 / 2625826798 =24.74%	397435777 / 3055070869 =13.00%
ii) **Operating cash flow to capital employed**	206154571 / 224914802 =91.66%	250607550 / 234787141 =106.74%	232513451 / 270681380 =85.90%	649534929 / 687865318 =94.43%	397435777 / 830367765 =47.86%
iii) **Cash flow adequacy ratio**	206154571 / 38514049+26403408+368280000 =47.59%	250607550 / 57616000+48158938+230175000 =74.60%	232513451 / 11934631+88491680+253192500 =65.75%	649534929 / 81647706+(164366250)+296675325 =303.58%	397435777 / 248778674+197427895+414315000 =46.19%
iv) **Priority obligation ratio**	206154571 / 1789825+66285242+0 =3.03 times	250607550 / 1059458+80950000+0 =3.06 times	232513451 / 129055+101800000+0 =2.28 times	649534929 / 26738+134510185+0 =4.83 times	397435777 / 1619543+163958856+0 =2.40 times
v) **Cash realization ratio**	206154571 / 238156507 =0.8656 times	250607550 / 263064838 =0.9526 times	232513451 / 335121739 =0.6938 times	649534929 / 444042761 =1.463 times	397435777 / 576534001 =0.6894 times