

**A STUDY ON THE COMPARATIVE ANALYSIS OF CASH
FLOW STATEMENT OF COMMERCIAL BANK
(A Case Study of Kumari Bank Ltd. and Siddhartha Bank Ltd.)**

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RECOMMENDATION

This is to certify that the thesis

Submitted by:

KUL PRASAD RIJAL

Entitled:

**A STUDY ON THE COMPARATIVE ANALYSIS OF CASH
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*has been prepared as approved by this Department in the prescribed format of
the Faculty of Management. This thesis is forwarded for examination.*

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*And found the thesis to be the original work of the student and written
according to the prescribed format. We recommend the thesis to be
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DECLARATION

I hereby declare that the work reported in this thesis entitled “**A Study on The Comparative Analysis of Cash Flow Statement of Commercial Bank (A Case Study of Kumari Bank Ltd. and Siddhartha bank Ltd.)** ” submitted to Office of the Dean, Faculty of Management, Tribhuvan University, is my original work done in the form of partial fulfillment of the requirement for the degree of Master of Business Studies (M.B.S) under the supervision of **Prof. Dr. Kamal Deep Dhakal** and **Romakanta Bhattarai** of Shanker Dev Campus, T.U.

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CHAPTER-I

INTRODUCTION

1.1 Background of the Study

Cash flow simply refers the flows of cash in and out of a business our certain period of time. It defines the flow of cash. Normally there are two types of cash flow (i.e. positive and negative) Positive Cash flow means inflow of cash a negative means outgoing of cash. Cash flow excludes movements between items that constitute Cash or Cash equivalents. Because these components are the part of cash management of enterprises rather than parts of its operating, investing and financing activities.

The development of any company can't be imagined without economic activities. The development of the banking System is one of the grounds of economic development. In another word these is no possibility of economic development of country without the development of banking system. So we should take a bank as a strong means for the economic development. So cash flow is necessary to keep financial institution. It helps to know about Cash inflow or cash out flow. Watching the cash flow and out flow is one of the major management tasks. The out flow of cash is measured by those checks issued by every month to pay salaries, suppliers, creditors and others. The inflows are the cash received from customers, lenders and inventories or any types of sources .The term of cash out flow and inflow systematically defined as sources and use of cash.

Through this study to compare and analysis the trend of cash inflows and its management in private sector commercial bank. The selected institution are Kumari Bank limited and Siddhartha Bank limited. Which are operating its business under almost equal age in to Nepalese financial market?

In 1974 commercial bank Act has been enacted and enforce in Nepal. This Act has helped to number of commercial banks with view to maintain the economic interest and comfort of the public in general, facilitate to provide loan for agriculture , industry and trade and make available banking services to the country and the people(commercial bank Act 2031:B.S.) Now commercial banks are operated under the directive of NRB and NRB Act 2058. There is also existence of bank and financial institution (BAFIA)to operate commercial bank on the new climate. After the liberalization in the decade of 2050 various commercial bank started to provide the service in the field of financial sectors of the country. Number of Finance companies and saving and credit co-operative institutions have been established provide financial service to the country. (“1974 Commercial Bank Act”)

1.2 Focus of the study

Cash is the life blood of business organization. It is the fuel that keeps the business alive. Without cash no business transaction can even imagined to be done. So analysis of liquidity positions is an important aspect of modern business organization. As such the decision makers must pay close attention of the firm’s cash position and events and transaction that affect the causes of cash position to change .Without cash flow not possible to run business activity.

Cash flow is necessary to move business in the financial institution. It simply refers the flow of cash “in “and “out” of a business over certain period of time. It defines the flow of cash normally there are two types cash flow (positive and negative) positive cash flow means inflow of cash and negative means outgoing of cash .cash flow exclude movement between items that constitute cash or cash equivalents because this components are the part of cash management of enterprises rather than parts of its operating, investing and financing activities.

Watching the cash inflow and out flows is one of the major management tasks .The outflow of cash is measured by those check issue by every month to salaries, suppliers, creditors and others.

1.3 General information about selected commercial banks.

Kumari Bank Limited:-

Came into existence as the fifteenth commercial bank of Nepal by starting its banking operations from Chaitra 21, 2057 B.S (April 03, 2001) with an objective of providing competitive and modern banking services in the Nepalese financial market. The bank has paid up capital of Rs. 1,603,800,000 of which 70% is contributed from promoters and Remaining from public. The key focus of the bank is always center on serving unfulfilled needs of all classes of customers located in various parts of the country by offering modern and complete banking product and services in their door step .The bank always prioritize the priorities of the valued customers.

The share holding pattern is illustrated as follows;

• Promoters ownership	70%
• Government of Nepal	—
• “A” class licensed institutions	—
• Other licensed institutions	1.67%
• Other institutions	0.64%
• Personal	67.69%
• Others	—
• General public ownership	<u>30%</u>
• Total	100

Sources: Annual report 2069/70

Siddhartha Bank Limited (SBL)

Siddhartha Bank Limited (SBL), established in 2002 and promoted by prominent personalities of Nepal, today stands as one of the consistently growing banks in Nepal. While the promoters come from a wide range of

sectors, they possess immense business acumen and share their valuable experiences towards the betterment of the Bank. Within a short span of time, Siddhartha Bank has been able come up with a wide range of products and services that best suits its clientele. Siddhartha Bank has been posting growth in its portfolio size and profitability consistently since the beginning of its operations. The management of the Bank has been thoroughly professional. Siddhartha Bank has been able to gain significant trust of the customers and all other stakeholders to become one of the most promising commercial banks in the country in less than 10 years of its operation. The Bank is fully committed towards customer satisfaction. The range and scope of modern banking products and services the Bank has been providing is an example to its commitment towards customer satisfaction. It is this commitment that has helped the Bank register quantum growth every year. And the Bank is confident and hopeful that it will be able to retain this trust and move even further towards its mission of becoming one of the leading banks of the industry.

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• Personal	67.69%
○ Others	–
• General public ownership	<u>30%</u>
○ Total	100 %

Sources: Annual report 2069/70

1.4 Statement of the Problem

Being the reputed banking institution and having almost similar organization structure and objective, the banks are not earning the same amount of profit,

cash flows and not able to meet the return on cash basis on equal term and the share prices of these banks are differ too .may be the limited investment bounding and low banking attitude of customer are quite serious problem of these banks .Government rules and regulation with competitive attitude and behavior of commercial bank is the problem of banking sector in these days in the country .

Rules and regulation as well as directives imposed by government and NRB provide both opportunity and threat to the commercial banks operating in the country.

The main problem of these commercial banks is mentioned below:

- Is the cash managed properly or not? Are there any irregularity regarding cash flow?
- What does their cash flow indicate?
- Why these banks have not same amount of cash flow?
- How far they have been able to keep the sound status in terms of business success?
- What are the factor that affects company's liquidity and solvency?
- Why the investment opportunities of these banks differ?

1.5 Objectives of the Study

The main objective of this study is to know about the cash flow analysis and its management in Kumari Bank and Siddhartha Bank of Nepal. The other objective the studies are:

- To examine, analyze and compare the cash flow statement of Kumari Bank Limited and Siddhartha Bank Limited.
- To evaluate the trend of cash flow from different activities of Sample banks.
- To compare the cash flow performance of individual banks.
- To recommend the appropriate suggestions to the concerned financial institutions for future improvement.

1.6 Significance of the study

The main significance of this study is to know about the cash flow analysis and its management in commercial bank of Nepal. The other significance the studies are:

- Cash flow statement summaries the performance of organization on cash basis, therefore cash flow statement is considered a better indicator of future planning.
- Cash flow is more appropriate for internal financial planning reporting, controlling and decision making.
- The interest holders of a company can easily critically analyze the organization with the help of the statement.
- Cash flow statement provides a valuable guideline to evaluate the company and various groups of users.
- Cash flow statement is useful in making internal as well as external investment and financing decision such as project expansion, replacement of projects, repayment short term and long term debt.

1.7 Limitations of the Study

The study is fundamentally based upon the published financial report provide by the selected institutions. Therefore, there are various limitations to analysis in details. The data published by institutions, certified public accountants are believed as true, accuracy and fairness.

The effect of inflation, which is one of the most important factors for the analysis of economic activities, has not been taken into consideration for the purpose of study. As the whole data have been extracted from the published financial statements, it's mainly based on historical financial information.

Since the method, theories, standards, and indicators etc. employed in the study have their own limitation & assumptions, this study, therefore is within the limitation of all those employed methods.

In order to analyze & compare the financial position consistently, the B/S & P/L A/C of all the selected companies has been taken into consideration since F/Y 2065/66 to 2060/70

Regarding the above, have mentioned the following points:

- The study is mainly confined KBL & SBL
- The study is fundamentally based on the data of published financial statement of bank mentioned under study.
- Only five years data from F/Y2065/66 to 2069/70
- Data are based historical accounting rather than on inflation accounting.

1.8 Organization of the Study

As specified format of the research study, this study also comprises of five major chapters. They are:

Chapter -I:	Introduction
Chapter-II:	Review of Literature
Chapter-III:	Research Methodology
Chapter-IV:	Presentation and Analysis of Data
Chapter-V:	Summary, Conclusion and Recommendation

Chapter-I: Introduction

This chapter includes general background of the study, profile of Sample Company, statement of the problems, objectives of study, significance of study, limitation of study and organization of the study.

Chapter-II: Conceptual Frame work and Review of Literature

This chapter concerns about the concepts of Cash flow statement and review of related studies to highlight the related terms and to present the available information about previous related studies.

Chapter-III: Research Methodology

This chapter includes introduction, research design, sources and nature of data, data gathering instruments, statistical tools used for the study.

Chapter-IV: Data Presentation and Analysis

Various data are gathered from the application of the different methods and presented and tabulated as required by the research objectives. Data are interpreted and analyzed with the help of various analytical tools and technique. Major Finding of the Study are also included in this Chapter.

Chapter-V: Summary, Conclusion and Recommendation

This chapter includes summary and conclusion of the study. It also includes recommendation on the basis of the study.

CHAPTER-II

CONCEPTUAL FRAME WORK AND REVIEW OF LITERATURE

This is the things, which helps to the researcher for completion of study. It provides guidelines, ideas and several important data for the research field. Therefore previous studies are most important for completing any type of study because these are the basic guidelines which provide way of doing of the research. Cash flow statement is the latest version in accountancy.

Review of literature is basically a stock taking of available literature in the field of research. The textual matter would help researcher to support the area of research in order to explore the relevant and true facts for the reporting purpose. While conducting the research study previous studies cannot be ignored as those instructions would help to check up the change of duplication in the present study.

Thus one can find what search studies have been conducted and what remains to go with. A researcher prepares a report or thesis by reviewing of related thesis, journal and annual report are selected commercial banks are studied while preparing this thesis report.

2.1.1 Introduction to the Studied Subject Matter:

“Cash is the lifeblood of business enterprises. It is the fuel that keeps a business alive”. “Cash flow simply refers to the flow of cash in and out of a business over a definite period of time.” If the funds are in from of working capital then funds flow statement should be prepare. But when cash are assumed as fund then cash flow statement be made to inform the stake- holder about the cash flow position of the enterprise/company. Cash flow statement is the key financial statement that should be prepared by company to submit the report on AGM and BOD. It describes the sources and usages of cash from different

items and activities. Cash flow statement is the receipt and payment of cash within an accountancy period. According to the institute of cost and work accountants of India cash flow statement is “a statement setting in and out flow of cash under distinct head of sources of funds.”

2.1.2 Funds Flow Analysis

The efficiency of the firm is reflected in the inflow and out flow of funds in the business. To understand the operational efficiency of the business concern, it is necessary to have an analysis of the dynamic aspects of the flow of funds. And such an analysis made through funds flow analysis by preparing a statement is called a statement of change in financial position or funds flow statement. The funds flow statement is a statement which shows the movement of funds. In the words of Anthony the funds flow statement describes the sources from which additional funds were described and the use to which these resources were put therefore, the main purpose of funds flow analysis is to get clear information about the financial transactions that brings changes in the company’s resources. It is a kind of financial tools which answers the following question:

- From which sources fund received?
- How many funds received?
- For what purpose the fund is used?
- Whether the business is solvent or not?
- How can a profitable business be running on low and working capital?

2.1.3 Cash Flow Analysis

Cash is the lifeblood of business organization. Without cash no business transaction can be imagined to be done. It is the fuel that keeps a business alive. Without cash no activities can take place. A business must have an adequate amount of cash to operate. So, analysis of liquidity position is an important aspect of modern business organization. As such the decision makers must pay close attention to the firm’s cash position and events and transaction that affect the cash position company is termed as cash flow analysis (Munakarmi, 2012:259).

Profits and Cash Flow

Profits are accounting measures that may not reflect the economic reality of the firm. Increasing profit will not always result in higher stock prices, profits of the firm depend on many factors such as method of depreciation, non operating gains incomes expenses and losses. Cash flow analysis not only recognize the profit but it goes a little further and measures the actual cash available for the firm. It is after all the available cash not the profit that determines the firm's future investment and growth. Cash flows have earning potential and capture the economic impact of managerial decisions. Cash flows are not the profits that determine the wealth.

2.1.5 Cash Flow Statement

Cash flow statement is the systematic and analytical presentation of inflow and out flow of cash flow from different sources within an accounting period. It is the reconciliation of opening and closing cash. It shows the actual view of business on cash basis. The FASB no 95 "statement of cash flow" issued reconciliation of opening and closing cash. It shows the actual view of business on cash basis. The FASB no 95 "statement of cash flow" issued in 1987 has classified the cash flow into operating, investing and financing activities. Similarly Nepal accounting standard (NAS-03) issued by NASB (2003) cash flow statement should report cash flow during the period classified by operating, investing and financing activities (Dongle, 2011).

Recognizing the importance and usefulness of cash flows analysis, the FASB issued statement of financial statement standard no.95 "statement of cash flow" in November 1987. This standard requires business to include a statement of cash flows in all financial reports that contain balance sheet and statement. This statement supersedes opinion no.19 "Statement of change in financial position" The IAS has also replaced FFS and asked its entire member to present cash flow statement along with the balance sheet and income statement. As such an enterprise should prepare a cash flow statement along with the balance sheet and income statement since 1992. Nepal company Act 2053 B.S. also made

mandatory to present cash flow statement along with the balance sheet and income statement .As such an enterprise should prepare a cash flow statement and should present it as an integral part of its financial statement for each period for which financial statement are presented.

2.1.6 Importance of Cash Flow Analysis

Enterprises need cash to conduct their operation, to pay their obligation and to provide return to their investors. Users of an enterprise financial statement are interested in how the enterprise generates and uses cash and cash equivalents. It helps the user of financial statement evaluate a company's ability to have sufficient cash both in short term and long term basis. For this reason, the statement of cash flow is useful to virtually everyone interested in the company's financial health. Cash flow statement is important to provide information about inflows and out flows of cash and cash equivalent. It provides useful information to the users of statement in the following way.

- It helps to evaluate financial polices & cash positions.
- It helps to inform about the availability of cash. So that management can determine polices regarding financial management i.e.
- Assess a company's ability to generate positive future cash flows.
- Assess a company's ability to meet its obligation, its ability to pay dividends and its need for external financing.
- Assess the reason for difference between income and associated cash receipts and payments.
- Assess both the cash and non-cash aspects of a company's investment and financial transactions.
- In other words cash flow statement may helps to the following:
- If a company operates at profit why is it continually short of cash?
- How can a company operate at loss and still generate huge inflows of cash from operations?
- How was the company's growth and expansion financed?

- Did the company acquire any long term investment or other income producing assets?
- Was financing obtained during the period through issuance of debt or equity securities? If so what were the amount of cash obtained?
- Did the company use cash to retire any long term debt or equity securities during the period?
- Are the company's incomes producing activities using more than they are generating?
- Do operating activities consistently generate enough cash to assure prompt payment of operating expenses maturing liabilities interest obligation and dividends? (Manukarmi, 2012).

2.1.7 Objectives of Cash Flows Statement

The objective of cash flow statement is to highlight the major activities of the business that have provided cash for the business and have used during a period. Similarly, it also shows the resulting effect on the overall cash balance. The objectives of cash flow statement should be assessing users:

- To assess the company's ability to generate positive cash flow in the future. To assess its ability to meet its obligations to service loans, pay dividend etc.
- To assess the reason for differences between reported and related cash flows.
- To assess the effects on its finances of major transactions in the year.
- To find out the causes of changes in the cash position on two dates and financial policies can be done with the help of cash flow statement.
- To help the management to know and predict its position, it can plan its policy and make decisions regarding the redemption of debentures purchase of fixed assets and so on.

2.1.8 Distinction between Funds Flow and Cash Flow Statement

- Concept: Funds flow is based on working capital and cash flow based on cash.
- Accounting: Funds flow statement is based on accrual basis of accounting and cash flow statement is based on cash basis of accounting.
- Preparation: fund flow statement reveals the sources and application of funds and any difference represents net increase or decrease of working capital whereas cash flow statement reveals the inflow and out flows of cash and difference represents the closing cash balance.
- Purpose: funds flow statement shows the causes changes in working capital position of a firms between two balance sheets dates whereas cash flow statement shows the causes of change in cash position of a firm between two balance dates.
- Usefulness: Funds flow statement is useful in planning intermediate and long term financing, cash flow statement is more useful for short term analysis and cash planning of business.
- Schedule of change in working capital: To get information about current assets and liabilities it is necessary to prepare the schedule of change in working capital before preparing funds flow statement whereas in cash flow statement it is not necessary to prepare the schedule of change in working capital.

2.1.9 Preparation of cash Flow statement

The cash flow statement is prepared on the basis of cash basis of accounting. While calculation operating profits for flow statement, adjustment for prepaid and outstanding expenses and incomes are made to convert the data form accrual basis .The statement is prepaid by talking the opening balance cash, adding to this all the inflows of cash from the total .The statement is more useful for short-term analysis and cash planning of the business .Cash flow statement shows the sources and application of cash .Sources are the inflows of the cash and uses are the outflows of the cash.

Cash Flows:

Cash flow is simply refers to the flow of a cash into or out of a cash into or out of a business over a period of time. Watching the cash inflows and out flows is one flows is one of the major management tasks.

Sources of Cash:

If the cash is coming into the business through by different activities this is called cash inflows. The following are the cash inflows:

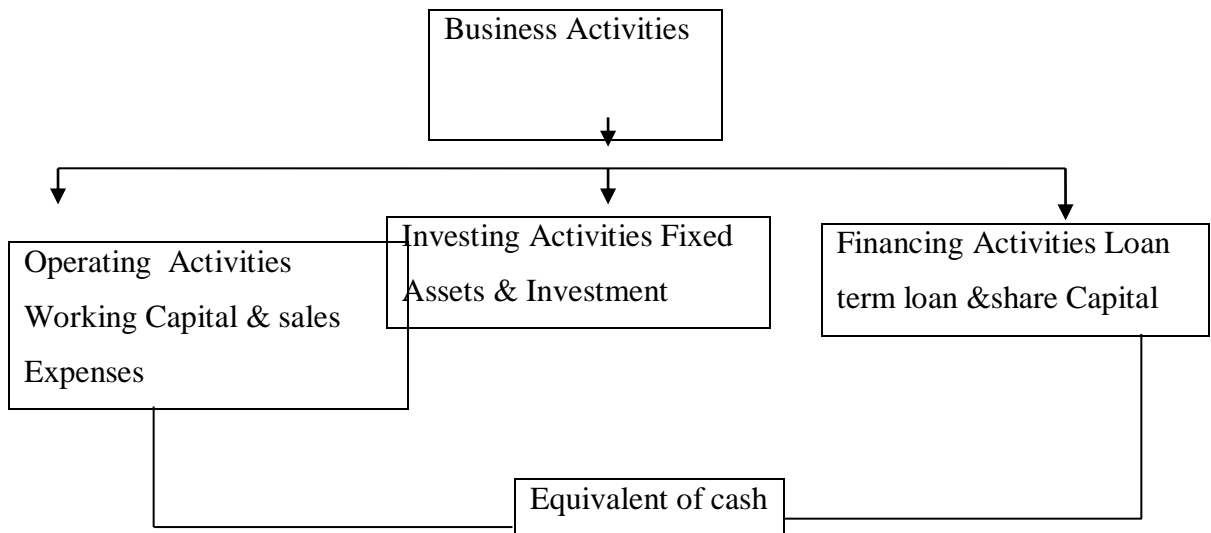
- Opening cash & cash equivalents
- Cash from operation
- Cash from issue of shares
- Cash from issue of debentures
- Cash from share premium
- Cash from long term loan
- Cash from sales of fixed assets
- Cash from sales of investment

Uses of Cash:

If the cash is going out from the business for different purpose, this is called cash outflows. The following are the cash outflows:

- Cash depleted from operation
- Cash purpose of fixed assets
- Redemption of debenture
- Dividend paid
- Closing cash & cash equivalent

Figure: 2.1
Component of cash Flow



As per the FASB's statement no.9 the cash flows statement, should be presented under informative approach in activity format. Under information approach the cash flow statement may be presented using:

- Indirect Method
- Direct method

Indirect Method to Cash Flow Statement

Under this method the cash flow operating activities could be derived by preparing funds from operation, as have been done in case of fund flow analysis. This from operation could be converted in to cash from operation by adjusting change in short term assets and liabilities excluding cash. Cash from investing are generated internally from non operating activities like fixed and long term investment. Similarly cash from financing activities are the presentation of cash from or lender investors and shareholders that affect cash.

Operating Activities:

The amount of cash flows arising from operating activities is a key indicator of the extent to which the operations of the enterprise have generated sufficient cash flows to repay loans, maintain the operating capability of the enterprise,

paying dividends and make new investments without resources to external sources of financing. It relates to a company's primary revenue generating activities. It is the single major continuing sources of cash. Operating activities are always within the management control and they provide base for management estimation of fund needed to rise from available sources. Cash flow from operating activities is generally the cash effects of transactions and economic events included in the determination of income.

Under this method, the net cash flow from operating activities by adjusting net profit or loss for effect of:

- Changes during the period in inventories and operating receivables and payables.
- Non-cash items such as depreciation, provision, deferred taxes and unrealized gains or losses.
- All other items for which the cash effects are investing or financing cash flows.
- Cash receipts and payments from contracts help for dealing or trading purpose.

Alternatively the net cash flows from operating activities under indirect method may be present showing operating activities revenues and expenses, excluding non-cash items disclosed in the statement of profit and loss and the changes in inventories and operating receivables and payables during the period. Examples of operating activities:

- Non –cash and non operating gains/losses/expenses.
- Depreciation/loss on sales of assets provision for taxes.
- Operating profit before working capital changes
- Increases/decreases in current assets and current liabilities.

Investing Activities:

All the cash flows (either outflows or inflows) from investing activities can be determined by the long term assets and investment of two accounting periods.

Any increase in assets shall be considered as having purchases and cash paid for it any information contrary to the same is provided. At the same time, decrease in assets accounts represents the sale of those assets and inflows unless information opposing to that is provided. The gain or loss on sale need to be adjusted to calculate the exact amount cash received. Investing activities are:

- Cash payment to acquire the fixed assets.
- Cash receipts from disposal of fixed assets.
- Cash payments to acquire shares, warrants or debt instrument of other companies.
- Cash advances and loan made to other parties.
- Cash receipts from the repayment of advances and loans made to third parties.

Financing Activities:

Cash flow from financing activities is calculated by analyzing the liabilities side of the balance sheet. The amounts of secured loans, the amount of share capital and retained earnings accounts are analyzed to calculate the amount of share capital and retained earnings accounts are analyzed to calculate the inflows and outflows from financing activities. The increase in these amounts can be taken as inflows either with the name of more borrowing or issuance of share. Similarly, the decrease in these amounts can be taken as outflows with the name of redemption of debts or preference shares. Besides the capital and loan amounts, another financing activity is dividend paid or drawings by the owners. Dividend may be in the form of cash dividend or stock dividends do not use any cash. Hence, they should not be considered for cash flow statement. The separate discloser 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. Examples of cash flows arising from financing activities are:

- Cash precedes from issuing shares or others equity instruments.
- Cash payments to owners to acquired the redeemed the enterprises shares.
- Cash proceeds from issuing debentures, loans, notes, bonds and mortgages and other short or long term borrowings.
- Cash repayments of amounts borrowed.
- Cash payment by a lessee for the reduction of the outstanding liability relating to a finance lease.(International accounting standard 7(revised 1992))

Figure: 2.2

Format of Cash Flow Statement under Indirect Method

<u>Cash from operating Activities(CFOA)</u>	
Provision for dividend of this year(dividend payable)	XXX
Interim dividend	XXX
Profit transfer to balance sheet (This year-Last year)	XXX
Profit and loss a/c	XXX
General reserve	XXX
Retained Earnings	XXX
Funds etc.	XXX
Net profit after tax/Profit for the year	XXX
<u>Add :Non Cash and non operating items</u>	
Depreciation of tangible assets	XXX
Amortization of intangible fixed assets	XXX
(i.e. preliminary expenses, P&L Dr. Balance, discount on share/debenture)	
Loss on revaluation or sales of fixed assets or debenture	XXX
Discount on issue of shares or debentures	XXX
Discount on issue of shares or debentures	XXX
Less: <u>Non Operating incomes of Gains</u>	
Gains on revaluation or sales of fixed assets or investment	XXX
Discount on redemption of preference share and debenture	XXX
Premium on issue of Preference share and debenture	XXX

Tax refund	xxx
Interest /dividend received on other investment	xxx
Extra income (If any)	
Fund From Operation (FFO)	xxx
Add: Decrease in Working Capital except cash (item wise) (i.e. decrease in current assets and increase in current liabilities)	xxx
Less: Increase in Working Capital except cash (item wise) (i.e. increase in current assets and decrease in current liabilities)	(xxx)
<u>Cash from Operating Activities(CFOA)</u>	xxx
B.cash from Investing Activities(CFIA)	
Purchases of fixed assets (Individual as per ledger)	(xxx)
Purchase of Investment (As per ledger if any)	
Sales of fixed assets (Individually)	xxx
Dividend or interest received from other investment if any	xxx
Cash from Investing Activities(CFIA)	xxx
C.Cash from Financing Activities (CFFA)	
Issue of share/debenture with premium or discount	xxx
Redemption of Preference share/debenture at premium or discount	(xxx)
Payment of dividend (provision of dividend last year)	(xxx)
Interim dividend (if any)	(xxx)
Cash from Financing Activities(CFFA)	Xxx
Net cash increase/decrease (A+B+C)	Xxx
(+)Opening cash/Bank Balance	Xxx
Closing Cash/Bank Balance	Xxx

Source: Anthony R.N Accounting Principles.

2. Direct Method

International accounting standard committee (IAS) has encouraged preparing cash flow statement only on direct method. Therefore as far as far as possible we need to follow direct method. When the direct method is used the cash flow statement does not begin with net income, rather, it shows cash collected from customer and deducted cash uses for various expenses. That is, major of class of gross cash receipt and gross cash payments are disclosed (Munakarmi, 2012)

Operating Activities

Operating activity only include transaction that return to the calculation of net income. It involves the purchases and the sales of goods and services to customers. Cash flow from operating activities includes all cash flow from transaction that is not defined as financing and investing activities. The cash flow from operating activities is primarily derived from the principal revenue-producing activity of the enterprise. Examples of cash flow operating activities are:

- Cash receipts from the sales of goods and services.
- Cash receipts from royalties fees, commission and other revenue
- Cash payment to suppliers of goods and services.
- Cash payment to and on behalf of employees.
- Cash receipts and cash payments of an insurance company for premium and claims, and other policy benefits.
- Cash payments refund of income taxes.
- The direct provides information which may be useful in estimating future cash flows and which is not available under the indirect method. Under the direct method information about the major classes of gross receipts and gross cash payments may be obtained either.
 - From the accounting records of the firms or
 - By adjusting sales, cost of sales and other items in statement of profits and loss for.
- Changes during the period in inventories and operating receivables and payables
- Other non-cash items and
- Other items for which the cash effects are investing or financing cash flows.

Investing Activities

Determinations of cash flows from investing activities require analyzing the non operating incomes and expenses in income statement relating to:

- Productive assets.
- Investment in share and debentures.
- Intangible assets.
- Short term investment other than cash equivalents
- (Munakarmi,(2012).

Financing Activities

A company's transaction with its owners and long term creditors are typically called financing activities also it includes borrowing of cash on short term basis for determination of cash flow from financing activities items relating to:

- Share capital (Equity)
- Share premium
- Debenture
- Dividend proposed
- Comparative balance sheet should be analyzed by preparing necessary accounts.

Figure 2.3

Format of Cash Flow Statement under Direct Method

Particulars	Amount (Rs)	Amount (Rs)
A. Operating activities		
1. Receipt from customers:		
Net sales (cash sales + credit sales –sales return)	xxx	
Increase in gross Account receivable/Bills receivable/Debtors	(xxx)	
Decrease in gross Account receivable/Bills receivable/Debtors	xxx	
Bad debt written off	(xxx)	
Bad recovered	xxx	xxx
1. Payment to suppliers and employees:		
Cost of goods sold	(xxx)	
Increase in inventories	(xxx)	
Decrease in inventories	xxx	
Increase in Account payables/Bills payables/Creditors	xxx	
Decrease in Account payables/Bills payables/Creditors	(xxx)	
Increase in wages outstanding	xxx	
Decrease in wages outstanding	(xxx)	(xxx)
2. Payment for operating expenses:		
Operating expenses for this year	(xxx)	
Decrease in prepaid expenses	xxx	
Increase in prepaid expenses	(xxx)	
Decrease in outstanding liabilities	(xxx)	
Increase in outstanding liabilities	xxx	(xxx)
3. Payment for interest:		
Interest expenses for the year	(xxx)	
Increase in outstanding interest	(xxx)	
Decrease in outstanding interest	xxx	(xxx)
4. Payment for tax:		
Provision for tax for the year	(xxx)	

Decrease in provision for tax	(xxx)	
Increase in provision for tax	xxx	(xxx)
5. Cash flow under other operating items:		
Receipt of dividend/interest on investment	xxx	
Receipt from sale of marketable securities	xxx	
Payment for purchase of marketable securities	(xxx)	
Increase in short term loan/debt	xxx	
Decrease in short term loan/debt	(xxx)	xxx
Cash flow under operating activities		xxxx
B. Investing activities:		
1. Receipt from sale of old equipment	xxx	
2. Receipt from sale of other investments	xxx	
3. Decrease in notes receivable(Long term)	xxx	
4. Dividend/ interest received from investment (if not included in operating activities)	xxx	
5. Payment for fixed assets purchased	(xxx)	
6. Payment for purchases of other investments	(xxx)	
7. Increase in notes receivable(Long term)	(xxx)	
Cash flows under investing activities	(xxx)	
C. Financing activities		xxxx
Issue of equity securities with premium/discount	xxx	
Issue of debt securities with premium/discount	xxx	
Increase in bank loan/overdraft	xxx	

Source: Anthony R. N. Accounting Principle

2.1.10 Group Cash Flow Statement

Group cash flow statement deals both cash and accrual based figure, whereas group cash flow statement attempts to report only cash movement. Group cash flow statement is prepared from the consolidated accounts. After the completion of consolidated profit and loss account and consolidation balance sheet, the holding company can prepare this statement.

The format of group cash flow statement. It can be prepared by applying either direct or indirect method. For the preparation of group cash flow statement, the activity of business concern is divided in the following three categories:

- Operating Activities
- Investing Activities
- Financing Activities

These three activities are similar to basic cash flow statement. According to the IAS-7 Para 40 states :”the aggregate cash flows arising from acquisition and from disposal of subsidiaries or other business unit should be presented separately and classified and classified as investing activities (Dangol, 2011:447) .

International accounting standard -7,para 40 states: An enterprise should be disclose, in aggregate, in respect of both acquisition and disposal of subsidiaries or other business units during the period each of the following:

- The total purchases or proposal consideration
- The portion of the purchase or disposal consideration discharged by means of cash and cash equivalents.
- The amount of cash and cash equivalents in the subsidiary or business unit acquired or disposed of and
- The amount of the assets and liabilities other than cash or cash equivalents in the subsidiary or business unit acquired or disposed of summarized by each major category.”

- Non cash transaction related to investing and financing activities should not be included in the cash flow statement. According to IAS-7, para-43 “investing and financing transaction that do not require the use of cash equivalents should be excluded from a cash flow statement. Such transaction should elsewhere in the financial statement in a way that provides all the relevant information about the investing and financial transaction activities.” Examples of non-cash transactions are as follows:
 - The acquisitions of assets either by assuming directly related liabilities or by means of a finance lease:
 - The acquisition of an enterprise by means of an equity issue
 - The conversion of debt to equity (Dangol, 2011:456)

While preparing a group cash flow statement, the net value of subsidiary purchase has to be determined for the calculation of cash flow from investing activities. It is determined as follows:

Figure 2.4
Calculation of Net Value of Assets

Particulars	Details	Amount
Fixed assets of subsidiary company		xxx
Current Assets of subsidiary company other than cash		xxx
Total Assets Acquired		xxx
Less: Current liabilities		(xxx)
Net worth or Net Assets		xxx
Less: Receivable from Holding Company		(xxx)
Add: payable to Holding Company		xxx
Net assets acquired		xxx
Less: minority interest	xxx	
Capital reserve	(xxx)	
Or Goodwill	xxx	
Value of share in Holding Company (if share are issued on acquisition)	xxx	
Reserve of Holding company	xxx	xxx
Net value of subsidiary purchase		xxx

Source: Dongol Ratman, Cost and management accounting

2.1.11 Cash flow statement for Financial Institution

Financial enterprise like banks, finance companies, co-operatives etc. represents the institution that deals on financial transaction. Such enterprise also needs to prepare financial statement. The cash flows statement of financial enterprise under method is prepaid in following format:

Figure 2.5

<p>A. Cash Flow from Operating activities</p> <ul style="list-style-type: none"> Interest and commission receipts Interest payment Recoveries on loans previously Cash payment to employees and suppliers Short term fund increase Deposits held for regulatory or monetary control purpose Fund advance to customers Net increase in credit card receivable Increase other short term securities Deposits from customers Certificate of deposits Net cash from operating activities before income tax Income tax paid <p>Net cash from Operating Activities</p>	
<p>B. Cash Flow from Investing Activities</p> <ul style="list-style-type: none"> Dividend received Interest received Purchase of permanent investment Purchase of fixed assets <p>Net Cash from Investing Activities</p>	
<p>C. Cash flow from Financing Activities</p> <ul style="list-style-type: none"> Issue of share Share premium Repayment of long term borrowing Net decreased in other borrowing Dividend paid <p>Net cash from Financing Activities</p>	
<p>Net increased/decreased in cash and cash equivalents</p> <p>Cash and cash equivalents at the beginning of the period</p>	
<p>Cash and cash equivalents at the end of the period</p>	

Source: Dongol Ratman, Cost and management accounting

2.1.12 Cash flow Statement under NRB Directives

Following is the cash flow statement for the Financial Institution, the specimen provided by the N.R.B. directives in accordance with which the cash flow statements of the finance institutions have been prepared for the study of the cash flow analysis. (Report of the C.A. of the office of Auditor General)

Figure 2.6

.....company

Cash Flow statement for the F/Y.....

Particulars	Amount (in Rs.)	Current year (in Rs.)
A. Cash flow from operations:		
1 .Cash receipt		
1.1 interest income		
1.2 commission and discount		
1.3 Exchange gain		
1.4 Non-operating income		
1.5 Other income		
2.Cash payment		
2.1 Interest expenses		
2.2 Staff expenses		
2.3 Office operating expenses		
2.4 Exchange loss		
2.5 Non-operating expenses		
2.6 Other expenses		
B. Cash Flow from Investing Activities		
1. Change in balance with bank		
2. Change in money at call and short notice		
3. Change in investments		
4. Change in loans advance and bill purchased		
5. Change in fixed assets		
6. Change in other assets		
C. Cash flow from Financing Activities		
1. Change in borrowing		
2. Change in deposits		
3. Change in bills payable		
4. Change in other liabilities		
D .Net Cash Flow for the year		
E. Opening Cash Balance		
F. Closing Cash Balance		

Source: APPENDIX I

2.2 Review of Previous studies

2.2.1. Review of Books

Goet and Shan (2010), *Profit and planning control* has written book Revised Edition Amite Books & stationery entitle to they express the meaning of cash flow and control of cash flows. Planning of cash flow is an estimate of cash inflows, cash outflows and ending cash balance in each period of budgeted period. A cash flow statement shows cash inflows, cash outflow and ending position by interim periods for a special time period. The main objectives of preparing cash flow Statement are as follows:

- To provide information about the cash inflow and cash outflows from operating, financing and investing activities of the firm.
- To shows the impact of the operating, financing and investing activities on cash planning.
- To provides information of liquidity and solvency of a firm and its ability to change cash flows in future circumstances.

Dongle et all, (2011), *Cost and Management Accounting*, 5th Edition ,Bhotahity, Kathmandu Taleju Prakasan. They examine the concept of cash cash flow statement. A cash flow statement is the total of cash flow from operating, investing and financing activities cash flow statement shows cash inflow, cash outflow and ending position by interim periods for a special time period. The main objectives of preparing cash flow statement are as follows:

To provide information about cash receipts and payment of an enterprise during an accounting period.

- To provide information about an enterprise's operating, investing and financing activities.
- To evaluate the financing policy of an enterprise.
- To know the liquidity position of the enterprise.
- To forecast future needs of cash flow.

Munakarmi (2012), in his Book “*Cost and management accounting, 5th Edition, Kathmandu, Buddha Academic publisher & distributor*” define about cash flow analysis. It is an integral part of financial planning stated the importance of cash in organization by calling as the lifeblood of business enterprise. According to him it is the fuel that keeps a business alive. So a business must have adequate amount of cash to operate and decision makers should pay attention to the firm’s cash position and events and transaction that affects the cash position of the company is termed as cash flow analysis.

Due to the increasing importance of cash flow analysis **FASB** stated that financial statements should include information about how a business obtains and spends cash about its borrowing and repayment activities, about the sales and repurchase of its ownership securities, about dividend payments and other distribution to its owners and about others factors that affect a company’s liquidity and solvency.

According to the articles profit are accounting measures that may be not reflect the economic conditions of the firms that means profit can be manipulated and increasing profit will not always result in higher stock prices. Cash flow analysis not only recognizes profit will not always result in higher stock prices. Cash flow analysis not only recognizes profit but also goes a little further and measures the actual cash available for the firm. It is after all the available cash not the profit that determines the firm’s future investment growth.

As the article stated further that recognizing the importance of cash flow analysis FASB issued financial statement standards no.95 and statements of the cash flows in November 1987. This standard requires business to include a statement of cash flow in all financial reports that contains balance sheets and income statements. The IAS has also replaced FFS and asked its entire member to present cash flow statement along with the balance sheet and income statement since 1992.

As the article suggest following are importance of cash flow statement:

- A company's ability to generate positive future cash flows.
- A company's ability to meet its obligation its ability to pay dividends and its ability to pay dividends and it's need for external financing
- The reasons for differences between income and association cash receipts and payments
- Both the cash and non cash aspects of a company's investment and finance transaction
- A company quality of earning refers to how closely income is correlated with cash flow the higher the correlation the higher the earning quality
- A company's solvency liquidity and financial flexibility. Solvency is the ability to generate adequate amount of cash and it also refer assets and liabilities. Financial flexibility refers to adaption during the period of financial adversity to obtain financing to liquidate non operating assets for cash
- Net cash provided or used by operating activities.

Investment activities as the article stated include the lending money (investment) and collecting on loans buying and selling securities not classified as cash equivalent are defined as short term highly liquid investment that are readily convertible to known amounts of cash and must be sufficiently close to its maturity date. Determinations of flow from investing activities, the analysis of non-operating incomes and expenses, statement relating to assets, investment in shares and debenture short term investment other than cash equivalent.

Net cash from financing activities are determined by the flow of short term loans and over drafts. There may be some non cash investing and financing payments and such payments are not reported in the statement of cash flows. The FASB concluded that non cash flow. However the board recognizes that non cash investing and financing activities are important events and so they should be disclosed by preparing a separate schedule for such activities.

As per the format of cash flow statement the article stated further that section seven of Nepal company act 2053 B.S. mentions the company's books of accounts and accounting system to be adopted by the company. Article 83 of the act is related to annual financial reporting statements which includes balance sheets income statement and cash flow statement, and article 84 of the act mentioned that the balance sheet and profit and loss account should be prepared in the prescribed format, but the cash flow statement is not prescribed as such it should in the author's opinion be presented in the format as prescribed by the FASB.

The book concluded that an accurate cash flow projection being an integral part of financing plan help to avoid cash flow problems and also helps to keep borrowing costs as low as possible.

2.2.2 Review of Article

Shrestha (2005), in his article published first on Kathmandu Post "A *study on deposit and credits of commercial Bank in Nepal*" concluded that the credit deposit ratio would be 51.30% other things remaining the same in 200 B.S.3 much was the lowest under the period of review. So he had strongly recommended that the commercial bank should try to give credit entering new field as far as possible. Otherwise they might be able to absorb even its total expenses.

Pokharel (2006), in the article published second on Kathmandu Post, entitled "*Financial sector Reform and challenges*", stresses that highest liquidity makes the financial institution un-bankable by creating unnecessary burden of bearing the cost of capital. Dr. Pokharel expresses that most of the financial institutions are lying on uneconomic situation due to ineffectiveness of portfolio management on the one hand and deficiencies of efficient modern management on the other. As for the betterment of the financial possibility in portfolio projects, like health, residential buildings, communications, tea gardening etc.

Pokharel further suggests that commercial banks need to make strong strategy urgently with shifting the money from fixed deposit to saving to saving reducing the interest between deposits and interest spread in both sectors. He highlights that fixed deposit has been increasing in the ratio of 0.44 to 0.95 from 2001 to 2002.

2.2.3 Review of Previous Thesis

Thesis related with cash management and working capital has been considered in this section.

Joshi (2008), in his research work of *standard Chartered Bank Nepal Limited and Everest Bank Limited, Comparative study on Investment policy*.

His Main Objectives

- To compare investment policy of concern banks and discusses the fund mobilization of the sample bank.
- To find out empirical relationship between total investment, deposit and loan & advance, and net profit and outsidess assets and compare them.
- To analysis the deposit utilization and its projection for next five year of SCBNL and EBL.
- To evaluate comparatively the profitability and risk position, liquidity asset management efficiency of SCBNL & EBL
- To provide a package of possible guidelines to improve investment policy, it's problems and way to solve some problems and provide suggestions and recommendation on the basis of the study.

His Major Findings

It can be concluded that both have good deposit collection. EBL has the highest cash bank balance to total deposit, cash and bank balance to current ratio; this may make the bank to be in good position to meet daily cash requirement.

- SCBNL has successfully maintained and managed its assets towards different income generation activities. SCBNL has made high portion of

total working fund in investment on government on share and debentures of other companies.

- The profitability procession of SCBNL is comparatively better than EBL. It indicates that SCBNL has maintained its high profit margin regarding profitability position and EBL does not have a better position in comparison. It must maintain high profit margin for the well being in future. The finding shows EBL even though paying high interest to the customers for different activities.
- The SCBNL has not been more successful to increase in source of fund i.e. deposit and mobilization of i.e. loan and advances and total investment. It seems SCBNL has not made any effective strategy to win the confidence of shareholders. Depositors and its all customers.

Bhandari (2009), “A case study of Nepal Telecom Limited has conducted a research on cash Flow statement in public enterprises of Nepal.

His Main objectives

- To examine and critically analyze the existing cash flow statement of NTC.
- To assess the revenue generation practice of NTC.
- To examine the financial performance of the organization.
- To review the cash mobilization practice of the organization.
- To make suggestion for the effectiveness of cash management in NTC.

His Major Finding

- NTC has satisfactory liquidity position and it has maintained proper cash and bank balance. The cash and bank balance with respect to current liabilities has been increasing trend.
- NTC has low consistency in cash and bank balance.
- Sales relationship with cash balance is positive.

- Relationship between sales and net profit of NTC is in good condition it has been increased earned profit in each fiscal year and sales has been increasing trend.
- NTC does not follow the periodic performance report.

Shrestha (2010) in his study, *“Analytical and comparative study on cash flow of joint venture Banks in Nepal.”* Has mentioned the strength and weakness of the all joint venture banks in Nepal through cash Flow Analysis. He suggested and noted potable information occurring in the field of cash Flow Management and managing trend of cash Flow for joint venture banks in Nepal.

His Main Objectives

- Company’s ability to generate positive future cash flows
- A company’s ability to meet its obligations its ability to pay dividends and it’s need for external financing
- The reasons for differences between income and associated cash receipts and payments
- Both the cash and non cash aspects of a company’s investment and finance transaction
- A company’s quality of earning refers to how closely income is correlated with cash flow the higher the correlation the higher the earning quality

His Major Findings

- Although most of the business entrepreneurs along with their business philosophy has suggested that cash management of the firm should be in adequate position, no one has had create concrete pillar that cash should be at the would at the level be sufficient for the business.
- From current review, it is seen that most of the business entity and bank and financial institution has suffered from the liquidity crisis for which most responsible factors is cash, clearly pointed out that

the cash management is the common and major problem in Nepalese enterprises.

- The success and failure of an organization is greatly depends upon the efficient management of cash. Hence financial manager not only consider the in present need.
- Cash and bank balances and current liabilities occurred lower which indicate the significant cash balance to meet current obligation. But on the other hand most of the ratios are less which shows the excess cash and deficit in making payment during the study. It has clearly indicated that NWSC has not been following a systematic cash management practice.

Gajurel (2012), Conducted a study on cash flow analysis of Nepal Water Supply Corporation.”

His Main Objectives

- To examine the internal control policy of cash transaction in NSWSC.
- To analysis the cash flow structure and cash management techniques practice by the company.
- To examine the liquidity position of NWSC.
- To study the relationship of cash with other influencing variable of cash management.

His Major Finding

- NWSC have not any definite policy regarding how much cash balance hold during the each period. Cash and bank balance hold during the difference period of study were observed to be highly fluctuated and thus the fact indicates no definite policy regarding how much balance to be hold in each period.
- There is fluctuations have been observed in cash turnover ratio.
- The fluctuations of cash turnover ratio is the indication of no definite policy holding cash balance in relation to sales volume is applied by NWSC.

- NWSC has been operating in loss in all fiscal year during the study period. In overall NWSC has been operating under loss and the average profitability.
- NWSC has not utilizing its current assets effectively in earning profit.

Magar (2013), Conducted a study on investment practice of commercial bank in Nepal.

His Main Objectives

- To measure the financial performance.
- To find out comparative and competitive position of to JVBs banks of Nepal.
- Measuring risk of KBL and SBL bank.
- To find out the relationship between different variables like investment, deposits loan and advances, net profit and compare them between KBL and SBL.
- To recommended measure for the improvement of the financial performance and efficiency on the basis of conclusion drawn from the research.

His Major Finding

- The mean ratio of return on loan and advances of KBL is lower than of SBL. On the other hand, SBL's variability between ratios is lower than that of KBL.
- The mean ratio of credit risk ratio of KBL is higher than that of SBL and KBL's ratio are more homogeneous than that of SBL.
- From the analysis of the growth ratio, SBL has lower growth rate on total deposits, loan and advances, total investment and net profit than SBL. Therefore SBL has successfully collected and utilized fond amount of its customers than SBL.
- Banks are recommended to activate foreign technology and investment in Nepal by means of their wide international banking sector and make

Nepalese personal capable of operating these banks as efficiency as international banks.

- Complain boxes should be kept in each and every branch and bank personnel try to eliminate those deficits which are in complain box in order to maintain better relation with its customers.

2.4 Research Gap

The job of conducting research and preparing report is difficult in itself especially to the unprofessional person like student. It has tried to make this thesis as a complete outcome of the research on mentioned topic from the best of my effort and knowledge.

It wants to prove that this research is an original one should be foundation for the future researchers to know about the comparative analysis of cash flow statement of commercial banks in Nepal. Our study is different than other's study due to the following reasons:

- It has researched the comparative analysis of cash flow statement of commercial banks in Nepal.
- This study includes the very recent activities about the clash flow analysis.
- The study particularly shows how these companies are growing despite of critical market situation.

CHAPTER-III

RESEARCH METHODOLOGY

3.1 Introduction

This chapter is mainly associated with research design, sample design, period of study, sources of data and data collection procedures. Data processing and terms methods, tools techniques, theories employed in analysis and interpretations.

3.2 Research Design

In order to fulfill the objectives of the study as much as possible, an adequate attention has been paid in the process of research design. The research is carried out mostly on the basis of secondary data as well as on some primary data. All the required data and essential information is collected from the concerned commercial bank and chartered accountants firm. In the study, the researcher has followed the descriptive cum analytical research design to analyses the financial performance of the selected financial institution companies, various financial parameters & an effective research technique are employed to especially identify the weakness of these institutions. On the ground of observed in ferities and inefficiencies, an attempt will lie made to suggest the reasonable and useful recommendations to the concerned authorities.

3.2.1 Population and Sample

Now a day a number of commercial banks have been emerging rapidly. Some have already been established and others are in the process of establishment. Currently there are 31 commercial banks operating their banking business in Nepal. In the study all the commercial banks operating their banking business in Nepal. In the study all the commercial banks are population of study. Among them KBL and SBL have been selected as sample for the present study of last

five years from 2065/66 to 2069/70 have been taken as sample data for the comparative study of cash flow.

Sample banks are taken on the basis of date of establishment, investors of the bank and financial transaction of the bank. among the selected sample banks, Kumari Bank Limited came into existence as the fifteenth commercial bank of Nepal by starting its operation from Kathmandu valley 2001 April 3. Similarly Siddhartha Bank Limited (SBL) commenced operations in 2002 having its registered office at Kamaladi, Kathmandu. The bank has good financial transaction among private sector banks so this bank is taken as sample banks for this study.

Among 30 (23 listed in NEPSE) commercial banks only two Private Banks have been taken into analysis. They are,

Kumari Bank Limited (KBL)

Siddhartha bank Limited (SBL)

3.2.2 Period of study

The study is based on previous five years data covering the fiscal year 2065/66 to fiscal year 2069/70.

3.3 Sources of Data and Date Collection Procedures

The data employed in the study will be from secondary sources & to the some extent primary source data will also be included. The audited Balance sheet, profit and loss A/C and related schedules of the concerned commercial Banks will be collected, besides these, other essential data and information would be collection would be collected from some published and unpublished documents. So Far as the collection procedure is concerned, annual reports of selected organization would be collected by making an access to the commercial Banks and the Chartered Accountants firm. In addition, for questionnaire some query will be made and distribute to concerned authority of the bank. The researcher will also consult the library to gather necessary data and information during the

course of study. In study report, the audited accounts of different year of all concerned commercial banks will be presented in two different separate sheets each for balance sheet and profit/loss account in order to depict the overall picture of different year's Techniques financial position of such banks. Thereafter, cash flow statement shall be prepared by comparing the 5 consecutive fiscal year balance sheets. After preparing the cash flow statements the data would be analyzed by observing all the financial statement.

3.4 Terms, Tools, Methods & Techniques of Analysis

While conducting the analysis the researcher use trend of cash flow through chart of cash flow and other important method.

3.5 Financial statement

Financial statements are organized summaries of detailed financial information.

The financial statements employed in this study are as follows;

- Balance sheet
- Income statement P/L a/c
- Comparative balance sheet

3.6 Trend analysis

The trend analysis will perform to check whether the cash position of the concerned organizations are improving or deteriorating over the study, an attempt would be made to observe the financial trends maintained by selected banks on the basis of computed data derived from the annual report.

3.7 Assumptions of the Study

The following assumptions will make in this these to draw valid and reliable conclusions:

- Short term liability like bills payable are assume as financial source.
- The numbers of working days are assuming as 360 in a year.
- The fixed assets which are in balance sheet are by deducting depreciation.

- Annex presented by the banks on annual report are reliable.
- Short term liability like notes payable are assume as financial sources.
- The fixed assets which are in balance sheet are kept by adding appreciation.

CHAPTER-IV

DATA PRESENTATION AND ANALYSIS

Data presentation and analysis is the one of the most importance tools to calculated financial position of the organizations. In this analysis shows the financial information about Kumari bank limited and Siddhartha bank limited.

4.1. Cash Flow from operating Activities

Table 4.1

Cash Flow from Operating Activities of Kumari bank limited from 2065 to 2070

(In Rs.)

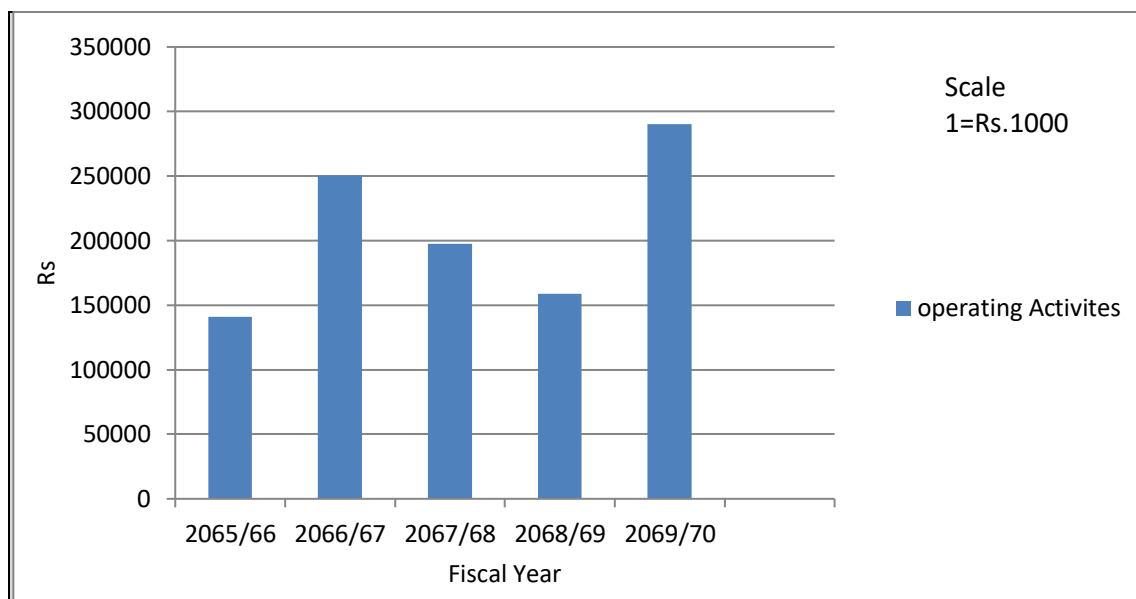
Particular	2065/66	2066/67	2067/68	2068/69	2069/70
Cash flow from operation	1497417320.00	1526237801	1567118376	1612873550	3037995278
Cash receipts	549834993.00	1,533,633,183	2,049,698,755	2,364,030,115	260,415,708
Interest income	509149319.00	1,370,968,716	1,869,123,840	2,172,440,798	2,405,642,882
Commission & discount income	23,083,001	79,243,227	100,336,992	100,608,275	154,266,971
Exchange gain	14,988,827	59,001,781	37,924,853	36,719,340	44,205,749
Others income	2608404.00	24,419,409	42,313,069	54,261,703	220,106
Cash payment	(357434863.00)	(1,201,224,767)	(1,864,969,767)	(1,999,601,261)	(2,014,224,759)
Interest expenses	(226522306.00)	(803,428,742)	(1,178,550,104)	(1,525,812,231)	(1,557,914,778)
Staff expenses	(42395007.00)	(152,688,468)	(143,277,770)	(168,351,843)	(193,419,988)
Office operation expenses	(47876285.00)	(136,686,240)	(402,198,987)	(182,936,244)	(149,779,120)
Income tax paid	(100,324,556)	(108,421,317)	(140,942,907)	(122,500,944)	(113,110,873)
Other expenses	-	-	-	-	-
Cash flow before change working capital		582,229,385	382,389,388	(1,977,302,404)	2,448,064,328
Increase/(decrease) of current assets		(2,640,286,971)	(853,429,780)	(1,543,309,624)	(2,189,210,745)
(Increase)/decrease in money at call and short notice		25,360,000	(90,000,000)	(331,520,000)	130,276,859
(Increase)/decrease in short term investment		634,769,108	(782,469,431)	(1,213,911,647)	693,786,060
(Increase)/decrease in loan, advance and bills purchase		(3,273,756,619)	(172,565,650)	39,846,984	(3,175,187,070)
(Increase)/decrease in other assets		(26,659,460)	191,605,302	(37,724,962)	161,913,406
Increase/(decrease) of current liabilities		3,222,516,356	1,235,819,168	(433,992,780)	4,637,275,073
Increase/(decrease) in deposits		2,930,242,400	1,721,857,189	(445,973,576)	4,998,918,819
Increase/(decrease) in certificates of deposits	-	-	-	-	-
Increase/(decrease) short term borrowing		193,420,000	(283,780,464)	267,285,464	(271,522,000)
Increase/(decrease) in other liabilities		98,853,957	(202,257,556)	(255,304,668)	(90,121,746)

Source: Annual Report of Related Bank

4.1.1 Cash flow operating activities of Kumari bank Limited from 2065 to 2070

Figure 4.1

Cash flow operating activities of Kumari bank Limited from 2065 to 2070



Source: Annual Report of Related Banks

CFOA of Kumari Bank Limited is Rs.1,49,417,320, Rs.1,706,237,801, Rs.2,257,118,376 Rs 1,612,873,550 and Rs.3,037,995,278 respectively from the year 2065/66 to 2069/70. All Cash from Operating Activities are positive. It has increased higher rate in the year 2065/66. CFOA are higher than cash payment. Cash receipts from operation are Rs.190,308,588, Rs 1,533,633,183 Rs. 2,049,698,755 , Rs. 2364,030,115 and Rs2,604,155,708 respectively from the year 2065/66 to 2069/70.

Cash receipt includes interest income and other income. Interest income is Rs612,901,707, Rs1370,968,716Rs 2049,698,755 Rs2172,440,798 and Rs2405,462,882, respectively from the year 2065/66 to 2069/70.

It is in increasing rate on the basis of based year 2065/66 to 2069/70. But the interest of bank is higher in year 2069/70 than respective five year period. The sources of interest income are loan, overdraft and investment. If the investment, overdraft of loan decreases then interest income also decreases and vice-versa.

The interest income shows the increasing trend of the loan and advance and investment trends.

Other important part of cash receipts from operation is commission and discount income. Commission and discount comes from bills purchases and discount, letter of credit, guarantee, collection fees, remittance fees and credit card. Cash flow from commission and discount are. Rs4,076,4126 Rs79,243,277 Rs100,336,992 , Rs100,608,275 and Rs154,266,971 form the year 2065/66 to year 2069/70. This is the income of agency function and remittance business of the institution. Cash flow from commission and discount are increasing than the based year 2063/64 It is the positive sign for bank or is the positive situation for bank, cash receipt, from commission and discount are increased from the year 2065/66 to 2069/70 on the basis of based year 2064/65. Cash Receipt from foreign exchange transaction are RS.20,294,440 , RS59,001,781 , Rs 37924,853 Rs 36,719,340 and Rs 44205,749 respectively]from the year 2065/66 to 2069/70.cash flow is in increasing trend in exchange gain. Non-operating income negligible in operating cash receipt. Cash receipt from other incomes are Rs.15,950,842, Rs.24,419,409, Rs.42313,069 Rs 54261,703, Rs22001060 respectively from the year 2065/66 to 2069/70. Other incomes includes rental of safe deposit lockers, issue and renewal of credit cards and ATM cards, charge for account closure, account maintenance etc. Cash from other income are positive. It is good sign and benefited for banks.

Cash payments of bank for operating activities are Rs.657,509,245, Rs.1,201,224, 767, Rs.1,864,969,767. Rs.1,999,601,261 and RS.2,014,224,759 respectively in the year 2065/66 to 2069/70. Cash payment is in increasing trend.

Out of the total cash payments interest payment are Rs509,933,300, Rs803,428,742, Rs 1,178,550,104, Rs 1,525,812,231 and Rs1,557,914,778 respectively from the year 2065/66 to 2069/70. Interest expenses are increasing is in trend during the review period. Comparative rate of the interest is in

declining. However it is increase in the F/Y 2068/69 and F/Y2069/70 Interest expenses rate are decreased in F/Y 2066/67 and F/Y 2067/68 respectively and increase in F/Y, 2068/69 to 2069/70.

It shows the well spread rate of interest. Staffs are the key factor to generate positive cash flow. In order to motivate them salary and extra benefit like fringe benefit should be given. Total cash payment under staff expenses are Rs99099527,00, Rs152688,468, Rs143,277,770 Rs168,351,843 and Rs193,419,998 respectively from the five year periods. Staff expenses are in increasing trend. Staff expenses include salary, allowance, bonus and contribution to provident fund etc. office overhead costs are increasing trend. The bank is operating new branch with new technology and new management. As a result office overhead costs are high for bank.

Non-operating expenses are nil for KBL in respective five years period. Income tax paid for Rs107,321,216 Rs108,421,317, Rs140,942,907 Rs122,500,944 and Rs113,110,873 respectively from the year 2065/66 To2069/70 it is increasing in the initial three year but in subsequent year it is decreased.

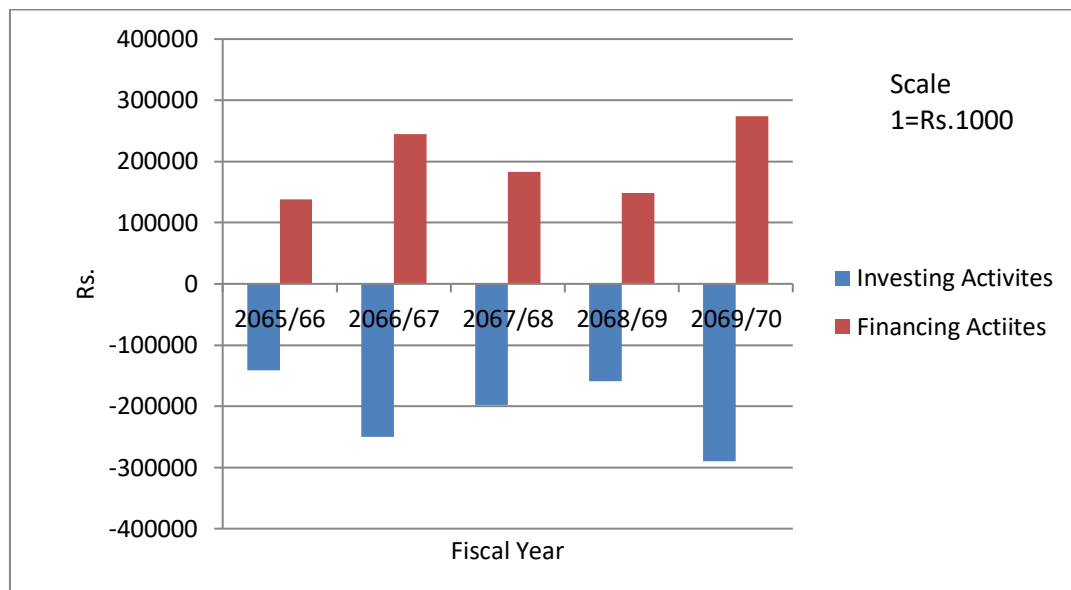
Table 4.2**4.1.2 Cash flow from Investing, Financing Activities and Cash****Balance of Kumari Bank Limited from F/Y 2065 to 2070**

Particulars	2065/66	2066/67	2067/68	2068/69	2069/70
A) Cash flow from Investing activities	(1,411,944,167)	2,505,353,696)	(1,975,206,191)	(1,586,449,228)	(2,901,059,908)
Change in balance with bank	(152,026,980	(366,100,794)	284,883,729	107,483,248	(227,529,987)
Change in money at call and short notice	-	-	(90,000,000)	(55,000,000)	(227,215,000)
Change in investment	(168,154,974)	(560,349,523)	(206,766,609)	(204,676,742)	(283,470,661)
Change in loans, advance and bill purchases	(1,010,982,225)	(1,560,397,481)	(1,983,028,193)	(1,331,564,163)	(2,054,645,968)
Change in fixed assets	(1,036,960)	(32,912,415)	(49,767,645)	(39,038,022)	(126,683,031)
Change in other assets	(79,743,028)	(14,406,517)	(69,472,527)	(63,653,549)	18,484,753
Cash Flow from financing activities	1,379,494,465	2,449,222,752	1,825,583,248	1,482,904,510	2,745,228,749
Change in share capital	-	150,000,000	-	125,000,000	125,000,000
Change in borrowing	(31,990,944)	-	401,761,328	150,361,328)	(38,430,000)
Change in deposits	1,333,250,834	2,294,792,741	1,461,017,517	1,500,002,795	2,788,459,185
Change in bills payable	(4,708,787)	10,508,255	(72,897,441)	-	-
Change in other liabilities	82,943,362	(6,078,244)	(29,897,441)	8,263,043	(12,980,043)
Net cash flow from the year	10,524,471	27,671,867	42,777,187	53,741,624	54,953,219
Opening balance of cash	30,275,569	40,800,040	68,471,907	111,249,094	13,572,900
Closing balance of cash	40,800,040	68,471,907	111,249,094	13,572,900	68,526,119

Sources: Annual reports of related Banks

Figure 4.2

Cash flow from Investing, Financing Activities and net Cash Flow of Bank Kumari Limited from F/Y 2065 to 2070



A. Cash flow from Investing Activities

Bank or Financial institutions are business entities does the money business. It collects money as deposits and lend to person who stand in the need of money, called investment. CFIA of Kumari bank limited is Rs.1,411,944,167.00, Rs.2,505,353,696.00, Rs.1,975,206,191.00, Rs.158,499,228.00 and Rs.2,901,059,902.00 respectively from the year 2065/66 to 2069/70. Cash flow is in volatile trend which shows that investment is in decreasing and increasing trend. Due to the decreased in investment interest income is also decreased.

On the year 2067/68 and 2069/70. CFIA is decreasing in a high rate with comparing previous years. In other words the bank is being unable to invest sufficient amount of cash in investment sectors. Cash inflow from bank balance is Rs.(152,026,980.00), Rs.(366,100,794.00),

Rs.284, 883,729.00, Rs.107, 483,248.00 and Rs.(227,529,987.00) respectively from the year 2065/66 to 2069/70. The bank has deposited its money in different bank like central bank, local bank and foreign bank. Cash flow from money at short call notice is Nil for F/Y Later in order to maintain the liquidity

with adequate level, bank has invested idle fund in the money at call keeping maintain the liquidity. Consequently, money at call and short notice is Rs.(90,000,000.00),Rs.(55,000,000.00)and Rs.(227,215,000.00) respectively from the year 2067/68 to 2069/70.

The Bank made investment for treasury bills, development bond, national saving bond, share/debenture and other securities. Cash flow investment is in volatile trend. It is increasing and decreasing trend. Cash flow from investment is Rs.(168,154,974.00), Rs.(560,349,523.00), Rs.(206,766,609.00), Rs.(204,676,742.00), and Rs. (283,470,661.00) respectively from the year 2065/66 to 2069/70.The bank was able to invest huge amount in the year 2064/65. But in the year the bank investment is in moderate level. Cash flow from loans, advances and bill purchases are Rs.(1,010,982,225.00), Rs.(1,560,397,481.00), Rs(1,983,028,193.00), RS.(1,331,564,163.00) and Rs.(2,054,645,968.00) respectively from the year 2064/65 to 2068/69. Collecting and financing of loan is satisfactory. This situation shows the high percentage of volatility on cash flow from loans, advances and bill purchased. Change in fixed assets and other assets also presented in cash flow statement.

B. Cash Flow from Financing Activities

CFFA of Kumari bank limited is Rs. 1,379,494,465.00,Rs 2,449,222,752.00, Rs.1,825,523,248.00, Rs.1,482,904,510.00 and Rs 2,745,228,749.00 respectively from the year 2065/66 to 2069/70. It is found decreasing and increasing trend. The main cause of decreasing in CFFA is withdrawal of deposits. Cash flow borrowing are Rs.(31,990,944.00), Rs.0, Rs.401,761,328.00, Rs.(150,361,328.00) and Rs (38,430,000.00)respectively from the year 2065/66 to 2069/70.It is also increasing and decreasing trend. Cash flow from deposits in relevant five year is Rs.1,333,250,834.00, Rs.2,294,792,741.00,Rs 1,461,017,517.00, Rs.1,500,002,795.00 and Rs.2,788,459,185.00 respectively from the year 2065/66 to 2069/70. Collection of deposits is the goodwill of institutions. Kumari bank limited one of the

reputed bank in Nepal even deposit is in fluctuating trends. Bills payable of the bank exist both in Nepalese and foreign currency.

D.Net Cash Flow for the year

Net cash flow of Kumari Bank Limited is Rs.10,524,471.00, Rs.27,671,867.00, Rs.42,777,187.00, Rs.53,741,624.00 and Rs.54,953,219.00 respectively from the year 2065/66 to 2069/70. Positive cash flow represents the increase of overall cash flow. High negative cash flow from financing activities is the main cause that creates negative overall cash flow. Since the bank cash flow during the review period is positive, it indicates the bank is in good position from the viewpoint of cash analysis.

Table 4.3
Cash flow from operating activities of Siddhartha Bank Limited
From 2065 to 2070

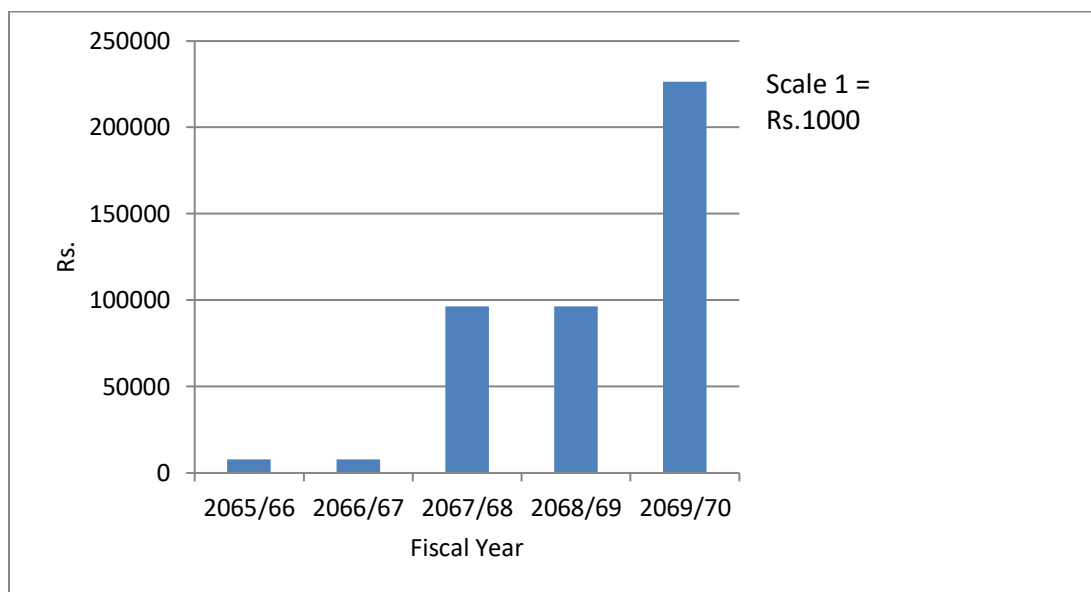
(In Rs.)

Particulars	2065/66	2066/67	2067/68	2068/69	2069/70
A) Cash flow from operations	79,793,431	77,127,110	963,699,358	963,699,358	1263,408,919
1.cash receipt	233,934,814	327,762,016	2,123,912,220	2,849,610,786	3,220,020,269
Interest incomes	191,859,915	292,231,934	2,018,291,813	2,860,619,718	2,901,346,203
Commission & discount income	7,552,790	13,774,645	42,758,283	68,049,045	108,180,648
Exchange gain	7,170,573	12,050,770	12,167,702	38,689,741	115,626,926
Non-operating income	-	-	-	-	-
Other income	27,351,536	9,704,667	50,694,422	62,252,282	94,866,493
2.cash payment	-154,141,384	-250,634,906	-1,769,003,531	-2,418,793,252	-2,655,162,458
Interest expenses	-91,592,378	-148,956,870	-1,386,818,348	-1,910,297,401	-2,051,561,824
Staff expenses	-20,310,190	-26,087,462	-134,180,467	-190,671,004	-218,650,828
Office operating expenses	-42,238,816	-55,427,849	-142,769,756	-189,789,561	-249,293,593
Exchange loss	-	-	-	-	-
Non-operating expenses	-	-	-	-	-
Income tax paid	-	-20,162,725	-103,688,012	-129,959,990	(135,656,213)
Other expenses	-	-	-1,546,947	-1,924,703	-

Sources: Annual Report of Related Banks

Figure 4.3

**4.2.1 Cash flow from operations activities of Siddhartha Bank Limited
From 2065 to 2070**



CFOA of Siddhartha bank limited is RS.79,793,430.64 Rs77,127,110 Rs963,699,358, Rs963,699,358 and Rs.1,26,340,891,9 respectively from the year 2065/66 to2069/70 Cash flow from operating activities are in all year. It has increased higher rate in the year 2068/69.cash receipt from operation are Rs233,934,814,48, Rs.327,762,016 Rs,123,912,220 Rs.2,849,610,786 and Rs 3,220,020,269.in the year 2065/65 to 2069/70.

Cash receipt includes interest income and other income. Interest income is Rs191,859,915.36,Rs292,231,934 Rs2018,291,813 Rs2680,619,718 and Rs2901,346,203 respectively from the year 2065/66 To 2069/70. It is in increasing trend on the basis of based year 2065/66 but the interest of bank is higher in year 2069/70 than respective five year period. The sources of interest are loan, overdraft and investment. If the investment, overdraft of loan decreases then interest income also decreases and vice-versa. The interest income shows the reducing investment trend. At the same time loan and advance is in increasing trend resulting increasing interest income of the bank. Other important part of cash receipt from operation is commission and discount

income. Commission fees, remittance fees and credit card and so on. Cash flow from commission and discount are Rs.7,552,790.13, Rs.13,774,645 Rs.42,758,283 Rs.68,049,045 and Rs.108,180,648 respectively from the year 2065/66 to 2069/70.

This is the income of agency function. Cash flow from commission and discount are increasing than the based year 2065/66. It is the positive sign for bank or is the positive situation for bank. Cash receipt from commission and discount are increased from the basis of based year.

Cash receipt from currency exchange gain is Rs.7, 170,572.67, Rs 12,050,770 Rs.12,167,702, Rs 38,689,741 and Rs.115,626,926 respectively from the year 2065/66 to 2069/70. Cash flow is in increasing trend in exchange gain. Exchange gain includes revaluation gain and trading gain including exchange fees. Non-operating incomes are the factor of operating cash receipt. But they are zero for the bank.

Cash receipt from other income is Rs.27,351,536.32, Rs.9,704,667 Rs.50,694,422 Rs.62,252,282 and Rs 94,866,493 respectively from the year 2065/66 to 2069/70. Other income includes rental of safe deposit lockers, issue and renewal of credit and ATM cards, telex/TT etc. Cash from other income are positive. It is good sign for banks.

Cash payments of bank for operating activities are Rs154,141,383.84, Rs250,634,906.00 Rs.1769,003,531.00, Rs 2418,793,252.00 and Rs.2655,162,458.00 respectively from the year 2065/66 to 2069/70. Cash payment of bank is in increasing trend on the basis of based year.

Out of the total cash payments interests payment are Rs 91,592,377.52 Rs.148,956,870.00 Rs 1,386,818,348.00 Rs 1,910,297,401 and Rs 2,051,561,824 respectively in the relevant five year. Interest expenses are in increasing trend.

Staffs are the key factor to generate positive cash flow. In order to motivate them salary and extra benefit like fringe benefit should be given. Total cash payment under staff expenses are Rs.20,310,189.92 Rs.26,087,462.00 Rs.134,180,467.00, Rs.190,671,004.00 and Rs 218,650,828.00 respectively from the year 2065/66 to 2068/69. Staff expenses are in increasing trend. Staff expenses include salary, allowance, bonus and contribution to provident fund etc. similarly office operating expenses are Rs 42,238,816.40 Rs 55,427,849.00 Rs 103,688,012, Rs 129,959,990.00 and Rs 249,293,593.00 respectively from the year 2065/66 to 2069/70. The bank's operating expenses are high due to opening of new branch with new technology.

Operating expenses are only Rs.1,546,947.00 and Rs 1,924,703.00 respectively In 2067/68 and 2068/69 other year are nil. Income tax paid is Rs.20,162,725.00, Rs 1,546,947.00 Rs 1,924,703.00 and Rs 135,656,213.00 respectively from the year 2064/65 to 2068/69. Exchange loss is totally zero in relevant five years period.

Table 4.4

**4.2.2 Cash flow from investing financing activities and cash balance of
Siddhartha Bank Limited from F/y 2065 to 2070**

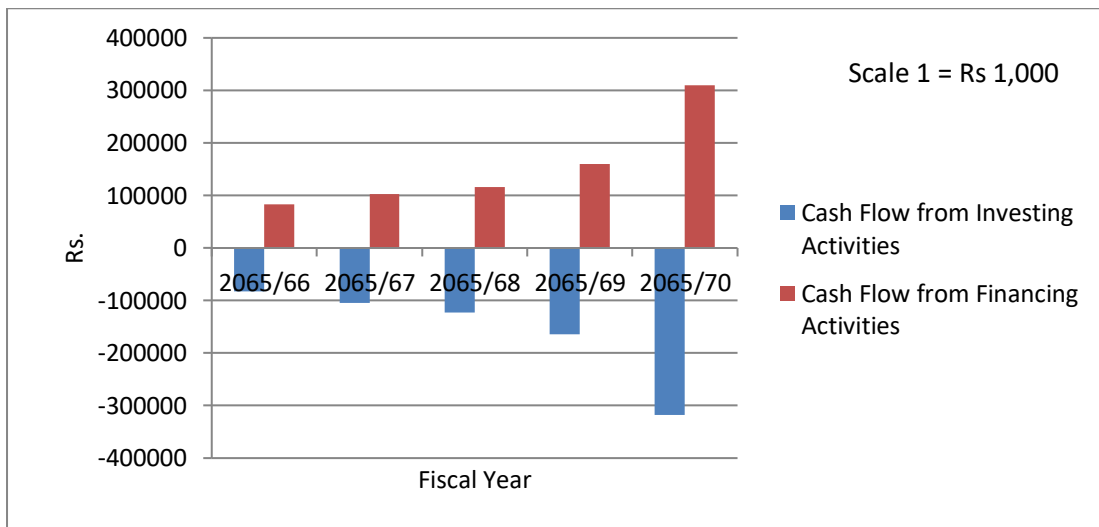
(In Rs.)

Particulars	2065/66	2066/67	2067/68	2068/69	2069/70
Cash flow from investing activities	(821,403,184.5)	(1,044,528,417.3)	(1,225,198,540.3)	(1,644,162,272.0)	(3,177,332.0)
Change in balance with bank	(42,250,658.5)	2,016,057.7	(43,637,927.3)	46,300,746.0	(335,810,000.0)
Change in money at call and short notice	(102,072,938.2)	(72,757,061.8)	152,358,997.8	(77,528,998.0)	(129,442,358.7)
Change in investment	(3,775,000.0)	(38,275,560.0)	(244,572,873.4)	(364,100,225.0)	(21,395,000.0)
Change in loans advances and bill purchased	(622,734,718.8)	(921,032,379.4)	(1,085,511,621.2)	(1,234,339,384.0)	(24,504,523.9)
Change in fixed assets	(19,264,134.3)	(6,590,031.8)	(1,807,852.0)	(9,475,336.0)	(2,135,564.7)
Change in other assets	(31,305,734.7)	(7,889,442.1)	(202,7264.20)	(5,019,075.0)	(26,311,563.1)
Cash flow from financing activities	832,113,945.7	1,030,821,804.4	1,160,650,131.7	1,598,553,049.0	3,092,244,357.5
Change in share capital	110,000,000.0	110,000,000.0	(30,000,000.0)	(8,850,000.0)	248,887,000.0
Change in borrowing	391,677,604.8	899,636,725.4	1,170,608,641.5	1,456,153,696.0	100,000,000.0
Change in deposits	317,221,550.0	-	-	150,000,000.0	100,000,000.0
Change in bills payable	-	961,993.5	(532,782.4)	-	-
Change in other liabilities	13,214,700.9	20,223,085.6	20,574,272.6	1,249,353.0	36,345,439.0
Change in reserve fund	-	-	-	-	-
Inc/loss from change in exchange in rate in cash and bank balance	-	-	-	-	-
Net cash flow for the year	9,426,506.4	8,775,971.8	15,245,022.0	33,459,441.0	65,432,553.0
Opening balance of cash	12,389.7	9,438,897.0	18,214,418.8	31,517,887.0	64,954,645.0
Closing balance of cash	9,438,896.0	18,214,868.8	33,459,440.5	64,977,328.0	13,044,258.0

Source: Annual Report of Related Bank

Figure 4.4

Cash flow from Investing, Financing Activities and Net Cash Flow of Siddhartha Bank Limited from F/Y 2065 to 2070



A. Cash Flow from investing Activities

Bank or Financial institutions are the business entities which does the money business. It collects money as deposits and lend to person who stand in the need of money, called investment. CFIA of Siddhartha bank limited is Cash flow from bank balance is Rs.(42,250,658.49), Rs 2,016,057.72, Rs (43,637,927.34),Rs 46,300,746.00 and Rs. (335,814,796.00) respectively from the year 2065/66 to 2069/70. The bank has deposited its money in different bank like central bank, local bank and foreign bank. Cash flow money at short call notice is Rs (102,072,938.24), Rs.(72,757,061.76), Rs 152,358,997.76, Rs.(77,528,998.00) and Rs.(129,446,305.00) respectively from the year 2065/66 to 2069/70.

The bank made investment for treasury bills, development bond national saving bond, share/debenture and other securities. Cash flow from investment is in increasing and decreasing trend. It is Rs.(3,775,000.00), Rs(38,275,560.00), Rs (244,572,873.40) Rs.(364,100,225.00) and Rs(213,954,579.00) respectively

from the year 2065/66 to 2069/70. The bank sold its investment of Treasury bill and investment of foreign. Due to these reason cash flow is decreased.

Cash flow from loans, advances and bill purchased are Rs.(62,273,718.80), Rs (921,032,379.36),Rs (1,085,511,621.19), Rs.(1,234,339,384.00) and Rs(2,450,457,205.00) respectively from the year 2065/66 to 2069/70. Collecting and financing of loan is satisfactory. This situation shows the high percentage of increasing trend on cash flow from loans, advance and bill purchased. Change in fixed for cash flow statement for respective five year.

B. Cash flow from financing activities

CFFA of Siddhartha bank Limited is Rs.832,133,945.65, RS 1,030,821,804.42. Rs 1,160,650,131.70, Rs 1,598,553,049.00 and Rs 3,092,246,157.00 respectively from the year 2065/66 to 2069/70. It is found in increasing trend. Cash flow is increased by 23.88%, 15.60%, 52.63% and 179.51% respectively in the year 2065/66 to 2069/70. On the basis of based year 2065/66. CFFA of the bank is steady in increasing trend. Cash flow borrowings Rs.110,000,000.00, RS.110,000,000.00, Rs. (30,000,000.00) Rs.(8,850,000.00) and Rs. 248,850,000.00 respectively from year 2065/66 to 2069/70. It is increasing and decreasing trend. Cash flow from deposits in relevant five year is Rs.2,707,677,604.78, Rs899,636,725.40, Rs 1,170,608,641.48, Rs 1,456,153,696.00 and Rs 2,707,002,289.00 respectively from the year 2065/66 to 2069/70. Collection of deposit is the goodwill of institutions.

Siddhartha bank limited is a reputed bank in the commercial bank of Nepal. The bank was promoted by a group of highly reputed Nepalese dignitaries having wide commercial experience with its head office at Kamaladi, Kathmandu. The bank's deposit is in increasing trends. Bills payable of the bank exist both in Nepalese and foreign currency. Cash flow from other liabilities under financing activities is Rs.13,214,790.87, Rs.20,223,085.57, Rs.1,170,608,641.48, Rs.1,456,153,696.00 and Rs.2,707,002,289.00 respectively from the year 2065/66 to 2066/70. Other liability represents current liabilities. It shows that it is impossible to sketch trend of the cash flow

other liabilities. In other words it is in volatile trend. Change in share capital of bank is also considered for cash flow purpose. Change in share capital is Rs.317,221,550.00, Rs.0 Rs.0, Rs.150,000,000.00 and Rs.100,000,000.00 respectively from the year 2065/66 to 2069/70.

C. Net Cash Flow for the year

Net cash flow of Siddhartha bank limited is Rs.9,426,506.35, Rs.8,775,971.75, Rs.15,245,022.00, Rs.31,517,887.00 and Rs.65,465,252.00 respectively from the year 2065/66 to 2069/70 Positive cash flow during the review period indicate it is in more strength situation in the industries.

Table 4.5
Comparative cash flow statement of selected commercial banks
Fiscal year 2065/66

(In Rs.)

Particulars	KBL	SBL
Cash flow from operation	1,497,417,320.00	79,793,430.64
Cash receipt	190,308,588.00	233,934,814.48
Interest income	173,165,485.00	191,859,915.36
Commission and discount income	9,413,117.00	7552,790.13
Exchange gain	7,143,616.00	7,170,572.67
Other income	582,720.00	27,351,536.32
Cash payment	(147,334,415.00)	(154,141,383.84)
Interest expenses	(92,211,808.00)	(91,592,377.52)
Staff expense	(23,254,109.00)	(20,310,189.92)
Office operating expense	(21,330,223.00)	(42,238,816.40)
Exchange loss	-	-
Non operating expenses	-	-
Income tax paid	-	-
Other expenses	(10,538,275.00)	-
B. Cash flow from investing activities	(1,411,944,167.00)	(821,403,184.00)
Change in balance with bank	(152,026,980)	(42,250,658.49)
Change in money at call and short note	-	(102,072,938.24)
Change in investments	(168,154,974)	(3,775,000)
Change in loans advance and bill purchased	(1,010,982,225)	(622,734,718.80)
Change in fixed assets	(1,036,960)	(19,264,134.26)
Change in other assets	(79,743,028)	(31,305,734.71)
C. Cash flow from financing activities	1,379,494,465	832,113,945.65
Change in share capital	-	110,000,000
Change in borrowing	(31,990,944)	391,677,604.78
Change in deposits	1,333,250,834	317,221,550
Change in bills payable	(4,708,787)	-
Change in other liabilities	82,943,362	13,21,790.87
Change in reserve fund	-	-
D. inc/loss from change in exchange in rate in cash & bank balances	-	-
E. Net cash flow for the year	10,524,471	9,426,506.35
F. Opening cash balance	30,275,569	1,238,9.65
G. Closing cash balance	40,800,040	9,438,896

Source: Annual Report of Related Banks

The amount of total cash flow from operation in the year 2065/66 is Rs.1,497,417,320.00 and Rs.79,793,430.64 respectively of KBL and SBL. SBL is in highest position where KBL is in the lowest position from the view point of operating cash flow from operating activities involves various activities which are presented in the table. Cash receipt from operation was Rs.190,308,588.00 and Rs.233,934,814.48 respectively of the above banks. Similarly cash payment is Rs.147,334,415.00 and Rs.154,141,383.84 respectively as the above banks in the year 2065/66.

CFOA with respect to cash receipt to cash receipt from operation are 22.58% and -4.45% respectively as the above banks. Surplus ration is highest for KBL and lowest for SBL bank. Cash receipts include interest income, commission and discount, exchange gain, non-operation income and other income. Similarly cash payment includes interest expenses, staff expenses, office overhead expenses, exchange loss, non-operating expenses, income tax paid and other expenses. The determination of cash receipt and cash payment is the summation of these included items which is detail in the comparative sheet. This analysis reflects the very weak condition of SBL in its high expenditure for operating activities. Highest positive deviation with cash receipt and payment from activities reflects the good position of bank. According to the total amount deviation with cash receipt and payment KBL is in strong position. The amount of CFOA is higher in KBL. it is because of generation high amount of interest income. Although the interest income of KBL is also high rank but its expenditure is also high. Therefore CFOA is the net flow between cash receipts and cash payments which is determination of all related factors. So based on these financial ratio analyses KBL is in better position than other banks the view point of cash flow from operation activities.

D. Cash Flow from Investing Activities

The amount of cash flow from investing Activities, in the year 2065/66 is Rs.(1,411,944,167.00) and Rs.(821,403,184.50) respectively of KBL & SBL.

In this activities various other activities are included which are presented in the comparative cash flow statement. CFIA of the KBL is in the top position than other bank SBL have also negative cash flow but at lower level than KBL. It represents the every bank had put their best endeavor to the investment cash flow from investing activities is not a sign of good investment and loan and advances. Due to the various political and economic the entire bank decreased their investment and loan, it should be considered good from the view point of cash flow.

E. Cash flow from Financing Activities

The amounts of cash flow from financing activities are Rs.1,379,494,465.00 and Rs.832,113,945.65 of KBL & SBL respectively. CFFA of KBL is the highest position than others. It is calculated from the various activities which are described in the cash flow statement analysis of individual banks and also presented in comparative cash flow statement. Amount of change in deposit is found higher in KBL which is the main causes to be increased cash flow in the financing activities. Deposits are the key point in the financial activities. Therefore collection of large amount of deposit is the goodwill of the bank and interest rate offered to the public along with their specialized product. The main reason for increasing cash inflow is deposit liability. Kumari bank limited collects the highest deposit liability so it pays high amount of interest than other banks. This analysis reflects the importance of deposit to financial cash flow. Cash flow from bills payable of the KBL is negative in the year 2065/66. The negative flow means payment liability for banks.

F. Net Cash Flow for the year

Net cash flow for the year 2065/66 is Rs.10,521,471.00 and Rs.9,426,506.35 of KBL & SBL respectively. Net cash flow of KBL is in the highest position than others. Net cash flow is the effect of total of operating, investing and financing cash flow. Overall cash flow of bank will be positive due to the positive operating and financing activities.

4.2.4 Fiscal year 2066/67

Table 4.6

Comparative cash Flow Statement of selected commercial banks

(In Rs.)

Particulars	KBL	SBL
A) Cash Flow from operations	1,706,237,801	77,127,110
cash receipt	1,533,633,183	327,762,016
Interest incomes	1,370,968,716	292,231,934
Commission & discount income	79,243,277	13,774,645
Exchange gain	-	12,050,770
other income	24,419,409	9704,667
2.cash payment	(1,201,224,767)	(230,634,906)
Interest expenses	(803,128,742)	(148,956,870)
Staff expenses	(152,688,468)	(26,087,462)
Office operating expenses	(136,682,240)	(55,427,849)
Exchange loss	-	-
Non-operating expenses	-	-
Income tax paid	(180,421,317)	-
Other expenses	-	-
B) cash flow from investing Activities	(1,975,206,191)	(1,044,528,417.20)
Change in balance with bank	284,883,729	2,016,057.72
Change in money at call and short notice	(90,000,000)	(72,757,061.76)
Change in investments	(206,766,609)	(38,275,560)
Change in loans advance and bill purchased	(1,983,028,193)	(921,032,379.36)
Change in fixed assets	(49,767,645)	(6,590,031.83)
Change in other assets	69,472,527	(7,889,442.06)
c. cash flow from financing activities	2,449,222,752	1,030,821,804.42
Change in share capital	150,000,000	110,000,000
Change in borrowing	-	899,636,725.40
Change in deposits	2,294,792,741	-
Change in bills payable	1,050,825	961,993.45
Change in other liabilities	(6,078,244)	20,223,085.57
Change in reserve fund	-	-
D. Inc/loss from change in exchange in rate in cash and bank balances	-	-
E) Net cash flow for the year	557,819,372	8,775,971.75
F) opening cash balance	40,800,040	9,438,897.25
G) closing cash balance	598,619,412	18,214,868

Source: Annual Report of Related Banks

A. Cash flow from operating activities

The amount of total cash flow from operating in the year 2065/66 was Rs. 1,706,237,801 and Rs 77,127,110 respectively of KBL & SBL. KBL was in the highest position where SBL is in the lowest position from the view point of operating cash flow. Cash flow operating activities involves various activities

which are presented in the table cash receipt from operation was Rs.1,533,633,183 and Rs 327,762,016 respectively as the above banks. Similarly cash payment was Rs 1,201,224,767 and Rs 230,634,906 respectively as the above banks in the year 2066/67.

CFOA with respect to cash receipt from operation are highest for KBL & lowest for SBL, cash receipts include interest income commission and discount exchange gain non-operating income and other income similarly cash payment includes interest expenses, staff expenses, office overhead expenses, exchange loss, non-operating expenses, income tax paid and other expenses. The determination of cash receipt and cash payment is the summations of these include items which is detail in the comparative sheet. This analysis reflects the KBL has high expenditure for operating activities. Highest positive deviation with cash receipt and payment from activities reflects the good position of bank, according to the total amount deviation with cash receipt and payment KBL is in strong position in 2065/66.

The amount of CFOA is higher in KBL it is because of generating high amount of interest income. Although the interest income of KBL is also high rank but its expenditure is also high. Therefore CFOA is the net flow between cash receipts and cash payments which is determination of all related factors. So based on these financial ratio analyses KBL is in better position than other banks from the view point of cash flow from operating activities.

B. Cash Flow from Investing Activities

The amount of cash flow from investing activities, in the year 2066/67 is Rs (1,975,206,191.00) and Rs (1,044,528,417.29) respectively of KBL & SBL. In this activities various other activities are included which are presented in the comparative cash flow statement. CFIA of KBL is in the top position than other banks where all other bank are found in negative which represents that all bank have been investing heavily but found KBL is more aggressive in order to generate more cash flow. The outflow is highest than inflow of cash in KBL.

Positive cash flow from investing activities is not a sign of good investment. Due to the instable political situation and denoting economic condition of country, the entire bank investment and loan is highly affected, even they are able to invest in productive sector is very good signing from the view point of cash flow.

C. Cash flow from financing activities

The amounts of cash flow from financing activities are Rs 2,449,222,752.00 and Rs1,030,821,804.42 respectively of KBL & SBL. CFFA of KBL is the highest positive than SBL. It is calculated from the various activities which are described in the cash flow statement analysis of individual banks and also presented in comparative cash flow statement. Amount of change in borrowing is found zero in KBL. Amount of change in deposit is found highly positive, which is the main cause to be increased cash flow in the financing activities. Deposits are the key point in the financial activities. Therefore collection of large amount of deposit is the goodwill of the bank and interest rate offer to the public along with specialized product. The main reason for increasing cash inflow is the increases deposit liability.

Kumari bank limited collects the highest deposit liability so it so pays high amount of interest than other banks. This analysis reflects the importance of deposit to financial cash flow.

Cash flow from bills payable is negative and positive in the year2066/67. The negative flow means payment of bill amount. It doesn't appear in big volume but it is most important non-interest bearing liability for banks. Cash flow from bill payable is negative to the KBL and highest position to the SBL. Shareholders equity is also a major source of financing activities. It is found on KBL in a year2065/66 highest in position.

C. Net Cash Flow for the Year

Net cash flow for the year 2066/67 is Rs 557,819,372.00 and Rs8,775,971.75 of KBL & SBL respectively. Net cash flow of KBL is highest position than SBL. Net cash flow is the total of operating, investing & financing cash flow. Overall cash flow of the bank will be positive due to positive operating and financing activities.

Table 4.7
Comparative cash flow statement of selected commercial banks
(Fiscal year 2067/68)

(In Rs.)

particulars	KBL	SBL
A. Cash Flow from operations	2,257,118,376	963,699,358
1. cash receipt	1,533,633,183	2,123,912,220
interest income	1,869,123,840	2,018,291,813
commission and discount income	100,336,992	42,758,283
Exchange gain	-	-
Non-operating income	-	-
other income	42,313,069	50,694,422
2. Cash payment	1,864,969,767	1,769,003,531
Interest expenses	1,178,550,104	1,386,818,348
Staff expenses	143,277,770	134,180,467
Office operating expenses	402,198,987	142,769,756
Exchange loss	-	-
Non-operating expenses	-	-
Income tax paid	140,942,907	103,688,042
other expenses	-	-
b. Cash flow from investing activities	(1,975,206,191)	(1,225,198,540)
Change in balance with bank	284,883,729	(43,637,927)
Change in money at call and short notice	(90,000,000)	152358997.76)
Change in Investments	(206,766,609)	(244,572,873)
Change in loans advance and bill purchased	(1,983,028,193)	(1,085,511,621)
Change in fixed assets	(49,767,645)	(1,807,852)
Change in other assets	69,472,527	(2,027,264)
Cash Flow from Financing Activities	1,825,583,248	1,160,650,131
Change in share capital	-	30,000,000
Change in borrowing	401,761,328	1,170,608,641
Change in deposits	1,461,017,517	-
Change in bills payable	(7,298,156)	(532,782)
Change in other liabilities	(29,897,441)	20,574,273
Change in Reserve Fund	-	-
D. Inc/loss from change in exchange in rate in cash & bank balances	-	-
E. Net cash flow from for the year	42,777,187	15,245,022
F. Opening cash balance	68,471,907	18,214,419
G. Closing Cash balance	11,249,094	33,459,441

Source: Annual Report of Related Banks

A. Cash Flow from operation activities

The amount of total cash flow from operation in the year 2067/68 is Rs 2,257,118,376 and RS 963,699,358.00 respectively KBL and SBL. KBL is in the highest position where SBL is in the lowest position from the view point of operating cash flow. Cash flow from operating activities involves various activities which are presented in the table. Cash receipt from operation is RS 1,533,633,183.00 and Rs 2,123,912,220.00 receptively as the above banks. Similarly cash payment was Rs 1,864,969,767.00 and Rs 1,769,003,531.00 respectively as the above banks in the year 2067/68.

CFOA with respect to cash from operation are highest for KBL and lowest for SBL. Cash receipt include interest income commission and discount, exchange gain, non-operating income and other expenses, exchange loss, non-operating expenses, income tax paid and other expenses. The determination of cash receipt and cash payment is the summation of these included items which is detail in the comparative sheet. This analysis reflects the condition of KBL in this high expenditure for operating activities. Highest positive deviation with cash receipt and payment from activities reflects the good position of bank. According to the total amount deviation with cash receipt and payment KBL is strong position.

The amount deviation with cash receipt and payment KBL is in because of generating high amount of interest income. Even the interest income of KBL is high rank along with its higher expenditure. Therefore CFOA is the net flow between cash receipts and cash payments which is determination of all related factors. So based on cash flow on these financial ratio analyses KBL is in better position than SBL from the view point of cash flow operating activities.

B. Cash Flow from Investing Activities

The amount of cash flow from investing activities, in the year 2067/68 is Rs(1,975,206,191.00) and Rs(1,225,198,540.34) respectively KBL & SBL. In

this activities various other activities are included which are presented in the comparative cash flow statement. CFIA of the KBL is in the top position than other banks where other banks have invested heavy amount. The outflow is highest than inflow of cash in all bank. Positive cash flow from investing activities is not a sign of good investment. Due to the instable political situation and deteriorating economic condition of the country, the entire bank investment and loan is highly affected, even they are able to invest in productive sector is very good signing from the view point of cash flow.

C. Cash Flow from Financing Activities

The amounts of cash flow from financing activities are Rs.1,825,583,248.00 and Rs.1,1160,650,131.70 of KBL & SBL respectively. CFFA of KBL is the highest position than SBL. It is calculated from the various activities which are described in the cash flow statement analysis of individual banks and presented in comparative cash flow statement. Deposits are the key point in the financial activities. Therefore collection of large amount of deposits is the goodwill of the bank and interest rate offer to the public along with specialized product. The main reason for increasing cash inflow is deposit liability.

Cash flow from bills payable both are negative to KBL and SBL in the year 2066/67. The negative flow means payment of bill amount. It doesn't appear in big volume but it is from most important non-interest bearing liability for banks. Cash flow from other liabilities positively highest changed in SBL and negative changed is found of KBL. Shareholders equity is also a major source of financing activities. It is found of KBL and SBL in the year 2067/68.

D, Net Cash Flow for the year

Net cash flow for the year 2067/68 is Rs.42,777, 187.00 and Rs 15,245,022.00 of KBL and SBL respectively. Net cash flow of KBL is in the highest position than SBL. Net cash flow is the total of operating, investing and financing cash flow. Overall cash flow of the bank will be positive due to the positive operating and financing activities.

Table 4.8
Comparative cash flow statement of selected commercial banks
Fiscal Year 2068/69

(In Rs.)

Particulars	KBL	SBL
Cash Flow from operations	1,612,873,550	562,670,036
1. cash receipt	2,364,030,115	2,849,610,786
interest income	2,172,470,798	2,680,619,718
commission and discount income	100,608,275	68,049,045
Exchange gain	-	38,689,741
Non-operating income	-	-
other income	54,261,703	62,252,282
2. Cash payment	(1,977,302,404)	(2,418,793,252)
Interest expenses	(1,525,812,231)	(1,910,297,401)
Staff expenses	(168,351,843)	(190,671,004)
Office operating expenses	(182,936,244)	(189,789,561)
Exchange loss	-	-
Non-operating expenses	-	-
Income tax paid	(122,500,944)	(129,959,990)
other expenses	-	(1,924,703)
B. Cash flow from investing activities	(1,586,449,228)	(1,644,162,272)
Change in balance with bank	107,483,248	46,300,746
Change in money at call and short notice	(55,000,000)	(77,528,998)
Change in Investments	(204,676,742)	(36,410,025)
Change in loans advance and bill purchased	(1,331,564,163)	(234,339,384)
Change in fixed assets	(39,038,022)	(9,475,336)
Change in other assets	(63,653,549)	(5,019,075)
C. Cash Flow from Financing Activities	1,482,904,510	1,598,553,049
Change in share capital	125,000,000	(8,850,000)
Change in borrowing	(150,361,328)	1,456,153,696
Change in deposits	1,500,002,795	50,000,000
Change in bills payable	-	-
Change in other liabilities	8,263,043	1,249,353
Change in Reserve Fund	-	-
E. Inc/loss from change in exchange in rate in cash & bank balances	-	-
E. Net cash flow from for the year	53,741,624	31,517,887
F. Opening cash balance	111,249,094	33,459,441
G. Closing Cash balance	164,990,718	64,977,328

Source: Annual reports of related banks.

A. Cash Flow from operating Activities

The amount of total cash flow from operation in the year 2068/69 is RS 1,612,873,550.00 and Rs.562,670,036.00 respectively of KBL and SBL, KBL is in the highest position where SBL is in the lowest position from the view point of operating cash flow. Cash flow from operating activities involves various activities which are presented in the table. Cash receipt from operation is RS. 2,364,030,115.00 and Rs 2,849,610,786.00 respectively as the above banks. Similarly cash payment is Rs.1,977,302,404.00 and Rs.2,418,793,252.00 respectively as the above banks in the year 2068/69.

CFOA with respect to cash receipt from operation are highest for SBL and lowest for KBL. Cash receipts include interest include interest income, commission and discount, exchange gain, non-operating income and other income. Similarly cash payment includes interest expenses, staff expenses, office overhead expenses, exchange loss, non-operating expenses, income tax of and other expenses. The determination of cash receipt and cash payment is the summation of these included items which is detail in the comparative sheet. This analysis reflects the very weak condition of SBL in its high expenditure for operating activities. Highest positive deviation with cash receipt and payment from activities reflects the good position of bank. According to the total amount deviation with cash receipt and payment KBL is in strong position. The amount of CFOA is higher in KBL; it is because of generating high amount of interest income and commission and discount. Although the interest income of KBL is high rank too but its expenditure is also high. Therefore CFOA is the net flow between cash receipts and cash payments which is determination of all related factors. So based on these financial ratio analyses SBL is in better position than KBL from the view point of cash flow from operating activities.

B. Cash Flow from Investing Activities

The amount of cash flow from investing activities, in the year 2068/69 is Rs.(1,586,449,228) and Rs(1,644,162,272) respectively of KBL & SBL. In this activities various other activities are included which are presented in the comparative cash flow statement. CFIA of the SBL is in the top position than other banks where other banks have invested heavy amount. The outflow is highest than inflow of cash in all bank. Positive cash flow from investing activities is not a sign of good investment. Due to the instable political situation and determine economic condition of the country, the entire bank investment and loan is highly affected, even they are able to invest in productive sector is very good signing from the view point of cash flow.

C. Cash Flow from Financing Activities

The amounts of cash flow from financing activities are Rs. 1,482,904,510 and Rs. 1,598,553,049 of KBL & SBL respectively. CFFA of SBL is the highest than KBL. It is calculated from the various activities which are described in the cash flow statement analysis of individual banks and also presented in comparative cash flow statement. Amount of change in borrowing is found negative in KBL. Deposits are the key point in the financial activities. Therefore collection of large amount of deposit is the goodwill of the bank and interest rate offered to public along with specialized product. The main reason for increasing cash inflow is deposit liability. Kumari bank Limited collects the highest deposits liability so it pays high amount of interest rate with its specialized products than SBL. This analysis reflects the importance of deposit to financial cash flow. Cash flow from other liabilities positively highest changed of KBL. Shareholders equity is also a major source of financing activities. Change in reserve fund is also main part of financing activities; it is not found in that year.

D.Net Cash Flow for the year

Net cash flow for the year 2068/69 is Rs.53,741,624 and Rs.31,517,887 of KBL and SBL respectively. Net cash flow of KBL is in the highest position than others where as SBL has lowest than KBL. Net cash flow is the total of

operating, investing and financing cash flow. Overall cash flow of the bank will be positive due to the positive operating and financing activities.

Table 4.9
Comparative cash flow statement of selected commercial banks
(Fiscal Year 2069/70)

(In Rs.)

Particulars	KBL	SBL
Cash Flow from operations	3,037,995,278	2,263,408,919
1. cash receipt	2,604,155,708	3,220,020,269
Interest income	2,405,462,882	2,901,346,203
commission and discount income	154,266,971	108,180,648
Exchange gain	44,205,749	115,626,926
Non-operating income	-	-
other income	220,106	94,866,493
2. Cash payment	(2,014,224,759)	(2,655,162,458)
Interest expenses	(1,557,914,778)	(2,051,561,824)
Staff expenses	(193,419,988)	(218,650,828)
Office operating expenses	(149,779,120)	(249,293,593)
Exchange loss	-	-
Non-operating expenses	-	-
Income tax paid	(140,942,907)	(135,656,213)
other expenses	-	-
B. Cash flow from investing activities	(2,901,059,902.00)	(3,177,337,281.00)
Change in balance with bank	(227,529,987.00)	(335,814,796.00)
Change in money at call and short notice	(227,215,000.00)	(129,446,305.00)
Change in Investments	(283,470,661.00)	(213,954,579.00)
Change in loans advance and bill purchased	(2,054,654,968.00)	(2,450,457,205.00)
Change in fixed assets	(126,683,039.00)	(21,353,563.00)
Change in other assets	18,484,753.00	(26,310,833.00)
C. Cash Flow from Financing Activities	2,745,228,749.00	3,092,246,157.00
Change in share capital	125,000,000.00	48,850,000.00
Change in borrowing	(38,430,000.00)	2,707,002,289.00
Change in deposits	788,459,185.00	100,000,000.00
Change in bills payable	-	-
Change in other liabilities	(129,459,185.00)	36,393,868.00
Change in Reserve Fund	-	-
D. Inc/loss from change in exchange in rate in cash & bank balances		
E. Net cash flow from for the year	54,953,219.00	65,465,252.00
F. Opening cash balance	1,357,991.00	64,977,328.00
G. Closing Cash balance	190,748,210.00	30,442,580.00

Source: Annual Report of Related Banks

A. Cash Flow from Operating Activities

The amount of total cash flow from operation in the year 2069/70 was Rs.3,037,995,278.00 and Rs.2,263,408,919.00 respectively of KBL and SBL. SBL was in the highest position where KBL is in the lowest position from the view point of operating cash flow. Cash flow from operating activities involves

various activities which are presented in the table. Cash receipt from operation was Rs.2,604,155,708.00 and Rs.3,220,020,269.00 respectively as the above banks. Similarly cash payment was Rs.2,014,224,759.00 and Rs.2,655,162,458.00 respectively as the above banks in the year 2069/70.

CFOA with respect to cash operation are 24.28% and 28.14% respectively as the above banks. Surplus ration is highest for SBL and lowest for KBL. Ratio shows that SBL is able to minimize its operating cost than KBL. Cash receipts include interest income, commission and discount, exchange gain, non-operating income and other income. Similarly cash payment includes interest expenses, staff expenses, office overhead expenses, exchange loss, non-operating expenses, income tax paid and other expenses. The determination of cash receipt and cash payment is the summation of these included items which is detail in the comparative sheet. This analysis reflects the very weak condition of KBL in its high expenditure for operating activities. Highest positive deviation with cash receipt and payment from activities reflects the good position of bank. According to the total amount deviation with cash receipt and payment SBL is in strong position. The amount of CFOA is higher in KBL is also high rank but its expenditure is also high. Therefore CFOA is the net flow between cash receipt and cash payment which is determination of all related factor. So based on these financial ratio analyses KBL is in the better position than SBL from the view point of cash flow from operating activities.

B. Cash flow from investing activities

The amount of cash flow from investing activities, in the year 2069/70 is Rs.(2,901,059,920.00) and Rs.(3,177,337,281.00) respectively of KBL and SBL. In this activities various other activities are included which are presented in the comparative cash flow statement. CFIA of the KBL is in the top position than SBL. Even if bank in sample has negative cash flow from investing activities where SBL more negative than KBL. Which represent that SBL has

invested heavy amount? The out flow is highest than inflow of cash in KBL is compare in SBL. Positive cash flow from investing activities is not a sign of good investment. Due to the changing political situation and constitution assembly election comes under to make constitutions has bring the investment environment and under such situation the entire bank in increase their investment and loan, but it is not considered very good signing from the view point of cash flow.

C. Cash flow from financing activities

The amount of cash flow from financing activities are Rs.2,745,228,749.00 and RS.3,092,246,157.00 of KBL and SBL respectively. CFFA of KBL is the highest position than SBL. Ti is calculated from the various activities which are described in the cash flow statement analysis of individual and also presented in comparative cash flow statement. Amount of change in borrowing is found negative in KBL. Deposits are the key point in the financial activities therefore collection of large amount of deposit is the goodwill of the bank and interest rate offer to public along with specialized product. The main reason for increasing cash flow is deposit liability. KBL pay high amount of interest than SBL. This analysis reflects the important of deposit to financial cash flow.

Cash flow from bills payables is zero for KBL and SBL in the year 2069/70. Cash flow from other liabilities positively highest changed of KBL and highest negative changed in found of SBL. Shareholders equity is also a major source of financial activities.

F. Net cash flow for the year

Net cash flow for the year 2069/70 is Rs.54,953,219.00 and Rs.64,465,252.00 of KBL & SBL respectively. Net cash flow from KBL is in the highest position than SBL. Net cash flow is in the total of operating, investing and financing cash flow. Overall cash flow of the bank will be positive due to the positive operation of financing activities.

Ratio Analysis

“Ratio refers to the numerical relation of component parts of financial statement to each other. Ratio relationships are computed to obtain information about various characteristics and condition of firm.” (Bagavati and Pillai, 2000: 1339). Ratio analysis is a technique of analysis and interpretation of financial statement through mathematical expression. Importance ratio are used for cash flow statement are

- Interest coverage ratio
- Cash flow coverage ratio
- Cash flow margin ratio

Interest coverage ratio (ICR)

ICR measures the capacity to pay interest expenses. This ratio is calculated by dividing net profit before interest and Tax (EBIT) by interest cost amount.

$$\text{Interest coverage ratio} = \frac{\text{Earnings before interest \& tax}}{\text{Interest expenses}}$$

Table 4.10
Calculation of interest coverage ratio

(in Rs)

Fiscal Year	EBIT	Interest	Times
2065/66	1,921,085,316	1,633,391,270	1.18
2066/67	1,802,985,295	1,456,917,172	1.24
2067/68	1,457,759,817	1,188,918,173	1.64
2068/69	1,906,878,811	1,525,812,231	1.25
2069/70	2,019,669,260	1,557,914,778	1.30

Source: Annual Reports of Kumari Bank Limited from 2065/66 to 2069/70

Cash flow coverage ratio (CFCR)

To calculate the cash flow coverage ratio, take the earning before interest and tax (EBIT) from the income statement, add back to it all non-cash expenses included in EBIT, such as depreciation and amortization and divide by the interest expenses. The formula is

Table 4.11
Calculation of cash Flow Coverage Ratio

(in Rs)

Fiscal Year	EBIT	Interest expenses	Times
2065/66	1,921,085,316	1,633,391,270	1.18
2066/67	1,802,985,295	1,456,917,172	1.24
2067/68	1,457,759,817	1,188,918,173	1.23
2068/69	1,825,117,234	1,566,551,598	1.17
2069/70	1,943,303,335	1,622,491,760	1.20

Source: Annual Reports of Kumari Bank Limited from 2065/66 to 2069/70

Cash flow margin ratio (CFMR)

Cash flow margin ratio is a measure of how efficiently a company. This ratio is calculated by dividing cash flow operating activities by total operating income

$$\text{Cash flow margin ratio} = \frac{\text{Cash flow from operating activities}}{\text{Total operating income}}$$

Table 4.12
Calculation of cash flow margin ratio

(in Rs)

Fiscal year	Cash flow operating activities	Total operating income	Margin ratio
2065/66	1,497,417,320	854,793,018	1.75
2066/67	1,526,237,801	1,144,499,850	1.33
2067/68	1,567,118,376	846,496,326	1.85
2068/69	1,612,873,550	875,302,677	1.84
2069/70	3,037,995,278	1,022,972,035	2.97

Source: Annual Reports of Kumari Bank Limited from 2065/66 to 2069/70

Table 4.13**Calculation of interest coverage ratio**

(in Rs)

Fiscal year	EBIT	Interest expenses	Times
2065/66	706,167,000	408,189,000	1.73
2066/67	1,139,067,000	813,619,000	1.40
2067/68	2,180,060,000	1,406,490,000	1.55
2068/69	3,234,408,000	1,925,243,000	1.68
2069/70	3,257,773,000	2,048,914,000	1.58

Source: Annual Reports of Siddhartha Bank Limited from 2065/66 to 2069/70

Table 4.14**Calculation of cash flow coverage ratio**

(in Rs)

Fiscal year	EBIT	Interest expenses	Times
2065/66	706,167,000	408,189,000	1.73
2066/67	1,139,067,000	813,619,000	1.40
2067/68	2,180,060,000	1,406,490,000	1.55
2068/69	3,234,408,000	1,925,243,000	1.68
2069/70	3,257,773,000	2,048,914,000	1.58

Source: Annual Reports of Siddhartha Bank Limited from 2065/66 to 2069/70

Table 4.15**Calculation of cash flow margin ratio**

(in Rs)

Fiscal year	Cash flow operating activities	Total operating income	Margin ratio
2065/66	79,793,431	665,563,915	1.199
2066/67	77,127,110	953,158,944	0.89
2067/68	963,699,538	1,842,121,892	0.521
2068/69	963,699,358	999,523,010	0.961
2069/70	1,263,408,919	1,778,882,822	0.71

Source: Annual Reports of Siddhartha Bank Limited from 2065/66 to 2069/70

4.2 Comparative ratio of selected commercial banks

Table 4.2
Fiscal year 2065 to 2070

Particulars	KBL					SBL				
	2065/66	2066/67	2067/68	2068/69	2069/70	2065/66	2066/67	2067/68	2068/69	2069/70
Cash flow coverage ratio	1.18	1.24	1.23	1.17	1.20	1.73	1.40	1.55	1.68	1.58
Interest coverage ratio	1.18	1.24	1.64	1.25	1.30	1.73	1.4	1.55	1.68	1.59
Cash flow margin ratio	1.75	1.33	1.85	1.84	2.97	1.199	0.08	0.521	0.97	0.71

Sources: Annual Reports of Related Bank

Interest coverage ratio measures the capacity to pay interest expenses. In Kumari Bank has interest coverage ratio is 1.18,1.24,1.64,1.25,1.30 but in Siddhartha Bank has interest coverage ratio is 1.73,1.4,1.55,1.68,1.59 for the year 2065/66 to 2069/70. Cash flow margin ratio measure the efficiency of a company. In Kumari Bank has 1.75,1.33,1.85,1.85,1.84,2.97 for the year 2065/66 to 2069/70. But in Siddhartha Bank has 1.19,0.8,0.521,0.97,0.71 for the year 2065/66 to 2069/70. In this condition better position of KBL than SBL. Cash flow coverage ratio determine the coverage of cash in the company. In Kumari Bank has Cash flow coverage is 1.18,1.24,1.23,1.17,1.20 for the year 2065/66 to 2069/70. But In Siddhartha Bank has Cash flow coverage ratio is 1.73,1.40,1.55,1.68,1.58 for the year 2065/66 to 2069/70.

4.3 Major Findings

4.3.1 Kumari Bank Limited.

Cash flow from operating activities (CFOA)

- Cash flow from operating activities CFOA is positive during the whole years. It is found increasing each successive year. But CFOA is found lowest in the year 2065/66.
- Cash receipt from other income is highest in the year 2069/70.
- Total cash receipt from operation is highest in the year 2069/70.

- Total cash payment is highest in the year 2069/70. As a result cash flow from operating activities rate is also lower than previous year.
- In the year 2069/70 interest expenses is highest because the bank has collected highest amount of deposit liability.
- Commission and discount income is found increasing trend. It is found highest in the year 2069/70.
- Cash receipt from exchange gain plays significant role in total operating cash flow which is found fluctuating during the review period.
- Staff and operating expenses is found highest in the year 2068/69.
- Other expense is found highest in the year 2068/69.

Cash Flow from Investing Activities (CFIA)

- Cash Flow from Investing Activities is negative during whole period and it higher in the year 2065/66 and highest in the year 2068/69. But cash flow investing activities is in the fluctuation trend.
- Change in loans advance and bill purchased is found increasing during the review year. This is the satisfactory condition for bank.
- Bank has invested in fixed assets in increasing trend in every year.
- Cash flow from other assets is found positive and negative during the review period.

Cash Flow from Financing Activities (CFFA)

- CFFA of bank is found in the fluctuation trend.
- Highest amount of borrowing decrease and reached to nil in the 2065/66.
- Cash flow from bills payable and other liabilities are in increasing and decreasing trend.
- Cash flow from other liabilities is found negative in year 2065/66. 2066/67 and 2067/68, found positive in year 2068/69.

Net cash flow for the year

Overall cash flow is found positive during the review periods which are result of the cash flow from operation and financing activities. However overall cash flow is in year 2065/66 lower due to highest amount of cash invested for procurement of fixed assets and other assets.

4.3.2 Siddhartha Bank Limited

Cash Flow from operating Activities (CFOA)

- Cash flow from operating activities (CFOA) is positive during the whole years. It is found in increasing trend.
- CFOA is found lowest in the year 2065/66.
- Cash received from other income is highest in the year 2069/70.
- Total cash receipt from operation is highest in the year 2069/70.
- Total cash payment is highest in the year 2069/70.
- In the year 2069/70 interest expenses is highest because the bank has accept highest amount deposits bearing higher interest rate.
- Commission and discount income is found in increasing trend. It is found highest in year 2069/70.
- Cash received from exchange gain plays significant role in total operating cash flow. It is found lowest in year 2065/66.
- Other expenses is found zero except F/Y 2065/66.

Cash flow from investing activities (CFIA)

- Cash flow from investing Activities is in increasing trend.
- The bank has no strong investing scheme. As a result it is fluctuating.
- Change in loans advance and bill purchased is found negative during the whole year. This is the satisfactory condition for bank and hope to improve the situation of the country.
- Fixed assets purchased during the whole year.

- Cash flow from current and non banking assets are in increasing and decreasing trend.

Cash Flow from Financing Activities (CFFA)

- CFFA of SBL is found in increasing trend.
- Highest amount of borrowing increased in the 2069/70.
- Cash flow from bills payable and other liabilities are in increasing and decreasing trend. In some F/Y it is found zero.
- Cash flow from other liabilities is found positive during the whole year.

Net cash flow for the year

Overall cash flow is found positive in the whole of study which is contributed by cash flow from investing activities. It is found highest in the year 2069/70 and found lowest in the year 2065/66.

CHAPTER-V

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Summary

The researcher used trend and descriptive techniques to analyze and comparison and to study the cash flow of the selected commercial banks in order to know the cash position of these banks. Fro this purpose I have taken into analysis of the following commercial banks. They are:

- Kumari Bank Limited
- Siddhartha Bank Limited

For studying and preparing this thesis I have used cash flow statement, annual report of the all sampled commercial banks and their annex are studied along with some primary data. Basically profit and loss A/C, Balance sheet and cash flow statement presented by the banks are viewed for the analysis purpose. Directives of Nepal Rastra Bank, Nepal Accounting Standard, company Act and N.R.B Act studied throughout the period of research. Articles and Reports related with cash flow written and produced by Nepalese as well as foreign writer are also the major sources to prepare this thesis. Several websites (www.cashflow.com) related with cash flow are visited. The researcher analyzes and compares about five year cash flow position of all sampled commercial banks with showing the details view of different activities. Five year means started from 2065/66 to 2069/70. Previous thesis and articles related to the subject matter are also studied for the research purpose. Based on the chart and trend analysis, summary of the study are as follows:

Net Cash Flow of the year

Trend of the accumulate cash flow received from different activities are in rising and falling trend. In other words they are volatile in nature for banks under the study. From this point of view, Kumari bank limited has in favorable position.

5.2 Conclusions

- The banks selected for the study, fully Nepalese promoted banks and of their age (KBL & SBL) are the main institutions of financial market. They are operating in high amount of operating profit. They are paying tax revenue to the government and facilitating people by providing new and latest banking services. They are playing very important role in the society as well the nation. Profit and loss A/C and balance sheet of these banks are strong.
- But now a day's cash flow statement is being mandatory to submit for annual report. Cash flow is being the key of financial indicator to analyze the strength and weakness of the institutions. Only profit making on accrual basis does not provide the real figure of the firm so income should be treated on cash basis according to the NRB directives for financial institution. If profit is negative but cash flow is positive then stakeholder believe well that firms are in good position now a day's. So cash flow analysis is necessary. By analyzing the five year cash flow statements following points are mentioned as conclusion and recommendations which are as follow:

Kumari Bank Ltd.

The performance of Kumari Bank is highly satisfactory. The bank is in the top ranking position among os the sampled commercial banks. Its earnings ratio is very high than SBL. Some of the points are mentioned as the conclusion, which are as follows:

- CFOA of the bank is found positive during the whole period which is used in analysis. It is in the increasing trend up to 2066/67 and decreased in the year 2068/69 than previous year.
- Cash receipt ratio is higher than cash payment ratio.
- Cash received from interest plays significant role in the total operating cash flow.

Siddhartha Bank Limited

Siddhartha bank limited is operated by Nepalese investors. Within very short period of the time the bank has been able generate positive cash flow and has been able to win the trust of the public. Though bank run for very short time, it has able to present more attractive cash flow to their stakeholders. Hence it can be considered good financial situation of the bank. The following conclusions are mentioned as follows:

- CFOA of the bank is positive during the whole period expect 2065/66. positive cash flow indicates high cash inflow with compare to the cash outflow.
- In the year 2069/70 interest expenses is highest because the bank was accepted highest amount of deposit offering higher interest rate. Hence it plays vital to operating activities.
- Cash receipt ratio of SBL is better than other banks in some year even it is lower in figure than other banks.
- Cash received from interest income and exchange gain plays significant role in total operating cash flow. Whereas interest income is occupies paramount.

5.3 Recommendations

Kumari Bank Ltd.

- Cash flow from operation is positive. This can be considered in satisfactory level but not sufficient level based on banks reputation and network so, the bank should try to make it higher positive by reducing cash payment as well as other operating expenses.
- The bank should concentrate on increasing the deposit collection mobilization activity because this is the main item which item which contributions mainly to the total cash inflow from operating activities.
- The bank should increase its cash receipt ratio. But it is in satisfactory condition.

- Interest income is in significant level but not sufficient so it should be increase by lending loan and advance.

Siddhartha Bank Limited

- Cash flow from operation is in increasing trend even from negative cash flow that can be considered satisfactory level considering the short time of bank operation. But the bank should try to make it higher positive by reducing cash payment as well as other operating expenses.
- The bank should concentrate on increasing the deposit collection mobilization activity because this is the main item which contributions mainly to the total cash inflow from operating activities.
- The bank should increase its cash receipt ratio. But it is in satisfactory condition.
- Interest income is in significant level but not sufficient so it should be increase by lending loan and advance.
- Staff expenses of the bank are increasing. It is increased due to increased no. of branch.
- Commission and discount income should be increased as far as possible, for this agency work should be done properly.

Overall analysis cash flows statement along with questionnaire of the sampled commercial bank, it can be conclude that all banks are generating positive cash flows. SBL is in good position and KBL is lower than that of SBL.

Further it can be drawn that in Nepalese market liquidity crisis was exist for the short term period due to the declining rate of interest of the banks and the lack of better alternative investment opportunities within the countries. In addition the government had framed liberal policy towards licensing banks. Consequent of this no of new commercial banks emerged in the given scenario with increase in paid up capital tightening the cash flow position of the banks.

However, under the given scenario, in order to sustain and increase the deposit position of the banks the management of the banks are very cautioned and they effective tackle the problem by introduction of the policy of retaining the existing depositors and further brings different deposit product in ordered to lure and compete the market which make them (banks) able to maintain the adequate level of cash flow in such un-favorable situation.

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APPENDICES

APPENDIX - I

Income statement of Kumari bank Limited

Fiscal year 2065 to 2070

(In Rs.)

particulars	2065/66	2066/67	20667/68	2068/69	2069/70
Interest income	2,331,280,132	2,441,480,136	2,250,680,634	2,251,791,724	2,441,580,226
Interest expenses	1,633,391,270	1,456,917,172	1,188,918,173	1,566,551,598	1,622,491,760
Net interest income	697,888,862	984,562,964	106,176,246	685,240,127	819,088,466
Commission & discount	95,341,303	96,342,404	97,652,505	99,707,633	110,865,509
Other operating income	25,650,130	26,670,630	28,770,784	53,635,577	48,812,311
Exchange fluctuation income	35,912,723	36,923,852	37,924,853	36,719,340	44,205,749
Total operating income	854,793,018	1,144,499,850	846,496,326	875,302,677	1,022,972,035
Staff expenses	142,276,670	143,277,770	168,351,843	194,295,522	168,351,843
Other operating expenses	202,079,730	202,078,830	212,938,673	212,575,805	212,542,554
Exchange fluctuation loss	-	-	-	-	-
Operating profit before provision for possible losses	510,436,618	799,143,250	494,012,161	494,375,030	616,133,959
Provision for possible losses	112,346,647	13,078,046	112,736,547	113,779,647	187,044,796
Operating profit	398,089,971	488,061,680	38,232,514	380,595,383	429,089,163
Provision for income tax	106,223,938	140,942,407	107,226,938	117,858,750	107,226,938
Deferred tax	4,171,987	1,050,650	4,163,932	4,170,997	1,050,650
Net profit/loss	287,694,046	346,068,123	268,841,644	258,565,636	320,811,575

Sources: Annual Reports of Related Banks.

APPENDIX- II

Income statement of Siddhartha bank Limited

Fiscal year 2065 to 2070

(In Rs.)

Particulars	2065/66	2066/67	2067/68	2068/69	2069/70
Interest income	2,231,180,131	2,321,370,133	1,150,210,104	2,151,231,124	1,331,280,112
Interest expenses	1,633,391,270	1,456,917,172	188,918,173	156,655,598	622,491,762
Net interest income	597,788,861	864,452,961	961,291,931	584,679,526	708,788,352
Commission & discount	32,212,201	45,112,201	13,132,402	77,603,122	11,076,510
Other operating income	12,650,130	10,670,630	14,670,234	44,621,122	26,812,211
Exchange fluctuation income	22,912,723	32,923,152	32,124,358	12,619,240	32,205,749
Total operating income	665,563,915	953,158,944	842,121,892	719,523,010	778,882,822
Staff expenses	144,276,670	142,277,670	168,351,843	192,195,522	167,251,843
Other operating expenses	202,069,730	202,078,830	112,928,6673	211,585,905	213,642,554
Exchange fluctuation loss	-	-	-	-	-
Operating profit before provision for possible losses	319,217,515	608,802,444	560,841,376	315,741,583	397,988,425
Provision for possible losses	101,236,647	12,078,045	10,726,547	112,670,434	162,033,692
Operating profit	217,980,868	596,724,399	550,114,829	203,071,149	235,954,733
Provision for income tax	52,632,142	140,942,907	107,226,938	52,312,143	51,111,242
Deferred tax	-	-	-	-	-
Net profit/loss	165,648,726	455,781,492	442,887,891	150,759,006	184,843,491

Source: Annual Reports of Related Banks

$$\text{Cash flow coverage ratio} = \frac{\text{Earnings before interest \& tax} + \text{Non cash expenses}}{\text{Interest expenses}}$$

$$\text{Cash flow margin ratio} = \frac{\text{Cash flow from operating activities}}{\text{Total operating income}}$$

$$\text{Interest coverage ratio} = \frac{\text{Earnings before interest \& tax}}{\text{Interest expenses}}$$

