

**APPLICATION OF MANAGEMENT ACCOUNTING PRACTICES  
IN NEPALESE INSURANCE COMPANIES**

**A Thesis**

**Submitted**

**By**

**Samjhana Shrestha**

Central Department of Management

Exam Roll No.: 800/16

Campus Roll No.: 255/073/075

T.U. Registration No.: 7-2-310-41-2012

*In Partial Fulfillment of the Requirement for the degree of*

**Master of Business Studies (MBS, Semester)**

in the

**Faculty of Management**

**Tribhuvan University**

**Kirtipur, Kathmandu**

**February, 2019**

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## RECOMMENDATION LETTER

I certify that the Thesis submitted by Ms. Samjhana Shrestha entitled “**Application of Management Accounting Practices in Nepalese Insurance Company**” has been prepared as per the format prescribed and approved by the Faculty of Management, Tribhuvan University. This research work is completed under my supervision and guidance. This thesis is the candidate's original research work. I am fully satisfied with the language and substance of this Research submitted to Faculty of Management. To the best of my knowledge, the candidate has fulfilled all the requirement of **Masters of Business Studies (MBS Semester)** degree, Faculty of Management, Tribhuvan University. I, therefore, recommend that this research be considered for the award of master degree.

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Date: 11 February, 2019

**APPROVAL SHEET**

We, the undersigned, have examined the thesis entitled “**Application of Management Accounting Practices in Nepalese Insurance Companies**” Presented by Ms. Samjhana Shrestha, a candidate for the degree of **Masters of Business Studies (MBS)** and conducted the viva voce examination of the candidate. We hereby certify that the thesis is worthy of acceptance.

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Internal Examiner

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Prof. Sanjay Kumar Shrestha  
Chairperson, Research Committee

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Prof. Dr. Ramji Gautam  
Head of Department

Date: 19 February, 2019

### **Certificate of Authorship**

I certify that the work in this thesis has not previously been submitted for a degree nor has it been submitted as a part of requirements for a degree except as fully acknowledged within the text.

I also certify that the thesis has been written by myself. Any help that I have received in my research work and the preparation of this thesis itself has been acknowledged. I certify that all information sources and literature used are indicated in the reference selection of this thesis.

.....  
Samjhana Shrestha  
February,2019

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Samjhana Shrestha

## ABSTRACT

*This study examined the application of management accounting practices in Nepalese Insurance Company. The study was done with an objective to explore the areas where management accounting tools can be applied to strengthen the companies to analyze the present practice of management accounting tools in Nepalese Insurance Companies & to identify the problem faced by selected Nepalese Insurance Companies in applying management accounting tools. This research design follows a descriptive design that attempts to measure the management accounting practices in selected Insurance Companies.*

*The total 39 Insurance Companies in Nepal are the population of the study. Among them the companies which are in existence and head office located in Kathmandu valley has been considered as the target population for the study. Out of them, 12 i.e. 30.77% companies have been chosen for the study purpose.*

*As per the nature & demand of the study, Survey type's research design was adopted with descriptive and analytical approach. The research is mostly based on primary source of information. Survey of 12 selected insurance companies in Nepal were made through questionnaire. All together 15 questions were included in questionnaire and analyze and interpret the findings.*

*From the study, it is found that, management accounting tools such as cash flow analysis, ratio analysis and short term budgeting are mostly practiced tools by the selected Nepalese Insurance Companies. But large number of selected insurance companies are practicing cost segregation, standard costing, long term budgeting, capital budget. Whereas the tools like breakeven point, responsibility accounting and activity based costing are less practiced or unused tools. The main reason behind not practicing too much these new management accounting tools are lack of knowledge, lack of proper policy, lack of skilled manpower, lack of resource and lack of separate management accounting department.*

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### Abbreviations

Ac	-	Actual Cost
ARR	-	Average Rate of Return
BEP	-	Break Even Point
CF	-	Cash Flow
CV	-	Coefficient of Variance
Depn	-	Depreciation
DOL	-	Degree of Operating Leverage
EBIT	-	Earnings before Interest and Tax
FNCCI	-	Nepalese Chambers of Commerce and Industry
GAAP	-	Generally Accepted Accounting Principles.
GDP	-	Gross Domestic Product
Govt	-	Government
HR	-	Higher Rate
IRR	-	Internal Rate of Return
LR	-	Lower Rate
IVA	-	Insurance Value Added
NCO	-	Net Cash Outlay
NIDC	-	Nepal Industrial Development Corporation
NPV	-	Net Present Values
OWS	-	One Window System
PBP	-	Pay Back Period
PI	-	Profitability Index
PV Ratio	-	Profit Volume Ratio
PV	-	Present Value
PVIF	-	Present Value Interest Factor
SC	-	Standard Costing
SD	-	Standard Deviation
VV ratio	-	Variable Cost Volume Ratio
WTO	-	World Trade Organization