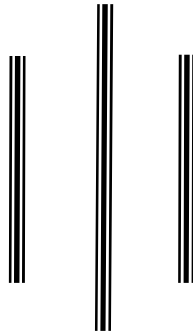
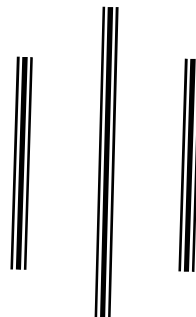


**FINANCIAL PERFORMANCE ANALYSIS OF  
MM PLASTIC Pvt. Ltd.  
BIRATNAGAR**



**Submitted By:**  
**BHUPENDRA PRASAD YADAV**  
Post Graduate Campus, Biratnagar  
T.U. Reg. No.: 7-1-3-1042-2001



***A Thesis Submitted to:***  
Office of the Dean  
Faculty of Management  
Tribhuvan University

***In Partial fulfillment of requirements for the degree of  
Master of Business Studies (M.B.S.)***

**Biratnagar, Nepal  
November, 2012**



**TRIBHUVAN UNIVERSITY**  
**POST GRADUATE CAMPUS**  
**BIRATNAGAR, NEPAL**

---

***RECOMMENDATION***

This is to certify that the thesis:

*Submitted by*

**BHUPENDRA PRASAD YADAV**

*Entitled*

**FINANCIAL PERFORMANCE ANALYSIS OF  
MM PLASTIC Pvt. Ltd, BIRATNAGAR**

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

---

Mr. Ram Prakash Upadhyay  
(Supervisor)

---

Prof. Dr. Khagendra Acharya  
(Head of Department)

Date:- .....

---

Mr. Ballav Prasad Poudel  
(Campus Chief)



# TRIBHUVAN UNIVERSITY

POST GRADUATE CAMPUS

BIRATNAGAR, NEPAL

---

## VIVA – VOCE SHEET

*We have conducted the viva-voce examination of the thesis Presented by*

**BHUPENDRA PRASAD YADAV**

**Entitled:**

**FINANCIAL PERFORMANCE ANALYSIS OF  
MM PLASTIC Pvt. Ltd, BIRATNAGAR**

*And found the thesis to be original work of the student and written according to  
the prescribed format. We recommended the thesis to be accepted as partial  
fulfillment of the requirement for the  
Master Degree of Business Studies (M.B.S.)*

### **Viva – Voice Committee**

Chairperson (Research Committee).....  
(Prof. Dr. Khagendra Acharya)

Member (Thesis Supervisor).....  
(Mr. Ram Prakash Upadhyay)

Member (External Expert).....

Date:- .....

## DECLARATION

I hereby declare that this dissertation entitled “**Financial Performance Analysis of MM Plastic Private Limited**” submitted of 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 supervisor of my respected teacher **Mr. Ram Prakash Upadhyay**, Post Graduate Campus Biratnagar, Tribuvan University.

---

**BHUPENDRA PRASAD YADAV**  
(Researcher)

## **ACKNOWLEDGMENT**

It is my great pleasure to complete this thesis under the research supervisor Mr. Ram Prakash Upadhyay, Lecturer in management Post Graduate Campus, Biratnagar. I would like to express my gratitude to the head of department Prof. Dr. Kagendra Acharya and all other respected teachers of management faculty, Post Graduate Campus, Biratnagar for their valuable suggestions in my research work. I am equally grateful to campus Chief Mr. Ballav Prasad Poudel, Post Graduate Campus, Biratnagar.

I am thankful to all collage and library staffs of PG Campus, Biratnagar who help me to complete this research work. I would like to thank Mr. Keshav Giri administrative officer and Mr. Dev Raj Chaudhary computer operator of MM Plastic Pvt. Ltd. who provide me the necessary data, i.e. key part of the thesis, during my frequent visit in the factory.

I am very thankful to my friend Mr. Pramod Chaudhary who help me to compile and arrangement the documents to compete this thesis and also express the gratitude to Newa Photocopy, Biratnagar support me the computer work of this thesis.

Finally, I am sincerely thankful to all my friends and well wishes who provides me the non forgettable and valuable suggestions to collect the materials and preparation of this thesis.

Thanks

---

Bhupendra Prasad Yadav  
Researcher

## LIST OF ABBREVIATIONS

b/d	=	Brought down
c/d	=	Carried down
D. L.	=	deferred Liabilities
EOQ	=	Economic Order Quantity
Et. al.	=	Et alia
etc.	=	Etcetera and other things
Exp <sup>s</sup> .	=	Expenses
F. A.	=	Fixed Assets
F/Y	=	Fiscal Year
GDP	=	Gross Domestic Product
i. e.	=	That is
Ltd.	=	Limited
Mfg.	=	Manufacturing
Misc.	=	Miscellaneous
No.	=	Number
P. E. r	=	Probable Error
Prov.	=	Provision
Pvt.	=	Private
r	=	Correlation Coefficient
Reg.	=	Registration
Rs.	=	Rupees
rx <sub>y</sub>	=	Correlation Coefficient between x and y variables
SWOT	=	Strengths, Weakness, Opportunity and Treat
W. C.	=	Working Capital

## LIST OF TABLE

	<u>Page No.</u>	
Table No.-1	Schedule of changes in working capital for the F/Y 2064/65	41
Table No.-2	Schedule of changes in working capital for the F/Y 2065/66	42
Table No.-3	Schedule of changes in working capital for the F/Y 2066/67	42
Table No.-4	Schedule of changes in working capital for the F/Y 2067/68	43
Table No.-5	Comparative statement of sources and application of funds	45
Table No.-6	Current ratio	52
Table No.-7	Quick ratio	53
Table No.-8	Long-term debt to net worth ratio	55
Table No.-9	Total debt to net worth ratio	56
Table No.-10	Total liabilities to total assets ratio	57
Table No.-11	Interest coverage ratio	58
Table No.-12	Net fixed assets to long-term debt ratio	59
Table No.-13	Total assets turnover ratio	60
Table No.-14	Debtors turnover ratio and average collection period	61
Table No.-15	Inventory turnover ratio	63
Table No.-16	Net sales to net worth ratio	64
Table No.-17	Fixed assets turnover ratio	64
Table No.-18	Gross profit margin	66
Table No.-19	Net profit margin	67
Table No.-20	Return on total assets	68
Table No.-21	Return on net worth	69
Table No.-22	Return on capital employed	70
Table No.-23	Cost of goods sold ratio	70
Table No.-24	Statement of trend percent of items	72
Table No.-25	Correlation coefficient and probable errors of Gross profit and net sales	84

Table No.-26	Correlation coefficient and probable errors of Net profit and net sales	86
Table No.-27	Correlation coefficient and probable errors of Net worth and total liabilities	87
Table No.-28	Correlation coefficient and probable errors of Net sales and net worth	89
Table No.-29	Correlation coefficient and probable errors of Net sales and total assets	90
Table No.-30	Correlation coefficient and probable errors of Net worth and total assets	92
Table No.-31	Comparative common size income statement	94
Table No.-32	Common size balance sheet	96



## LIST OF FIGURE

		<u>Page No.</u>
Graph No.-1	Trend of net sales, cost of goods sold and gross profit	73
Graph No.-2	Trend of net sales, net profit and cost of goods sold	74
Graph No.-3	Trend of net sales, net profit and direct manufacturing expenses	75
Graph No.-4	Trend of current assets and current liabilities	76
Graph No.-5	Trend of total assets and total liabilities	77
Graph No.-6	Trend of net sales and inventory	78
Graph No.-7	Trend of total liabilities, deferred liabilities and interest	79
Graph No.-8	Trend of net worth and total assets	80
Graph No.-9	Trend of share capital and net worth	81
Graph No.-10	Trend of gross profit, operating profit and net profit	82
Graph No.-11	Trend of net sales and total assets	83

# TABLE OF CONTENTS

**Recommendation**

**Viva-voce sheet**

**Declaration**

**Acknowledgement**

**List of Abbreviations**

**List of Tables**

**List of Figures**

<b>CHAPTER</b>	<b>Page No.</b>
<b>CHAPTER – ONE</b>	
<b>INTRODUCTION</b>	
1.1 Background of the study	1
1.2 Profile of MM Plastic Pvt. Ltd.	3
1.3 Objectives of the study	3
1.4 Significance of the study	4
1.5 Statement of the problem	4
1.6 Limitation of the study	5
1.7 Organization of the study	6
<b>CHAPTER – TWO</b>	
<b>REVIEW OF LITERATURE</b>	
2.1 Introduction	7
2.2 Concept of financial performance	7
2.3 Concept of financial management	8
2.4 Concept of financial statement	9
2.4.1 Balance Sheet	10
2.4.2 Income Statement	11

2.5	Use of financial statements	12
2.6	Limitations of financial statement	13
2.7	Financial statement analysis	14
2.8	Need of financial statement	15
2.9	Tools and techniques of financial statement analysis	16
2.9.1	Funds flow statement analysis	16
2.9.2	Financial ratio analysis	18
2.9.3	Trend percentage analysis	27
2.9.4	Correlation analysis	29
2.9.5	Common size comparative statement analysis	30
2.10	Reviews of related studies	31

**CHAPER – THREE**  
**RESEARCH METHODOLOGY**

3.1	Research design	34
3.2	Sources of data	35
3.3	Population and sample of the study	35
3.4	Data collection techniques	36
3.5	Data processing procedures	36
3.6	Data analysis tools	37
3.7	Research questions	38

**CHAPTER – FOUR**  
**DATA PRESENTATION AND ANALYSIS**

4.1	Funds flow statement analysis	39
4.1.1	Schedule of changes in working capital	40
4.1.2	Statement of sources and application	44
4.2	Ratio analysis	50
4.2.1	Liquidity ratio	51

4.2.1.1	Current ratio	51
4.2.1.2	Quick ratio	53
4.2.2	Leverage ratio	54
4.2.2.1	Long-term debt to net worth ratio	54
4.2.2.2	Total debt to net worth ratio	55
4.2.2.3	Total liabilities to total assets ratio	56
4.2.2.4	Interest coverage ratio	57
4.2.2.5	Net fixed assets to long-term debt ratio	58
4.2.3	Activity ratio	59
4.2.3.1	Total assets turnover ratio	59
4.2.3.2	Debtors turnover ratio and average collection period	60
4.2.3.3	Inventory turnover ratio	62
4.2.3.4	Net sales to net worth ratio	63
4.2.3.5	Fixed assets turnover ratio	64
4.2.4	Profitability ratio	65
4.2.4.1	Gross profit margin	65
4.2.4.2	Net profit margin	66
4.2.4.3	Return on total assets	67
4.2.4.4	Net profit to net worth ratio	68
4.2.4.5	Return on capital employed ratio	69
4.2.4.6	Cost of goods sold ratio	70
4.3	Trend analysis	71
4.3.1	Trend of cost of goods sold, gross profit and net profit	73
4.3.2	Trend of net sales, net profit and cost of goods sold	74
4.3.3	Trend of net sales, net profit and direct manufacturing expenses	75
4.3.4	Trend of current assets and current liabilities	76
4.3.5	Trend of total assets and total liabilities	77
4.3.6	Trend of net sales and inventory	78
4.3.7	Trend of total liabilities, deferred liabilities and interest	79

4.3.8	Trend of net worth and total assets	80
4.3.9	Trend of share capital and net worth	81
4.3.10	Trend of gross profit, operating profit and net profit	82
4.3.11	Trend of net sales and total assets	83
4.4	Correlation analysis	83
4.4.1	karl Person's correlation coefficient and probable error of gross profit and net sales	84
4.4.2	karl Person's correlation coefficient and probable error of net profit and net sales	86
4.4.3	karl Person's correlation coefficient and probable error of net worth and total liabilities	87
4.4.4	karl Person's correlation coefficient and probable error of net sales and net worth	89
4.4.5	karl Person's correlation coefficient and probable error of net sales and total assets	90
4.4.6	karl Person's correlation coefficient and probable error of net worth and total assets	92
4.5	Common size statement analysis	93
4.5.1	Common size Income Statement analysis	94
4.5.2	Common size Balance Sheet analysis	96
4.6	Major findings of the study	98

## **CHAPTER – FIVE**

### **SUMMARY, CONCLUSION AND RECOMMENDATION**

5.1	Summary	100
5.2	Conclusion	102
5.3	Recommendation	105