REVENUE PLANNING AND CASH MANAGEMENT

(A case study of Nepal Telecom)

A Thesis

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CERTIFICATION OF AUTHORSHIP

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

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

............…………

Sudip Paudel

October, 2018

RECOMMENDATION LETTER

It is certified that thesis entitled "REVENUE PLANNING AND CASH MANAGEMENT" ,(A case study of Nepal Telecom) submitted by Sudip Paudel is an original piece of research work carried out by the candidate under my supervision. Literary presentation is satisfactory and the thesis is in a form suitable for publication. Work evinces the capacity of the candidate for critical examination and independent judgment. Candidate has put in at least 60 days after registering the proposal. The thesis is forwarded for examination.

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APPROVAL SHEET

We, the undersigned, have examined the thesis entitled **"REVENUE PLANNING AND CASH MANAGEMENT"** ,(**A Case Study of Nepal Telecom**) presented by **Sudip Paudel,** a candidate for the degree of **Master of Business Studies** (MBS, Semester) and conducted the viva voice examination of the candidate. We hereby certify that the thesis is worthy of acceptance.

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ABBREVIATIONS

&	-And
Adsl	-Asymmetric digital subscriber line
BS	-Bikram Sambat
CDMA	-Code Division Multiple Access
CEO	-Chief executive officer
CV	- Coefficient of Variation
Etc	-et cetera
F/Y	-Fiscal Year
GSM	- Global System of Mobile
I.e.	-That Is
ISTD	- International Subscriber Trunk Dialing
IT	-Information Technology
Ltd	- Limited
MBO	-Management by Objective
No	-Number
NT	- Nepal Telecom
NTC	-Nepal Telecommunication Corporation
PE	-Public Enterprises
PPC	-Profit Planning & Control
S.D	-Standard Deviation
SMS	-Short Message Service
STD	-Subscribe Trunk Dialing

ABSTRACT

The main objective of the study is to analyze and examine the revenue planning and cash management of NTC. Mainly, the study has been conducted on the designed basis of Primary and secondary data. This study is based on the recent historical data of 5 year periods, from fiscal year 2069/70 B.S. to 2073/74 B.S. Required facts and figures have been obtained from the annual reports collected from official website of NTC. Descriptive tool has used to obtain the meaningful result of the collected data and to meet the research objectives. Firstly, collected data are tabulated under various heading and then tabulated data are analyzed using various financial and statistical tools and compared these values with the help of different figure.

The sales revenue achievement of NTC is highly satisfactory, which is itself a good signal for the company, which shows that the Nepal Telecom has clear guidelines of selling and revenue collection. The relationship between budgeted and actual sales is positive. Therefore, it can be concluded that the actual sales revenue in future will be increased. Nepal Telecom prepares revenue reports monthly which shows the revenue planning is quiet effective. Few investments are made into debenture purchase and hydro-electricity business to diversify other investments by NTC. The company has no define policy of cash management in the initial year but it maintained in the following years. The cash turnover ratio of NTC is Satisfactory so, the overall cash management aspect of NTC is in good position and the liquidity position of NTC is satisfactory.

CHAPTER- I

INTRODUCTION

1.1   Background of the Study

Every enterprise has its own goals and objectives. The management of the organization is responsible for the decision making, planning, formulating strategies and their implementation. The management is efficient if it is able to accomplish the objectives of the enterprise. It is effective, when it accomplishes the objectives with minimum effort and cost. In order to attain long-range efficiency and effectiveness, management must chart out its course of action in advance. A systematic approach that facilitates effective management performance is profit planning and control or budgeting. Budgeting is therefore and integral part of management. In a way, a budgetary control system has been described as a historical combination of a goal-setting machine for increasing and enterprises profit and goal achieving machine for facilitating organizational coordination and planning while achieving the budgeted targets (Goet, Bhattarai & Gautam, 2063). Moreover, a profit plan or budget is the formal expression of the organizations plans and objectives stated in financial terms for a specified future period of time.

Revenue is the aggregate exchange value of goods and services provided to the customers. Revenue planning is the future estimation of revenue which displays the projected sales, income and future cash inflow. Revenue results from the sale of goods and rendering of services and measured by the charge made to customers, client or tenants. It also includes gains from the sale or exchange of assets other than stock in trade, interest and dividends earned on investments and other increases in the owner's equity except those arising from capital contributions and capital adjustments. Revenue from ordinary sales or from other transaction in the ordinary course of business is some times described as operating revenue (Bhattacharya, 1981).

Defined in its simplest terms planning is the determination of anything in advance of action, it is essentially a decision making process that provides a basis for economical and effective action in the future. Effective planning sets the stage for integrated action to take places, reduces the number of unforeseeable crises, promotes the use of

more efficient methods and provides the basis for the managerial function of control. Thereby assuring focus on organizational objectives (Edwin, 1969).

Cash is the most important assets for the operations of the business. It is an idle and non earning asset. Therefore, the firm should keep sufficient cash, neither more nor less. More cash balance reduce the rate of return on equity and hence the value of the firm's stock. The term cash includes coins, currency and cheques hold by the firm and balances in its bank account. Cash management involves managing the cash of the firm to maximize firm's value by keeping ideal cash balance. The task of cash management is to determine how much cash a firm should have on hand at any time to ensure normal business operations continue without interruption. If a firm holds more cash than its requirements, shareholder's returns will not be maximized. Holding cash more than necessary for the intended purpose is as much expensive as running business with inadequate cash. Too much cash balance will result in higher opportunity cost, and too little will create crisis of cash shortage and force to borrow at higher interest rate. Therefore, it is important that firm maintain cash balance at optimal level in order to meet regular cash expenses and short term financial obligations (Pradhan, 2004).

1.2   Introduction of the Organization

 Nepal telecommunication was established in 2031 Ashad 1st under Telecommunication Act 2028 as public enterprises to provide reliable and affordable telecommunication. The main purpose of establishment of Nepal Telecommunication (NTC) in Nepal was to strengthen the administrative efficiency of the government. It was later expanded to serve the needs of development of various sectors as expansion of foreign trade, tourism development and international integration. Nepal Doorsanchar Company Limited (with its brand name as Nepal Telecom) is Nepal's leading telecommunication service provider, which includes voice and value added services, using state of the art technologies. It is registered under the erstwhile Companies Act 2053, being incorporated on Magh 2060 (February 2004). The company has its registered office at Bhadrakali Plaza, Kathmandu with its branches spread throughout the country. It has made all efforts for nationwide reach, from urban to most remote locations in providing its valued customer a quality service that has assisted in the socio economic development of the urban as well as rural areas.

The company has been providing range of telecommunication services . Nepal Telecommunication Corporation (NTC), renamed Nepal Telecom now is a partly government owned public sector entity, administered by a government appointed Board of Directors, which includes a chairman and four voting members. The main purpose of establishment of the company in Nepal was to strengthen the administrative efficiency of the government. Nepal telecom, even with its present status of being a public sector enterprise, has the ambition of becoming a dominant player in the telecommunication sector, giving an affordable and the cheapest possible services to all regions including the remotest areas of country retaining its present financial health even in the coming competitive environment. "Goal of Nepal Telecom is to provide cost effective telecommunication services to every nooks and corner of the country" (NTC, 2007). It was later expanded to serve the needs of development of various sectors as expansion of foreign trade tourism development and international integration.

Nepal Telecom was fully government owned and government controlled organization in past years. After the restoration of democracy in 2047 B.S, government adopted privatization policy in order to privatize state controlled enterprises. In the same way, "in an attempt to privatize the hundred percent state owned NT, the incumbent and leading telecom operator in Nepal, the government has decided to offload its holding in NT by providing 5 % of total shares to employees of NT and 10 % of total shares to general public. Currently paid up capital of NT is Nepalese Rupees 15 Billion (150,000,000 number of ordinary shares @ Rs. 100 per share). As decided by Nepal Government, 5 % of total share i.e. 7,500,000 number of shares would be distributed to employees at a discounted rate of Rs. 90 per share. Regarding sale of shares to general public, minimum price of each share is fixed at Rs. 600 for public bidding. An individual or organization is allowed to buy minimum 100 shares and maximum 5000 shares. As per Nepal Government decision, these share will be allotted to applicants who quote the highest price (Higher bidder winning more shares). After these arrangements, NT will have employees as well as general public participation in its ownership structure. Hopefully, participation of employees and general public in company's ownership would strengthen its mission of remaining leading telecom operator in Nepal" (NTC, 2007).

Nepal Telecom generates its revenue by providing different type of services such as telephone services, mobile phone services, internet, etc. Apart from these source, which generates significance revenue for the company is international settlements from international call. Nepal Telecom, due to its nature of business, has to transact with significant number of customers in addition to dealing with foreign carriers for its international sharing revenue. In overall, the general objective of Nepal Telecom is to provide essential nationwide low cost, reliable, affordable and readily available telecommunication services to the general public for the overall improvement of integrity and economic development. In the age of information technology, Nepal Telecom's vast communications network plays a vital role in supporting the growth of business in IT field. Nepal Telecom's responsibility is to provide reliable and affordable telecommunications services throughout the country.

1.3 Statement of the Problems

Nepal Telecommunication is one of the largest organizations in the country with its leading capital investment. It is a successful public company functioning in the public utility sector. There is limited market competition for the company as other private enterprises faces and it deserves higher future scope of production and expansion. Thus, it should earn good net profit, which may contribute for the development of the nation. Although its primary objective is to provide telecommunication facility to the people, it must generate profit to satisfy its stakeholders. The success and failure of any enterprises is measured on the basis of profitability or surplus. The profit depends on the systematic planning (budgeting) and its proper implementation.

Revenue planning and cash management has been the most intricate and challenging area if modern corporate finance as much as the management always face a trade-off between the liquidity and profitability of the firm. Though most of the enterprises in Nepal have been well recognized the importance of proper cash, they are still facing the problem of cash management (Bajracharya, 1990).

Cash management in public utility of Nepal is primarily based on the traditional practices, lacking in a scientific approach. A more serious aspect of cash management has been the absence of any formalized system of planning and cash budgeting in many enterprises do have the practice if forecasting cash requirement or a form basis (Bajracharya, 1990).

Most of the enterprises had periodic accumulation of surplus cash and corresponding cash shortage form time to time. Most of the Nepalese public enterprises never thought of the source of current assets i.e. cash and usually depends on Nepal Government for it. This existing problem in the area of finance is mostly directed towards the management of cash rather than in any other area. Nepal Telecom has also suffered from problem of efficient cash management. This study therefore, attempts to have an insight over the problem of revenue planning and cash management. Basically the research intends to explore the following problems.

    a) What is the pattern of revenue generation in NTC?

    b) What is the gap of budgeted and actual revenue in NTC?

    c) What is the cash management of NTC?

1.4 Purposes of the Study

The main purpose of the study is to analyze revenue planning and cash management of Nepal Telecommunication Ltd. in order to identify problems and recommend possible remedial measures. Therefore, the major purpose are as follows.

    1. To analyze the pattern of revenue generation of NTC.

    2. To identify the gap between budgeted and actual revenue.

    3. To assess the cash management aspect of NTC.

1.5 Significance of the Study

Analysis of revenue planning and cash management is a crucial part of business enterprises. The main importance of the study lies on the role of revenue planning and cash management that considerably contributes to improve financial performance of NTC. The main purpose of the study is to forecast the future events so that NTC make collection plans for next year on the basis of previous year collection. This study will be useful to provide information and to draw attention of NTC management regarding what can be done for future planning and management of revenue.

This study is focused to analyze cash management in Nepal Telecom. It has also focused on sales revenue and how to improve its financial situation in various environments such as the competition in a wide, growing and challenging market. Cash management contributes to improve the overall financial performance and liquidity position of NTC. The need of this study is to examine and check whether the

Nepal Telecom is applying optimal cash or not. And the study also shows whether there is consistency between planned sales and actual sales.

This study will be concise, brief, practical data based, usable and valuable to the major parties interested in maximization through revenue planning and cash management. This will also serve as a reference for the further study and data collection. Lastly it will provide relevant and pertinent literature for further research on the field of revenue planning and cash management. Thus, the study entitled "Revenue planning and cash management" is rewarding.

1.6 Limitation of the Study

The study is confined only about revenue planning and cash management of Nepal Telecommunication. The following factors have limited the scope of this study.

a) The study is only concentrated in the revenue planning and cash management of NTC. It does not cover other area.

b) The accuracy of this study depends upon the data available from NTC and various published documents of the organization.

c) The study covers the analysis of only 5 fiscal years from F/Y 2069/070 to F/Y 2073/074.

d) Due to limited time and resource constraint, the study couldn't be conducted at its full scale.

1.7 Organization of the Study

The study has been segregated in to the five chapters, each defining to some aspect of the revenue planning and cash management. The titles of each of this chapter are as follows:-

Chapter I: Introduction

It includes general background of the study, introduction of the organization, statement of the problem, objective of the study, significance of the study, limitations of the study and organization of the study.

Chapter II: Review of Literature

This chapter embark conceptual framework like revenue planning and controlling, cash and cash management, cash management models, etc. Besides this it includes a theoretical outline and a short review of previous research done in revenue planning and cash management.

Chapter III: Research Methodology

This chapter deals with research methodology to be adopted for the study to satisfy the objectives of the study. It consists of introduction, research design, sample and population, sources of data, methods and tools of data analysis.

Chapter IV: Result

This chapter is most important and plays vital role in this study. The collected data have been analyzed and interpreted by the help of various statistical and financial tools and techniques.

Chapter V: Conclusion

This chapter contains summary, conclusion and recommendation. This chapter is the sum of the results obtained through the analysis and recommends some suggestions.

Besides this Appendices and References has been included in this study.

CHAPTER-II

REVIEW OF LITERATURE

2.1 Introduction

Review of the literature is supported to revise the eminent literature relating to the study, various books, articles, journals, bulletin, reports, news, statement and thesis etc. Which are the bases for preparing it? Some philosophers, writers or researchers have given the contribution on it since many years. Review of literature is a compilation of theoretical review and the review of the thesis/dissertation carried out in the similar field. Review of the literature is supported to revise the eminent literatures relating to the study. This chapter aims to gives a conceptual framework and makes a review of the relevant studies that have already been done in this research topic so that some new contributions could be given to the established body of knowledge. This chapter has been divided into three main sections. First section encompasses the conceptual framework. The second section presents the review of previous research works on the topic. The final section explains the research gap.

2.2 Conceptual Framework

2.2.1 Planning

The planning means thinking and deciding in advance what is to be done in future. Planning is the process of thinking about the activities required to achieve a desired goal.It is the first essence of management and all other function performed within framework of planning.

Planning is the process of developing enterprise objective and selecting a future course of action to accomplish them. It includes (a) establishing enterprise objectives, (b) developing premises about the environment in which they are to be accomplished, (c) selecting a course of action for accomplishing the objectives, (d) initiating activities necessary to translate plans into action and (e) current re-planning to correct deficiencies, (Welsch, Hilton and Gordon, 2000). It is sometimes said that planning is the primary managerial function which logically precedes all other functions, since without planning manager would not have activities to organize, would not require a staff, would have no one to direct and would have no need to control. However, the

managerial job is actually one in which all the managerial functions take place simultaneously rather than serially.

Defined in its simplest terms planning is determination of anything in advance of action, it is essentially a decision making process that provides a basis for economical and effective action in the future. Effective planning sets the stage for integrated action to take places, reduces the number of unforeseeable crises, promotes the use of more efficient methods and provides the basis for the managerial function of control. Thereby assuring focus on organization objectives, (Edwin, 1969).

The planning process of an enterprise would generally involve following fundamental steps:

1. choosing a destination
2. evaluating alternative routes
3. deciding the specific course of the plan

planning can become a management process, concerned with defining goals for a future direction and determining on the missions and resources to achieve those targets. It is of course impossible to forecast the future with complete accuracy. But the business planner identifies range of possibilities as to the future course of events and prepares to meet them. Planning is not however; merely an inevitable fate planning is also aimed at growing shape to the future.

Generally planning can be divided into two parts, which are as follows:

(I) Short - Term Planning or Tactical Planning

Tactical plans have shorter time frames and narrower scopes than strategic plans. Tactical planning provides the specific ideas for implementing the strategic plan. Tactical plans are concerned with the responsibility and functionality of lower-level departments to fulfill their parts of the strategic plan.It is the process of making detailed decisions about what to do, who will do it, and how to do it. Middle managers who are responsible for major divisions or branches in an organization develop tactical plans. The key task for them is to determine the specific details of targets, resource utilization and time frames. Tactical plans focus on the major actions that a unit must take to fulfill its parts of the strategic plan.

The short range planning is selecting to conform to fiscal quarters or years. Because of the practical needed for conforming plans to accounting periods and the some what arbitrary limitation of the long range to three or five yeas is usually based as has been indicated on the prevailing belief that the degree of uncertainty over long period makes planning of questionable value.

(II) Long - Term Planning or Strategic Planning

The strategic plans are also known as "grand plans". Strategic plans are designed with the entire organization in mind and begin with an organization's mission. Top-level managers, such as CEOs or presidents, will design and execute strategic plans to paint a picture of the desired future and long-term goals of the organization. Essentially, strategic plans look ahead to where the organization wants to be in three, five, even ten years. Strategic plans, provided by top-level managers, serve as the framework for lower-level planning. Long term planning is used to determine the overall direction of organization. Successful enterprises have always done some long range planning. It is more important for broad and long living enterprises.

Long range planning five to ten years varying with the enterprise, sometimes extended to ten years. Long range planning is one of the most difficult times span involved in planning as many problems in short-range planning can be traced to the absence of a clear sense of direction and the practices which a comprehensive long range plan provides.

2.2.2 Planning and Forecasting

A forecasting is a prediction of future event, condition or situation, whereas plan includes a program of intended future actions and desired results. Forecasting predicts the future events in such a way that the planning process can be performed more accurately. A forecast is not a plan, rather it is a statement and or a quantified assessment of future conditions about a particular subject (e.g. sales revenue) based on one or more explicit assumption. A forecast should always state the assumptions upon which it is based. A forecast should be view as only one input into the development of sales plan.

To make distinction between forecasting and planning is not an easy one. Webster gives-"To plan ahead" as the leading definition for forecast. Forecasting is our best thinking about what will happen to us in the future. In forecasting we define situations and recognize problems and opportunities. In planning we develop objectives in practical detail and we correspondingly develop schemes of action to achieve these objectives.

2.2.3 Revenue

Revenue is the aggregate exchange value of goods and services provided to the customers. According to "Oxford Business Dictionary" revenue means;

    a) Any form of income earned by the organization in an accounting period.

    b) Cost and income items that are either charged or credited to the profit and loss account for an accounting period.

Revenue is the aggregate exchange value of goods and services provided to the customers. Revenue planning is the future estimation of revenue which displays the projected sales, income and future cash inflow. Revenue results from the sale of good and rendering of services and is measured by the charge made to customers, client or tenants for goods and services furnished to them. It also gains from the sale or exchange of assets other than stock in trade, interest and dividends earned on investments and other increases in the owner's equityexcept those arising from capital contributions and capital adjustment. Revenue fromsales or other transaction ordinary course of business is some times described asoperating revenue (Bhattacharya, 1981).

2.2.4 Revenue Planning

Revenue planning is the future estimation of revenue which displays the projected sales and income. In other word, revenue planning is the projection of future income in advance for a specific period. Revenue plan provides the basis for management decision about marketing and other activities. It can be said that it is an organized approach for developing a comprehensive sales plan.

The revenue planning process is a necessary part of PPC because (a) it provides for the basic management decisions about marketing, and (b) based on those decisions, it is an organized approach for developing a comprehensive sales plan. If the revenue

plan is not realistic, most if not all of the other parts of the overall profit plan also are not realistic. Therefore, if the management believes that a realistic revenue plan cannot be developed; there is little justification for PPC. Despite the views of a particular management, such a conclusion may be an implicit admission of incompetence. Simply, if it is really impossible to assess the future revenue potential of a business, there would be little incentive for investment in the business initially or for continuation of it except for purely speculation ventures that most managers and investors prefer to avoid, (Welsch, Hilton, Gordon, 2000).

The revenue plan should be designed to coordinate the efforts of the sales department, production department and all other departments. Many factors must be considered when sales budget is established, including sales trends, limitations on the supply of merchandise or the company's market, competing products, the expected amount of advertising, and general level of the economy. Since most of these unknown companies frequently maintain a specially trained staff to increase them, (Seiler & Robert, 1964).

2.2.5 Factor Influencing Revenue Planning

The factors influencing the level of revenues may be classified as internal and external as follows:

1. Internal Factors

These include promotional aids, such as advertising, incentives to sales man, ability of the organization to satisfy demand, quantity of the finished product, changes in price etc.

2. External Factors

These include the fluctuations in the size of population, the general level of prosperity, the extent and severity of completion in the market, government policy and regulation. Changes in fashion and tastes, degree of competition expected from new product etc. Elasticity of demand for the product is of obvious importance if prices are expected to undergo a change.

2.2.6 Cash Management

Cash is the medium of exchange and therefore it is the most important component of working capital. Cash is the most important form of current assets. It is the basic input and ultimate output. Cash management involves managing the cash of the firm to maximize firm's value by keeping ideal cash balance. The task of cash management is to determine how much cash a firm should have on hand at any time to ensure normal business operations continue without interruption. If a firm holds more cash than its requirements, shareholder's returns will not be maximized. Holding cash more than necessary for the intended purpose is as much expensive as running business with inadequate cash. Too much cash balance will result in higher opportunity cost, and too little will create crisis of cash shortage and force to borrow at higher interest rate. Therefore, it is important that firm maintain cash balance at optimal level in order to meet regular cash expenses and short term financial obligations (Pradhan, 2004).

The roles of cash forecasting, cash management accountability, and the elements affecting disbursement and collection time intervals are outlined, including generally accepted management principles and techniques. However, liquid assets have traditionally been justified for transaction motives, to meet the needs that come from the firm's normal activities, as well as for precautionary motives, to help meet unforeseen requirements for cash, (Baumol, 1952; Miller and Orr, 1966;Meltzer, 1993; and Mulligan, 1997).

Cash management is concerned with the decision regarding the short-term funds influencing overall profitability add risk involving in the firm. The management of cash has been regarded as one of the conditioning factors in the decision making issues.

2.2.7 Functions of Cash Management

There are various functions of cash management. They are as follows:

i) Cash planning

ii) To design and manage cash flows

iii) To maintain cash and marketable securities in amounts close to optimal level

iv) To place cash and marketable securities in the proper institutions and proper form

2.2.8 Importance of Cash Management

In a business firm ultimately, a transaction results in either an inflow or an outflow of cash. In an efficient managed business, static cash balance situation generally does not exist. Adequate supply of cash is necessary to meet the requirement of the business. Its shortage may stop the business operations and may degenerate a firm into a state of technical insolvency and even of liquidation. Through idle cash is sterile; its retention is not without costs. Holding of cash balance has an implicit cost in the form of its opportunity costs. If the level of cash balance is more than the desired level with the firm, it shows mismanagement of funds. Therefore, for its smooth running and maximum profitability proper and effective cash management in a business is of paramount importance.

Efficient and optimal cash flow management is important to all firms. Cash is a non earning asset in the sense that although it is needed to pay for labor and raw materials to buy fixed assets, to pay taxes, to serve debt, to pay dividends and so on. Cash management is to reduce cash holdings to the minimum necessary level to conduct business, (Weston & Copeland, 1981).

2.2.9 Different Techniques of Cash management

The strategy by which a company administers and invests its cash is known as cash management. The efficiency of cash management of a firm can be appreciated by understanding the firm's procedures for cash collection and cash disbursement. Both the collection and disbursement management offer opportunities for profit improvement; collection, however, offer more of them. Following techniques are considered to be useful to accelerate the collection and slow down disbursement.

i. Cash planning

Cash planning can help to reduces the possibility of idle cash balance and cash deficiencies. Cash planning is a technique to plan for and control the use of cash. The forecasts may be based on the present operation or anticipated future operation. Cash plan is very crucial in developing the overall operation plans of the firm. Cash planning may be done on daily, weekly or monthly basis. It depends upon the size of the firm and philosophy of management.

ii. Cash budget

Cash budget is the most significant device to plan and control cash receipt and payment. A cash budget is a summary statement of the firm expected cash inflows and outflows over a projected time period. This information helps the financing of these needs and exercise control the cash and liquidity of the firm.

iii. Short term Cash forecasting

Short-term cash forecasting is helpful in: estimating cash requirement, Planning short-term financing, scheduling payments in connection with capital expenditure projects, purchases of materials, developing credit policies, and checking the accuracy of long-term forecasts.

iv. Long term cash forecasting

Long term cash forecasting are prepares to give an idle of the company's financial requirement of future. Once a company has developed long term cash forecast, it can be used to evaluate the impact of say new product development on the firm financial condition three, five or more years in future. The major uses of the long term cash forecasts are company's future financial needs, especially for it working capital requirement, to evaluate proposed capital projects and it help to improve corporate planning. Long term cash forecasting not only reflects more accurately the impact of any recent acquisitions but also foreshadows financing problems.

2.2.10 Determining the Optimum Cash Balance

Financial manager responsibilities are to maintain a sound liquidity position of the firm. There are a number of methods that try to determine the magical cash balance, which should be targeted so that costs are minimized and yet adequate liquidity exists to ensure bills are paid on time. One of the first steps in managing the cash balance is measuring liquidity. The higher the number generated by the liquidity measure, the greater the liquidity and vice versa.

The financial manager should determine the appropriate amounts of cash balance. A trade off between risk and return influences such a decision. If the firm maintains a small cash balance, its liquidity position become weak and suffers from a capacity of

cash to make payment. But investing released funds in high level of cash balance it will have a sound liquidity position but forego the opportunity to earn interests.

Thus the firm should maintain an optimum cash balance to find out the optimum cash balance the transaction costs and risk of too small a balance should be matched with the opportunity costs of too large a balance. One of the first steps in managing the cash balance is measuring liquidity. The higher the number generated by the liquidity measure, the greater the liquidity and vice versa.

2.2.11 Cash Management Models

Optimal balance of cash is determined by the cost-benefit trade off between interests, income, transaction costs if no compensating balance were required. However, with the existence of conversion delays and positive transaction cost, the firm would prefer to hold some cash balance. There are different types of analytical models for cash management.

1. Baumol Model
2. Miller-Orr Model
3. Orgler's Model

1.Baumol Model

The purpose of this model is to determine the minimum cost amount of cash that a financial manager can obtain by converting securities to cash considering the cost of conversion and the counter-balance cost of keeping idle cash balances which otherwise could have been invested in marketable securities.

The total cash associate with cash management, according to this model, has two elements: (i) Cost of converting marketable securities into cash and (ii) the lost opportunity cost.

The conversion costs are incurred cash times marketable securities are converted into cash symbolically, total conversion cost per period.

$=Tb/C$.. (i)

Where,

b= cost per conversion assumed to be independent of the size of transaction

T= total transaction cash needs for the period.

C= Value of marketable securities sold at cash conversion.

The opportunity cost is derived from the lost/forfeited interest rate that could have been earned on the investment of cash balances. The total opportunity cost is the interest rate times the average cash balance kept by the firm. Symbolically, the average lost opportunity cost

=I(C/2)………………….. (ii)

Where,

I= Interest rate that could have been earned

C/2= Average cash balance i.e. the beginning cash plus the ending cash balance of the period divided by 2

The total cost associated with cash management compromising total conversion cost plus opportunity cost of not investing cash until it is needed in interest-bearing instruments can be symbolically expressed as

I(C/2+ Tb/c)……………. (iii)

To minimize the cost, therefore the model attempts to determine the optimal conversion amount i.e. the cash withdrawal that costs the least. Symbolically, the optimal conversion (c*) amount

C*= $\sqrt{2bT/i}$…………………. (iv)

The model in terms of equation (iv) has important implications. First, as the total cash needs for transaction rises because of expansion/diversification etc, the optimal withdrawal increases less than proportionately. This is the result of economy of scale in cash management. Each project does not need its own additional cash balance. It only needs enough added to the general cash balance of the firm to facilitate expanded operations. Secondly, as the opportunity interest rate increases the optimal cash withdrawal decreases. This is to because as increases it is more costly to forfeit the investment opportunity and financial managers want to keep as much cash invested in securities for as long as possible. They can afford to do this as the higher interest rates because at those higher rates any shortfall costs caused by a lower withdrawal are offset.

Nevertheless, the model does clearly and concisely demonstrates the economics of scale and the counteracting nature of the conversion and opportunity costs, which are

undoubtedly major considerations in any financial manager's cash management strategy (Baumol, 1952).

Figure: 2.1

The point on minimum cost will be justified by the following figure
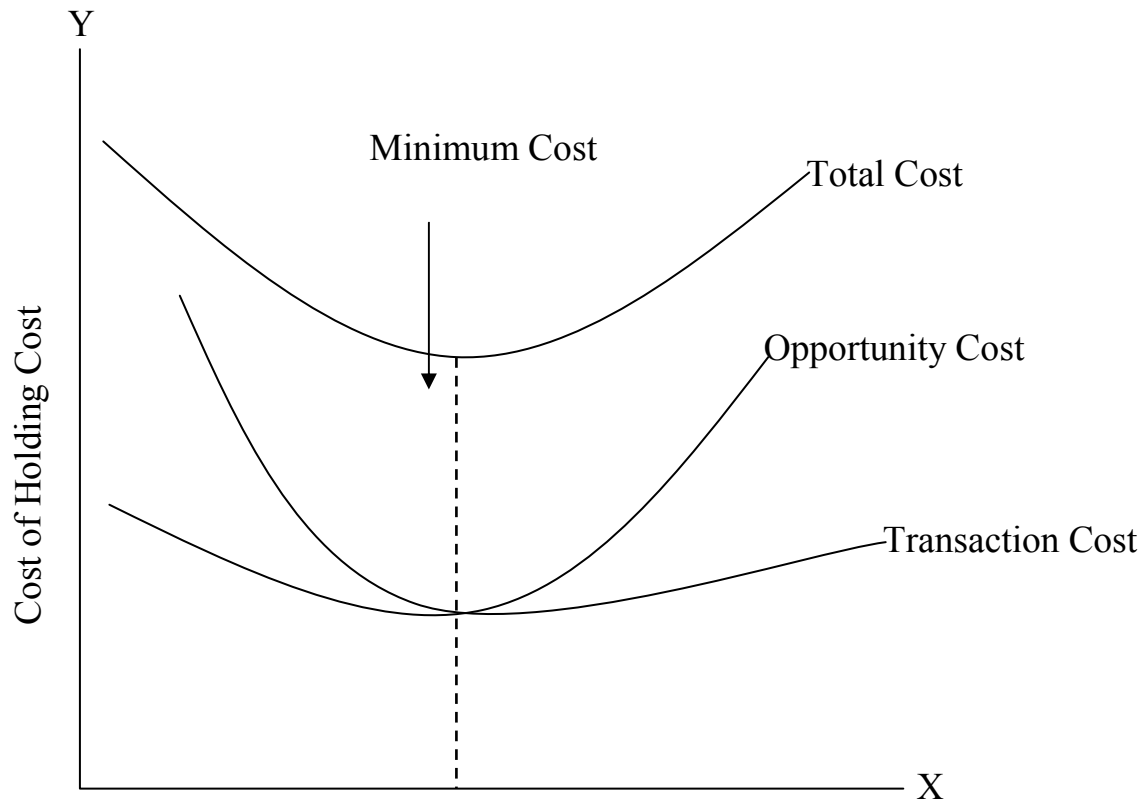
Baumol's model showing minimum cost of holding cash

Total Cost = Holding Cost + Transaction Cost

= (Average Cash Balance *Opportunity Cost) + (Cost per Transaction* No. of Transaction)

Or, Total Cost = b (T/C*) +I(c*/2)

2. Miller-Orr Model

Miller-Orr Model assume that cash flows are uncertain and unknown in advance. Theoretically, there are number of approaches to control theory. Among them, Miller-Orr Model, which specifies two controls limited i.e. upper and lower limit.

The objective of cash management according to Miller-Orr is to determine the optimum cash balance level, which minimizes the cost of cash management.

Symbolically,

C= bE(N)/t + jE (M)………………..(i)

Where

 b= the fixed cost per conversion.

E (M) =the expected average daily cash balances.

E (N) = the expected number of conversions.

t= the number of days in the period.

j= the lost opportunity costs.

C= total cash management costs.

The Miller-Orr model is in fact an attempt to make the Baumol model more realistic as regards the pattern of cash flows. As against the assumption of uniform and certain levels of cash balances randomly fluctuate between an upper bound (h) and a lower bound (o). When the cash balances hit the upper bound (h), the firm has too much cash and should buy enough marketable securities to bring the cash balances back to the optimal bound (z). When the cash balances hit zero, the financial manager must return them to the optimum bound (z) by selling converting securities in to cash. According to the Miller-Orr model, as in Baumol Model, the optimal cash balance (z) can be expressed symbolically as

Z= $\sqrt[3]{(3b^2)}$/4i+L…………………..(ii)

Thus, as in Baumol model, there are economies of scale in cash management and the two basic costs of conversion and the lost interest that have to be minimized. Miller-Orr model also specifies the optimum upper boundary (h) as three times the optimal cash balance level such that

Upper Limit (h) = 3Z – 2L……………………..(iii)

Average Cash balance = (h + Z)/3

Further, the financial manager could consider the use of less liquid, potentially more profitable securities as investments for the cash balances in excess of cash (Miller & Orr, 1966).

3.Orgler's Model

According to this model, an optimal cash management strategy can be determined through the use of a multiple linear programming model. The constriction of the model comprise three sections:

a) Selection of the appropriate planning horizon
b) Selection of the appropriate decision variables
c) Formulating of the cash management strategy itself

The advantage of linear programming model is that it enables co-ordination of the optimal cash management strategy with the other operations of the firm such as production with less restriction on working capital balances. The model basically uses one-year planning horizon with twelve month periods because of its simplicity. It has four basis sets of decisions variables which influence cash management of a firm and which must be incorporated into the linear programming model of the firm. These are: (i) payment schedule, (ii) short term financing, (iii) purchase and sale of marketable securities and (iv) cash balance itself.

The formulation of the model requires that the financial manage first specify an objective function and then specify a set of constraints. Orgler's objective function is to minimize the horizon value of the net revenues from the cash budget over the entire planning period using the assumption that all revenue generated is immediately re-invested and that any cost is immediately financed. The objective function recognizes each operation of the firm that generates cash inflow or cash outflows as adding or subtracting profit opportunities for the firm is cash management operations. In the objective function decision variables which cause inflows such as payments on receivables have positive co-efficient, while decision variables which generate cash inflows, such as interest on short-term borrowings have negative co-efficient. The purchase of marketable securities would for example produce revenue and they have a positive co-efficient while the sale of those securities would incurred conversion costs and have a negative co-efficient. A very important feature of this model is that it allows the financial managers to generate cash management with production and other aspects of the firm (Orgler: 1970).

2.3 Review of Previous Research Work

Revenue planning and cash management seems to be a new subject for research and study. The researcher could find limited researches made in the revenue planning and cash management for the partial fulfillment of the requirement for the Degree of Master in Business Studies. But many researches have been made in the area of profit planning and control of Nepal Telecom. As profit planning and control covers some aspects of revenue planning, researches made on this area are taken in to consideration for the sake of review to examine how efficiently they apply profit planning and control tools. An attempt is made here to review some of the researches which have been submitted in the area of revenue planning and cash management and profit planning and control in the context of Nepal Telecom.

Neupane (2001) has conducted a research on the topic "A study of profit planning in Nepal Telecommunication" using secondary sources to collect the data and other necessary information. Mr. Neupane has pointed the practices and effectiveness of profit planning in Nepal Telecom. His main objective of the study is to examine the present comprehensive profit planning system applied by Nepal Telecom. His main motive of study is to evaluate the targeted and actual variable of Nepal Telecom. According to his research there seems to be lack of systematic profit planning and control. Actual production lines are more variable than budgeted production line according to his research. He concludes that the Profit planning of Nepal Telecom is on increasing trend.

Bhandari (2010) has conducted the research on the topic "Cash Management In Nepal Telecom" describe about cash management of Nepal Telecom. The major objective of the study is to examine the management of cash in NTC and to study the liquidity position of the company. Mr. Bhandari has pointed the shortage or excess of cash in the company and the procedures of financing for the shortage and investment of excess cash. The major finding of the study is to meet operating expenses, 25% of actual annual expenses can be provided as advance budget in case the budget is not approved. In regards to account operation, transaction should be done with Nepal Rastra Bank or other commercial banks as recommended by committee acording to his study. He concludes that Telecom offices should transfer the income amount from office fund account to central fund account keeping minimum balance amount in their offices.

Lamichhane (2003) has conducted a research on the topic " Budget as a tool of profit planning of Public Utility Enterprises: A case study of Nepal Telecommunication". Mr. Lamichhane has pointed out the various functional budget of NTC. The major objective of the study is to obtain a true picture of profit planning diversification of NTC. The main motive of the study is to examine the usage of cost volume profit analysis in budget preparation. There is huge amount of cash and bank balance lying idle according to the balance sheet of NTC, this indicate some deficiency to analyze its liquid assets. The major finding of the study is that NT has maintained sound liquidity to pay current debt and maintained well financial health. He concludes that idle capacity of installed telephone lines is in increasing trend, which affects to generate revenue. According to him NT prepares program budget, however due to lack of adequate knowledge of PPC, it is facing some problems in profit planning system.

Bhatta (2012) has conducted a research on the topic of " Revenue Planning and Cash management of Public Utility in Nepal: A case study of Nepal Telecom," using secondary sources to collect the data and other necessary information. The main objective of the study is to analyze the gap between budgeted and actual revenue and its demand. The main motive of the study is to examine cash collection and disbursement and to review cash flow from operating, investing and financing activities. According to his study sales revenue is the main revenue source of NT, which contributes more than 40% in average. Because of high demand of telephone line there exist small gap between actual production and actual sales in lines. He concludes that revenue per employees is in increasing trend but NT has not incentive or motivation planning to promote employees.

Chataut (2008) has recently done research on the topic "NTC's cash management". He has mainly done research on shortage or excess of cash in the NTC. The main objective of the study is to analyze the gap between budgeted and actual sources of cash. The major finding of the study is that the actual cash balances were higher than approved budgeted amounts. It shows that there was no effective implication of budgeted amount. Nepal Telecom prepared and approved deficit budget each year where he conclude that When opening balance was not included in source side of budget, total budgeted cash uses was always higher.

Poudyal (2002) has conducted a research on the topic " Profit planning and control":
A case study of Nepal Telecom. Mr. Poudyal has pointed the present comprehensive
profit planning system applied by NTC. The main objective of the study is to evaluate
the targeted variable and actual variables of NTC and to analyze the gap between
budgeted and actual revenue. The main motive of the study is to examine the financial
performance of NTC. The major finding of the is that NTC is lacking the proper
System of Performance report. NTC has not practices of control policy considered
controllable and inconsolable variables affecting the organization. He concludes that
the sales plan and achievement is satisfactory to some excent but financial
performance of NTC is not so good.

Karki (2007) has conducted a research on the topic "Renenue planning in service
oriented company": A case study of Nepal Telecom. The main objectives of the study
is to search and highlight the role of revenue planning in the performance of NTC.
The main motive of the study is to examine the use of planning in managerial short
run and long run decision making. The major finding of the study is that NTC has not
adopted the practice of preparing monthly revenue earning reports and the revenue
plan prepared by the branches and sub branches were not taken as reference for
preparing of central revenue plan. He concludes that analysis of category wise
revenue plan shows that achievement in domestic categories are highly consistent. But
the achievements in remaining categories are fluctuating.

The government of Nepal has focusing on the development of telecommunications by
giving high priority in each development plans. However, the telecommunication
development of Nepal is lacking financial resources, technical knowhow and problem
between management and administration.

2.4 Research Gap

The topic is also called the difference between the previous researches and the current
research. Most of the past research studies are about profit planning system of public
enterprise. The previous researches did not analyzed the Revenue planning and cash
management aspect of NTC. So, there exists a research gap between the present and
past researches. This research is conducted to fill up this research gap.

This research is a case study research. It is mainly based on both primary and secondary data. The previous researcher had conducted their research on secondary data. But this research used both primary and secondary data. This study has tried to analyzed the process and methods of revenue planning.But the previous studies had not analyzed the process and methods of revenue planning. The previous studies has been unable to show the impact of cash management over the financial performance. But this research show how cash management aspect help to improve the financial performance of NTC. The previous researcher had conducted their research on NTC only using financial tools. This study has analyzed the overall aspect of revenue planning and cash management by applying the different mathematical & statistical tools. So, this study will be fruitful to those people, scholar, student, teacher, businessman and Government who have invested in NTC or who are interested to invest in NTC in future to know about the revenue planning and cash position of it. Finally it concludes the various findings of research and recommendations for NTC.

CHAPTER-III

RESEARCH METHODOLOGY

3.1 Introduction

Research methodology is the guideline of research. Data and information are lifeblood of any research. Generally, Research methodology refers to the numerous process adopted by the researchers during the research process. Research methodology is a plan to obtain the answer of research question through analysis of data. The main objective of the study is to examine the revenue planning and cash management of Nepal Telecommunication. So, this chapter "Research Methodology" is of extremely important. This chapter consists of Research design, Coverage of period and data, Nature and sources of data and Tools and techniques employed for data analysis which are explained below.

3.2 Research Design

In order to make any type of research it is necessary to set research design which fulfills the objectives of the study. Generally, research design means well-define procedure and techniques which guide to study and profound ways for research variability. It is the planned structure and strategy of investigation conceived so as to obtain answers to research questions. The research study attempts to analyze the revenue planning and cash management of NTC. Hence, descriptive research design has been employed. Descriptive research is a fact finding approach.

3.3 Coverage of Period and Data

As this research aims at studying the revenue planning and cash management aspect of the NTC. The study covers the data of five years time period. For this research study five years data from fiscal year 2069/70 to 2073/74 has been used.

3.4 Nature and Sources of Data

This study was based on both primary and secondary data. Primary data was collected through interview whereas Secondary data was collected from Nepal Telecom's publication (Budget Book, Annual reports, balance sheet, profit and loss accounts, cost detail sheet), previous thesis and other relevant published and unpublished documents and other related publications. The require data were also collected from the website of Nepal Telecom (i.e. www.ntc.nt.np).

3.5 Tools and Techniques Employed

Data collected from various sources are managed, analyzed and presented in suitable tables, formats, diagrams, graph and charts. Such presentations have been interpreted and explained whenever necessary. To analyze the secondary data collected from various sources different financial, statistical and mathematical tools are used.

The financial tools used are – cash to current assets ratio, cash to current liabilities ratio, optimal cash models, cash turnover time, etc.

The statistical and mathematical tools used are - average, standard deviation, coefficient of variation, percentage, etc. All the data and information are collected from secondary sources which have been properly synthesized, arranged, tabulated and calculated to serve the objectives of the study.

CHAPTER- IV

RESULTS

4.1 Introduction

The main purpose of this research study is to examine the revenue planning and cash managements in Nepal Telecom. Mostly, revenue planning and cash management depends upon the objectives of the organization. Plan should achieve the goals of the organization. It embarks on forecasting the environment in which objectives must be achieved. Revenue is an inherent part of the management process. Revenue planning helps the organization for the development and acceptance of objectives and goals and moving an organization efficiently to achieve the objectives and goals. Revenue planning and cash management is an important technique of management, which can be used in private public as well as government organization. Each and every public enterprises or firm or government corporation is established with an objective of public service.

Nepal Telecom is partially government owned public sector entity, administrated by a government appointed Board of Directors (BOD). However, more autonomy has been offered to the entity from 1st Baishak 2061 by the government as a part of deregulation and liberalization policy in telecommunication sector. Now, Nepal Telecom has functioning under the company act 2053 utilizing its full autonomy.

This chapter will analyze the various aspect of revenue planning and cash management. The study also presents and analyzes the overall financial trend and estimate the future possible trend of Nepal Telecom.

4.2 Revenue planning in NTC

Revenue is an inherent part of the management process. Revenue planning helps the organization for the development and acceptance of objectives and goals and moving an organization efficiently to achieve the objectives and goals. Nepal Telecom prepares revenue reports monthly. Simply conversations, discussion and meetings are the methods adopted by NTC for revenue planning but proirity is given on reliability and accuracy of data. The following process is used by NTC for revenue planning.

4.2.1 Process of Revenue planning in NTC

Figure 4.1

Revenue planning process in NTC

```
┌─────────────────────────────────────────────┐
│  Reporting to Accounting centre office.      │
└─────────────────────────────────────────────┘
                      │
                      ▼
┌─────────────────────────────────────────────┐
│  Approval of revenue report.                 │
└─────────────────────────────────────────────┘
                      │
                      ▼
┌─────────────────────────────────────────────┐
│  Conclusion of revenue report.               │
└─────────────────────────────────────────────┘
```
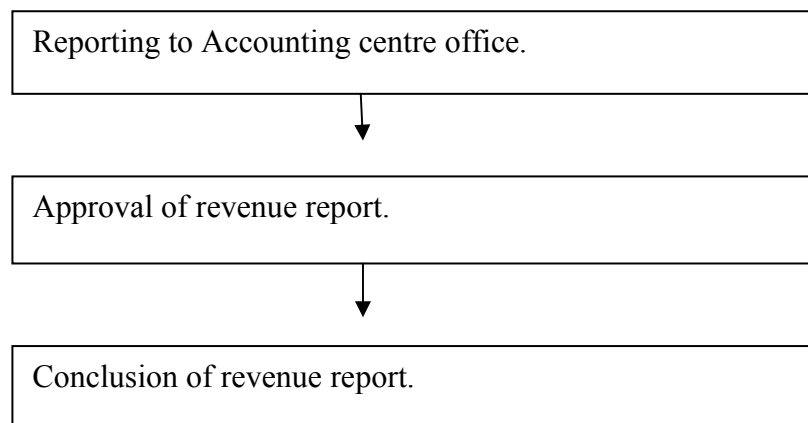
Source: Research Questionnaire

The process of revenue planning begins in every branches in all over the small units of office and hence they have to report their outcomes to upper level known as Accounting centre office. Each Accounting centre office report to their upper level-Regional level after compilation and approval of revenue report. Final conclusion and findings of revenue report is drawn under supervision of responsible managers in Head office.

Manual integration of reports are based on system generated various report. However, dependency of extraction of one report on the basis of report generated by other departments creates major issue in planning process. In revenue planning process there seems the technical issue in extraction of reports. So, NTC need to adopt new softwares and technology.

4.2.2 Methods of Revenue planning adopted by NTC

Conversations, Discussions and Meetings are organized at very bottom line of different units of organization. However priority is given on reliability and accuracy of data. Each unit are responsible to report their findings, future goals to their upper units. And hence final framework are done in regional level and ultimate structure are finalized and discussed central level (Head office).

However, it is made mandatory to issue a revenue report commonly known as MIS report month wise. Beside this, regular reports accountable to managers and officials for duly accomplishment of daily task are generated as and when required.

4.3 Revenue Trend of Nepal Telecom

Revenue plan is the key factor in profit planning and control. Unless there is a realistic and practical revenue plan one can not be sure of accuracy and practicability of other elements of profit plan.

4.3.1 Revenue Budget of Nepal Telecom

Revenue plan is prepared on the basis of sales forecast. Revenue plan formulation is the primary step in developing the overall plan procedure. Revenue is the primary source of cash and all other functional plans are prepared on the basis of revenue budget. Revenue budget is the primary and important steps as well as the primary source of information which can be used in preparing functional budget. Efficiency of planner or planning expert can be evaluated from the comparison between actual or planned sales.

Sales are the major source of revenue and profit is the amount that all business operation is directly linked with the sales budget. The revenue budget should be as realistic as possible. If the revenue plans are unrealistic then all other elements of profit plans will be out of reality. Revenue plan is prepared on the basis of sales forecast. NTC has practice of preparing sales forecast and the demand for long term which is known as long term forecast. NTC prepares revenue budget for every fiscal year and it also forecast the strategic plan for coming national plan.

The financial planning department and revenue department of Nepal Telecom has the overall responsibility of preparing the revenue budget. Revenue budget is prepared by co-ordination among revenue section, billing section and business management section. Like other organizations, it does not have distribution channels. Consumer contacts themselves to get telephone services.

The following table 4.1 presents the budgeted sales and actual sales in Rupees respectively from the fiscal year 2069/070 to 2073/074.

Table No: 4.1

Revenue Trend of NTC

From F/Y 2069/070 to 2073/074

Fiscal Year	Budgeted Sales In Rs'000'	Actual Sales In Rs'000'	Increase/Decrease over previous year	
			Budgeted %	Actual %
2069/70	38600000	38860000	-	-
2070/71	39270000	39760000	1.73	2.31
2071/72	41160000	42640000	4.81	7.24
2072/73	43560000	44220000	5.83	3.70
2073/74	44280000	44590000	1.62	0.83

Source: Annual Report and Budget Book of NTC

The table 4.1 shows that in all the fiscal year (F/Y) budget and actual sales revenue are increases. The table shows that in F/Y 2070/071 budgeted and actual sales revenue increased by 1.73% and 2.31% respectively. Similarly, in F/Y 2071/72 it increased by 4.81% and 7.24% respectively. In the same way in F/Y 2072/73 increased by 5.83% and 3.70% respectively. Similarly in the F/Y 2073/74 increased by 1.62% and 0.83%. This increment in budgeted and actual revenue was the result of large number of use of mobile phone.

The percentage increase/decrease in budgeted and actual sales revenue in rupees can be shown by the help of the following figure 4.

Figure 4.2

Sales revenue trend of NTC (%)
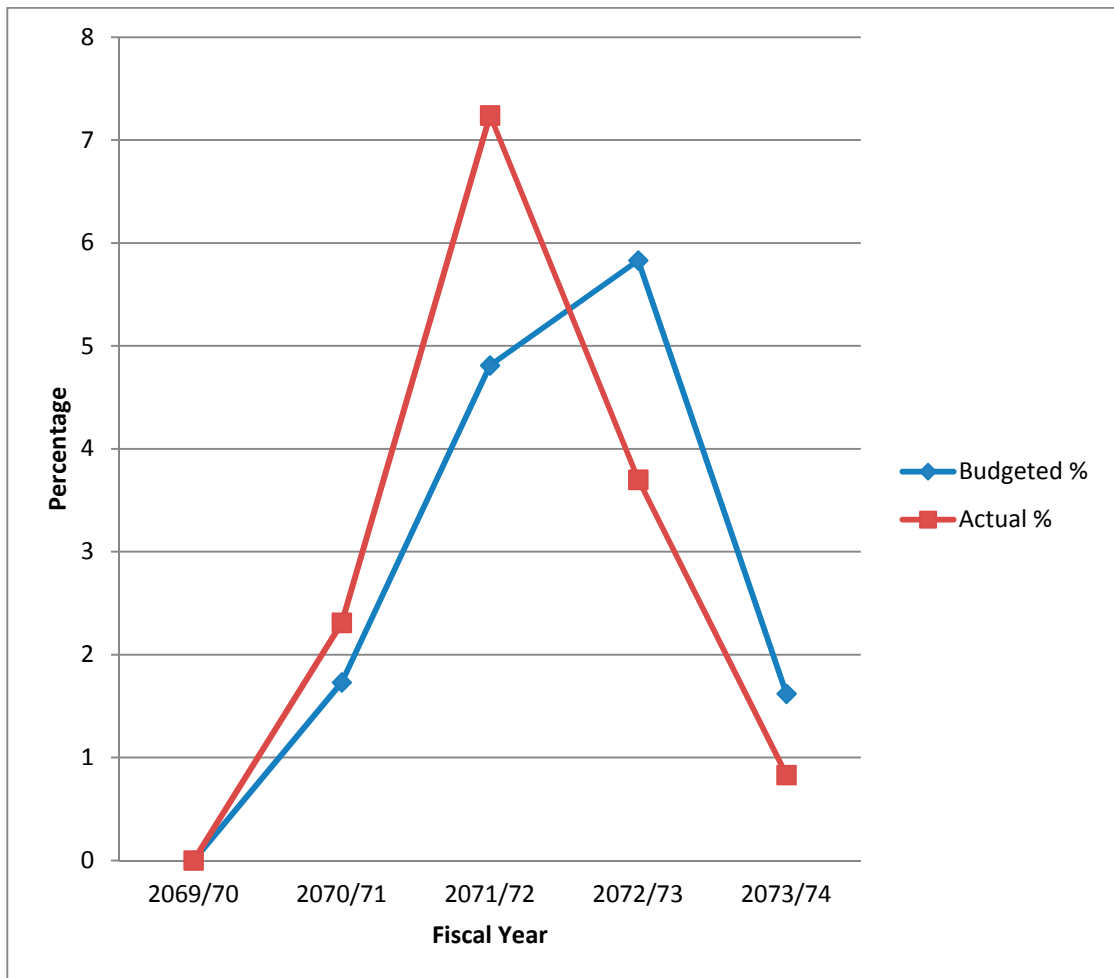
The above figure 4.1 shows that the percentages increase/decrease in budgeted & actual sales revenue assuming F/Y 2069/070 as base year. The graph depicts that the budgeted sales revenue increased up to F/Y 2072/073 but it decreased in F/Y 2073/074. Similarly, actual sales revenue is in increasing trend up to F/Y 2071/072 and it is decreasing trend upto F/Y 2073/074. This is due to ineffective planning.

In the same way, the sales revenue trend of NTC is shown below by the help of graph.

Figure 4.3

Revenue Trend of NTC
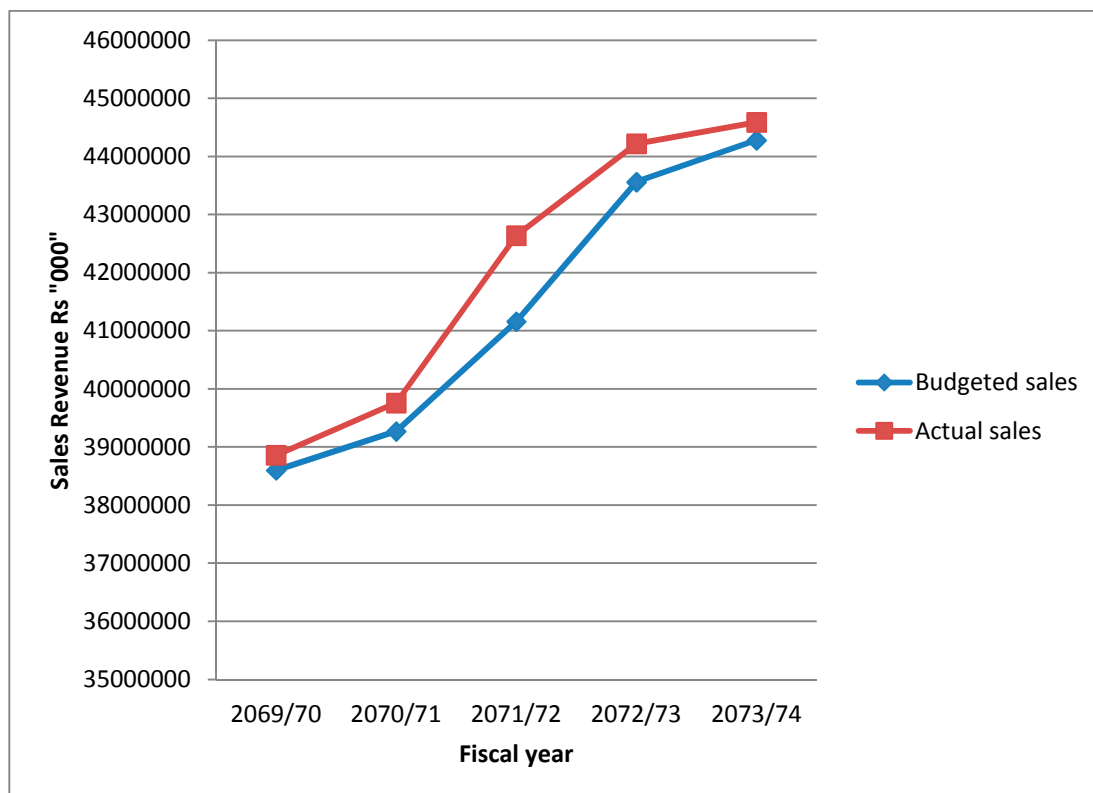
The above Figure 4.2 shows a gap between budgeted sales revenue and actual sales revenue. The actual sales revenue are always higher than budgeted sales revenue in entire period of research. This trend of sales revenue shows a positive signal to the company. The overall sales performance of the NTC is best. It can be notified that the actual sales revenue was in increasing trend if compare to previous year.

4.3.2 Revenue Achievement of Nepal Telecom:

The beginning point for the evaluation of existing revenue planning is to analyze the past trends of planned sales revenue and actual sales revenue. Based upon the data available from Nepal Telecom following table shows the budgeted and actual sales revenue with their respective achievement from the fiscal year 2069/70 to 2073/74.

Table No: 4.2

Budgeted and Actual Sales Achievement

From F/Y 2069/70 to 2073/74

Fiscal Year	Budgeted Sales In Rs'000'	Actual Sales In Rs'000'	Achieved (In %)
2069/70	38600000	38860000	100.67
2070/71	39270000	39760000	101.25
2071/72	41160000	42640000	103.60
2072/73	43560000	44220000	101.52
2073/74	44280000	44590000	100.70
Average			**101.55**

Source: Annual Report and Budget Book of NTC

The table 4.2 signifies that the budgeted sales revenue and actual sales revenue both are in increasing trends and the actual sales revenue is always higher than the budgeted sales revenue over the entire research period. By the analysis of table, it can be said that that the sales revenue achievement of NTC is highly satisfactory. The average achievement of revenue is 101.55% which is itself a good signal for the company, which shows that the Nepal Telecom has clear guidelines of selling and revenue collection.

4.3.3 Summary of Statistical Calculation:

In order to find out the nature of variability of planned sales, actual sales and their achievement of different year's, calculation of arithmetic mean, standard deviation and co-efficient of variation of planned and actual sales and their achievement of NTC should be conducted. The table 4.3 presents the summary of statistical calculation.

Table 4.3

Summary of statistical calculation

Statistical Tools	Budgeted sales in Rs. (X)	Actual sales in Rs. (Y)
Mean	41374	42014
Standard deviation	2253.49	2320.44
Co-efficient of variation (C.V)	5.44 %	5.52 %

The above table 4.3 shows the value of statistical tools. A distribution having more C.V is considered more variable or more heterogeneous or less consistent. A distribution having lesser C.V is considered less variable or more homogeneous or more consistent or more uniform. It also states that the actual sales are more deviated or fluctuated year by year as the coefficient of variation of the actual sales as shown in the table is greater than the budgeted sales. The C.V of actual sales is 5.52% where as budgeted sales is 5.44%.

A major statistical tool called least square methods can be used to analyze the trend of actual sales and to estimate the possible future sales for a given time (years). This tool is considered as a time factor because time element is also an important factor to analyze the trend. With the passage of time the sales achievement will be changed, which can be expressed by the components of time series.

A straight line trend by the method of least squares will show the relationship between actual sales and years (time). For the least square method, it is assumed that the sales are consistently changed (increased or decreased) with the change in time. To fit the straight line trend, time factor is considered as independent variable(X) and actual sales achievement(Y) is assumed as dependent upon time (years).

Now the straight line trend by least square method for actual sales upon time is expressed by $Y_c = a + bx\ldots$
Where,

Y=Actual sales achievement

X=Deviation taken in time

a= Constant

b=Slope of the line

Table 4.4

Fitting Straight Line Trend by Least Square

From F/Y 2069/70 to 2073/74

Fiscal Year (X)	Actual Sales in Rs.000000 (Y)	x=X-2071/72	x^2	xY
2069/70	38860	-2	4	-77720
2070/71	39760	-1	1	-77720
2071/72	42640	0	0	0
2072/73	44220	1	1	44220
2073/74	44590	2	4	89180
	$\sum Y$ =210070	$\sum x$ =0	$\sum x^2$ =10	$\sum XY$ 15920

Since, $\sum x$ =0, then,

$$a = \frac{\sum Y}{n} = \frac{210070}{5} = 42014$$

$$b = \frac{\sum xY}{\sum x^2} = \frac{15920}{10} = 3184$$

Now, the best fit of straight line trend is obtained by substituting the value of 'a' and 'b' in equation i.e. $Y_{c} = a + bx$, we get,

$$Y_c = 42014 + 3184x$$

This trend line equation shows the positive relationship between time [years} and actual sales achievements. The actual sales will be increased by 3184 million every year if the sales trends of past years continue in the future.

By using this trend line equation, we can estimate the actual sales for fiscal year 2074/075.

The value of deviation {x} for fiscal year 2074/075 is 3.
We have,

$Y_c = 42014 + 3184x$

$= 42014 + 3184 \times 3$

$= Rs.51566$ million

If the past sales trend does not change then the future actual sales will be Rs. 51566 million in fiscal year 2074/075. By the help of least square method, we can say that the trend of actual sales will have in increasing pattern.

4.3.4 Contribution of Each Category in Total Sales Revenue

Contribution of each category in total sales revenue from fiscal year 2069/70 to 2073/74 is presented in table 4.5.

Table 4.5

Percentage contribution of each category in Total Sales Revenue

From Fiscal Year 2069/70 to 2073/74.

Category/ Fiscal year	2069/70	2070/71	2071/72	2072/73	2073/74
General Telephone					
Local Telephone	23.99	22.97	19.17	15.23	12.14
STD	14.94	10.90	7.41	4.31	2.95
ISTD	12.24	8.85	5.51	2.93	1.20
Lease circuit & other services	0.22	0.24	0.23	0.44	0.41
Telex, Telegraph	0.04	0.05	0.01	0.00	0.00
Pay Phone , PCC Card	0.81	0.56	0.30	0.00	0.00
Internet	0.26	0.13	0.13	0.10	0.05
ADSL	0.05	0.08	0.10	0.72	1.40
Others	0.00	1.52	1.23	0.69	0.52
Mobile (GSM)					
Local	5.01	4.35	5.58	3.73	3.23
STD	1.06	1.15	0.30	0.18	0.16
ISTD	0.76	0.72	0.66	0.50	0.28
Airtime	2.09	2.07	0	0.00	0.00
Roaming	0.88	0.99	0.97	0.68	0.90
Prepaid Card	1.16	0.71	1.81	5.37	2.16
Recharge Card	10.00	14.65	20.75	27.12	39.18
SMS	0.10	0.11	0.27	0.35	0.38
Others	0.00	1.30	2.60	2.58	1.68

CDMA					
Local	0.23	1.85	1.09	0.79	0.90
STD	0.09	0.87	0.70	0.32	0.16
ISTD	0.11	0.87	0.52	0.23	0.07
Data Service	0.02	0.07	0.08	0.07	0.07
Prepaid Card	0.00	0.73	1.11	0.60	0.57
Recharge Card	0.00	1.82	8.54	9.21	7.52
Others	4.98	0.74	1.07	0.66	0.57
Non Operating Income	5.83	5.32	5.44	7.24	7.40
Sale of materials & other	0.00	3.00	0.71	0.74	0.54
International sharing	15.12	13.37	13.71	15.21	15.67
Total	**100**	**100**	**100**	**100**	**100**

Source: Annual Report of NTC

The above table 4.5 gives the insights of contribution of each category in total sales revenue. The table shows that the Local Telephone category gives the highest contribution in total sales revenue from year 2069/70 to 2070/71 but from year 2071/72 to 2073/74 mobile phone category gives the highest contribution in total sales. The contribution of Local Telephone category in total sales revenue is in decreasing trend while the contribution of mobile phone category is in increasing trend. Mainly Recharge cards contributes more in mobile phone category. Similarly, the contribution of international sharing category in sales revenue is in the average of 15%. In the same way, other category that has considerable contribution in total sales revenue are ISTD, STD and sales of materials.

4.4 Cash Management of Nepal Telecom

One of the objectives of this study as stated in chapter 1 is to have true insight in to 'cash management' of Nepal Telecom. For this purpose, most recent published financial statements and annual budget reports has been used. In this study the effort has been made to assess and to analyze the cash management to disclose the actual position of cash management in Nepal Telecom.

4.4.1 Analysis of Cash Balance of NTC

Management of cash plays vital role for knowing when, where and how organization's cash needs will occurs? what are the best resources for meeting additional cash needs. It plays a crucial role in current assets of company. The total cash includes cash in hand, cash at bank and cash in transit. In overall, cash is the life blood of any organization. Without cash, no business activities can be conducted. So, it is necessary for any organization to have sufficient cash balance.

Cash turnover ratio represents how quickly the cash is received from its sale. Lighter turnover of cash is the signal of good liquidity and vice versa. The table below shows the cash position & turnover of the company during the period under study.

Table: 4.6

Calculation of Actual Total Cash Collection, Closing Cash Balance and Cash Turnover Time

From F/Y 2069/70 to 2073/74

In Rs. '000'

Fiscal Year	Actual Total Cash Collection	Cash Balance	Increase/Decrease in Cash Balance	Sales Revenue	Cash Turnover Time
2069/70	34140807	24255209	-	38860000	0.88
2070/71	39671121	35395139	45.93%	39760000	1.00
2071/72	42638371	43520904	22.96%	42640000	1.00
2072/73	40725931	41263465	-5.19%	44220000	0.92
2073/74	40346817	26774785	-35.11%	44590000	0.90

Source: Annual Report and Budget Book of NTC.

The above table also shows that cash turnover time is also in fluctuating order. The lowest turnover ratio is 0.90 times in F/Y 2073/74. cash turnover are 0.88, 1.00, 1.00, 0.92 and 0.90 times in F/Y 2069/70, 2070/71, 2071/72, 2072/73 and 2073/74 respectively and the average is 0.94 times. Lower turnover is the signal of shortage of liquidity. This shows that cash turnover is satisfactory in the company. so, the overall cash management aspect of NTC is in good position and the liquidity position of NTC

is satisfactory. The results of actual total cash collection and cash balance also can be shown by the help of the following diagram.

Figure 4.4

Actual total cash collection and Closing cash balance
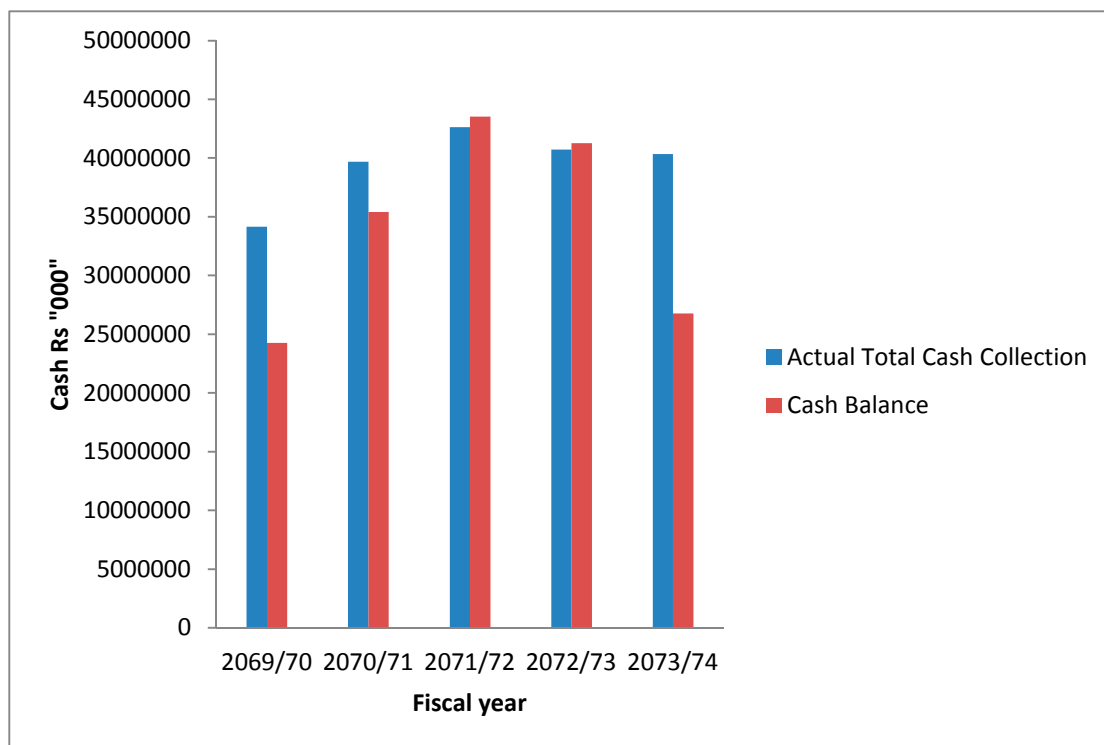
The Diagram 4.1 shows that actual cash collection is in increasing trend upto F/Y 2071/72 and in decreasing trend in remaining two F/Y i.e. 2073/74 and 2073/74. Cash balance of the company is also in same trend as cash collection. The table also shows that the actual cash collection is higher than cash balance in year 2069/70 and 2070/71. Then after it is in declining trend upto fourth year and again increase in FY 2073/74. In conclusion, these figures shows that the company has no define policy of cash management in the initial year but it maintained in the following years.

4.4.2 Analysis of Cash to Current Liabilities of NTC

The ratio of cash to current liabilities may also be used as an index of cash management. This ratio indicates the amount of cash (in percentage) available to pay the current obligation of the firm.

The table 4.7 below presents the level of cash in relation to current liabilities of Nepal Telecom for five fiscal year from 2069/70 to 2073/74.

Table: 4.7

Position of Cash and Current Liabilities of NTC

From F/Y 2069/70 to 2073/74

Fiscal Year	Cash & Bank In Rs 000	Current Liabilities In Rs 000	Cash to current liabilities ratio
2069/70	24255209	12077684	2.01 times
2070/71	35395139	12995015	2.72 times
2071/72	43520904	13467204	3.23 times
2072/73	41263465	11299129	3.65 times
2073/74	35395139	10505845	3.36 times

Source: Annual Report and Budget Book of NTC.

The above table 4.7 indicates that the cash and bank balance are always higher than current liabilities. cash to current liabilities ratio is also in increasing over fourth year whereas there is a slight decrement in year 2073/74 from fourth year. From the analysis, it can be said that the company has enough cash to pay the current obligation.

4.4.3 Analysis of Cash to Current Assets of NTC

Table 4.8

Position of Cash and Current Assets of NTC

Fiscal Year	Cash & Bank In Rs 000	Current Assets In Rs 000	Cash to current assets ratio
2069/70	24255209	37000819	0.65 times
2070/71	35395139	50492127	0.70 times
2071/72	43520904	61182291	0.71 times
2072/73	41263465	62121112	0.66 times
2073/74	35395139	63741114	0.55 times

Source: Annual Report and Budget Book of NTC.

The above table indicate that during 1st year of study period cash portion of current assets was more than 60% i.e. cash to current assets ratio was 0.65 . The ratio was increased upto third year but decreased slightly to 0.66 from third year i.e 0.71. It further decreased in the year 2073/74 to 0.55 times In this type of company, there is continues cash inflow and out flow because of which cash to current assets ratio keeps on fluctuating. But it makes no difference to company. Above analysis showed that average ratio of NTC is 0.65. We can concluded that 65% current assets consists of cash which indicate the greater safety of the funds of short term creditors.

4.5 Major Findings:

The major findings of this research study are based on the analysis of available data which are pointed out as follows:

I. Nepal Telecom prepares revenue reports monthly that shows the revenue planning is effective.

II. Budgeted sales in rupees is in fluctuating trend from 1.73% to 4.81%, 4.81% to 5.83% and 5.83% to 1.62%. Similarly, actual sales in rupees also is in fluctuating trend from 2.31 to 7.24%, 7.24% to 3.70%, 3.70% to 0.83%.

III. Achievement in sales revenue of all fiscal year is more than 100%.

IV. The trend line equation by least square method shows that the actual revenue in the F/Y 2074/75 will be Rs. 51566000 (In thousand).

V. The analysis of category wise contribution in sales revenue shows that the category of Local Telephone has the highest contribution in first two years later mobile phones has the highest contribution. Mainly Recharge card in mobile phone category contibutes most in total sales revenue. The contribution of international sharing category in sales revenue is noticable which is 15% in average.

VI. The cash turnover ratio of NTC is Satisfactory so, the overall cash management aspect of NTC is in good position and the liquidity position of NTC is satisfactory.

VII. Cash to current liabilities ratio is satisfactory , it can be said that the company has enough cash to pay the current obligation.

VIII. Cash to current assets ratio is 0.65 times in average which indicate the greater safety of the fund of short term creditors.

IX.   Few investments are made into debenture purchase and hydro-electricity business to diversify other investments by NTC.

These findings are quite similar to Bhattarai (2011) who found that the Cash turnover time of NTC is satisfactory which shows the good liquidity position of NTC. Gautam (2008) found the relationship between Actual sales revenue and budgeted sales revenue of NTC was positive which concludes that actual sales revenue will be increased in future which is similar to this study. Some findings of this research are quite different to Subedi (2009) who found that the contribution of local telephone category in total sales revenue is highest. But, according to the findings of this research Mobile phone category has the highest contibution in total sales revenue due to large numbers of use of Recharge card.

CHAPTER-V

CONCLUSION

5.1 Summary

Planning is the essence of management. In NTC revenue results from the telephone service and mobile service which is measured by the charges made to customers. Many factors should be considered for revenue planning including revenue trends, potential competitors and general level of economy. The process of revenue planning begins in every branches in all over the small units of office and hence they have to report their outcomes to upper level known as Accounting centre office. Each Accounting centre office report to their upper level-Regional level after compilation and approval of revenue report. Final conclusion and findings of revenue report is drawn under supervision of responsible managers in Head office.

The management of cash has been regarded as one of the conditioning factors in the decision making issue. It is, no doubt, very difficult to point out as to how cash is needed by a particular company. Few investments are made by NTC into debenture purchase and hydro-electricity business to diversify other investments. All idle Cash of NTC are subjected to fixed deposit in "A" class Commercial Banks. It is very essential to analyze and find out the solution to make an efficient use of funds for minimizing the risk of loss.

Since the establishment of Nepal Telecommunication Corporation, it has been providing reliable and affordable telecommunication services to the nation. Nepal Telecommunication Corporation was dissolved and converted to Nepal Telecom from 1st Baisakh 2061. It was registered under the company act 2053. The privatization of Nepal Telecom has been proved to be beneficial for the efficient operation of the company. Nepal Telecom has growing concern of greater national importance in the area of providing telecommunication services. The company is continuously facing problem of cash management due to the improper management of revenue and increasing debtors. The objective of the study is to analyze the pattern of revenue generation of NTC and to identify the gap between budgeted and actual revenue and its demand. This s research work also try assess the cash management aspect of NTC. As per the nature and requirement of the study, both primary and secondary data was

used with the descriptive research design. For this research study five years data from fiscal year 2069/70 to 2073/74 was used. Data are tabulated and presented as per the requirement of the study. For the analysis of data different statistical tools like arithmetic mean, standard deviation, co-efficient of variation, regression, graph and diagrams have been used. Similarly, financial tools such as ratio analysis have also been used. This study has been organized in five main chapters consisting of introduction, review of literature, research methodology, data presentation and analysis and summary, conclusion and recommendation. Besides this bibliography and appendix has also been included in this research study.

The sales performance of Nepal Telecom is satisfactory and sales revenue is increasing every year but rate of increment is fluctuating. The company's main source of revenue is Local Telephone and mobile phone category which gives the highest contribution in total sales revenue. However, the contribution of Local Telephone category in total sales revenue is in decreasing trend while the contribution of mobile phone category is in increasing trend. Similarly, the contribution of international sharing category in sales revenue is in the average of 15%. In the same way, other category that has considerable contribution in total sales revenue are ISTD, STD and sales of materials. As a matter of fact, Nepal Telecom is still unable to provide telephone services according to consumer's demand. Therefore, Nepal Telecom needs to improve its quality of services through proper standardization which may help to increase its revenue.

Throughout the study, it is found that Nepal Telecom has huge amount of cash and bank balance. Cash is an inevitable means and ends for the business operation and it must be held in sufficient. Holding of cash both in excess and insufficient than requirement may lead a firm to serious problems. Nepal Telecom has enough cash but it is found that the cash management of Nepal Telecom is not effective. The main source of cash of Nepal Telecom is from telephone services and mobile phone service. Besides this source, company receives income from the sale of materials and international sharing category. NTC prepares revenue report monthly. Beside this, regular reports accountable to managers and officials for duly accomplishment of daily task are generated as and when required. Company uses its cash to purchase telephone exchange, materials, capital expenditures, administrative expenses, employee cost and operating & maintenance cost etc. The company holds cash for

transaction motives. Despite this fact, Nepal Telecom has getting effort for the effective cash management which helps the company to maintain sufficient liquidity and to improve its profitability.

5.2 Conclusions

The actual sales achievement in Rupees is higher than budgeted. This trend of sales revenue shows a positive signal to the company. The category wise achievement in sales revenue shows fluctuating trend which is due to ineffective planning. The analysis of category wise contribution in sales revenue shows that the category of Local Telephone has the highest contribution in past years later mobile phones has the highest contribution in sales revenue. In revenue planning process there seems the technical issue in extraction of reports. So, NTC need to adopt new softwares and technology. The sales revenue achievement of NTC is highly satisfactory. The average achievement of revenue is 101.55% which is itself a good signal for the company, which shows that the Nepal Telecom has clear guidelines of selling and revenue collection. NTC has failed to make collection plans of next year on the basis of previous year collection. So,the system of proper sales forecasting need to be adopted. The relationship between budgeted and actual sales is positive. Therefore, it can be concluded that the actual sales revenue in future will be increased. The cash turnover ratio of NTC is Satisfactory so, the overall cash management aspect of NTC is in good position and the liquidity position of NTC is satisfactory. The cash and bank balance with respect to current liabilities shows that the company has enough cash to pay the current obligation. cash to current assets ratio is 0.65 times in average which indicate the greater safety of the funds of short term creditors.

5.3 Implications

This research studied the Revenue plannning and cash management aspect of NTC. The findings of this study are important to Revenue deapartment of NTC as it highlights the gap between the actual and budgeted sales revenue. According to the findings of this study, NTC need to introduce new program for customers and action plans to solve network problems. Also NTC need to follow management by objective (MBO) techniques to maintain co-ordination, cooperation and self- motivation among the different regional branches, departments and employees. NTC should develop and

follow the long term strategy for revenue planning and cash management in order to improve the financial performance. The findings of the study are important to managers of public enttreprises as it highlights the overall planning process and cash management techniques.

5.4 Implications for future research

There has been little research done on Revenue planning and cash management. Most of the past research studies are about profit planning system of public enterprise. The previous researches did not analyzed the Revenue planning and cash management aspect of NTC. This research studies has analyze the process and methods of revenue planning adopted by NTC whereas previous researchers failed to analyze the process and methods of revenue planning. So, This study fulfilled the research gap on revenue planning and cash management aspect. Moreover, academics and practitioners can use the findings of this study to understand how revenue planning and cash management aspect help to improve the financial performance of NTC.

The area of Revenue planning and cash management aspects is still ripe for future research. Several significant issues are to be considered for future research. Further research might be carried out with new and emerging tools and techniques which may give new direction in understanding the revenue planning and cash management aspect of NTC.

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Website: www.ntc.net.np

APPENDICES

APPENDIX-I

Calculation of Arithmetic mean, Standard deviation, Co-efficient of variation of Budgeted and Actual sales revenue.

Fiscal Year	Budgeted Sales (X) In Rs "000"	Actual Sales (Y) In Rs "000"	x^2	y^2
2069/70	38600	38860	7695076	9947716
2070/71	39270	39760	4426816	5080516
2071/72	41160	42640	45796	391876
2072/73	43560	44220	4778596	4866436
2073/74	44280	44590	8444836	6635776
	$\sum X = 206870$	$\sum Y = 210070$	$\sum x^2 =$ 25391120	$\sum y^2 =$ 26922320

In Rs. '000'

(A) Budgeted Sales:

a. Arithmetic Mean $\left(\overline{X}\right) = \dfrac{\sum X}{n} = \dfrac{206870}{5} = 41374$

b. Standard Deviation $\left(\sigma_x\right) = \sqrt{\dfrac{\sum x^2}{n}} = \sqrt{\dfrac{25391120}{5}} = 2253.49$

c. Coefficient of Variation $\left(C.V._x\right) = 100\% * \dfrac{SDx}{mean}$
   =(2253.49/41374)*100%
   =5.44%

(B) Actual Sales:

a. Arithmetic Mean $\left(\overline{Y}\right) = \dfrac{\sum Y}{n} = \dfrac{210070}{5} = 42014$

b. Standard Deviation $\left(\sigma_y\right) = \sqrt{\dfrac{\sum y^2}{n}} = \sqrt{\dfrac{26922320}{5}} = 2320.44$

c. Coefficient of Variation $\left(C.V._y\right) =$

$$\dfrac{SDy}{mean} * 100\%$$

=(2320.44/42014)*100%
=5.52%

Appendix II

Research Questionnaire

Dear, Sir/Madam

This questionnaire is concerned with the study on **"Revenue Planning and Cash Management" A case study of Nepal Telecom**. It would be very much appreciated if you could spare some of your valuable time for answering this questionnaire.

Name of the respondent: _____

Gender: ☐ **Male** ☐ **Female** ☐ **Others**

Position in the company: _____

A) What is the process of revenue planning in NTC?

_____

_____

_____

_____

B) What are the methods adopted while planning revenue?

_____

_____

_____

_____

_____

C) What are the problem faced by NTC in revenue planning process?

_____

_____

_____

_____

_____

D) How often is revenue report prepared by NTC?

_____

_____

_____

_____

_____

E) How NTC manage its idle cash?

_____

_____

_____

_____

_____

_____

Signature of the respondent

THANK YOU FOR THE COOPERATION

REVENUE PLANNING AND CASH MANAGEMENT

(A case study of Nepal Telecom)

A Thesis Proposal

By

SUDIP PAUDEL

Central Department of Management

Exam Roll No: 839/16

Registration No: 7-2-0031-0455-2011

Submitted in partial fulfillment of the requirement for the degree of

Master of Business Studies (MBS-Semester)

In the

Faculty of Management

Tribhuvan University

Kritipur, Kathmandu

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TABLE OF CONTENTS

1.Background of the Study

Revenue is the aggregate exchange value of goods and services provided to the customers. In other words, revenue is any form of income earned by the organization in an accounting period. Revenue results from the sale of goods and rendering of services and measured by the charge made to customers, client or tenants for. It also includes gains from the sale or exchange of assets other than stock in trade, interest and dividends earned on investments and other increases in the owner's equity except those arising from capital contributions and capital adjustments. Revenue froms ales or other transaction ordinary course of business is some times described asoperating revenue (Bhattacharya, 1981).

Defined in its simplest terms planning is the determination of anything in advance of action, it is essentially a decision making process that provides a basis for economical and effective action in the future. Effective planning sets the stage for integrated action to take places, reduces the number of unforeseeable crises, promotes the use of more efficient methods and provides the basis for the managerial function of control. Thereby assuring focus on organizational objectives (Edwin, 1969).

Cash management involves managing the cash of the firm to maximize firm's value by keeping ideal cash balance. The task of cash management is to determine how much cash a firm should have on hand at any time to ensure normal business operations continue without interruption. If a firm holds more cash than its requirements, shareholder's returns will not be maximized. Holding cash more than necessary for the intended purpose is as much expensive as running business with inadequate cash. Too much cash balance will result in higher opportunity cost, and too little will create crisis of cash shortage and force to borrow at higher interest rate. Therefore, it is important that firm maintain cash balance at optimal level in order to meet regular cash expenses and short term financial obligations (Pradhan, 2004).

1.2 Introduction of the Organization

Nepal telecommunication was established in 2031 Ashad 1st under Telecommunication Act 2028 as public enterprises to provide reliable and affordable telecommunication. The main purpose of establishment of Nepal Telecommunication (NTC) in Nepal was to strengthen the administrative efficiency of the government. It was later expanded to serve the needs of development of various sectors as expansion of foreign trade, tourism development and international integration. NTC was dissolved and converted to Nepal Doorsanchar Company Limited (Nepal Telecom) from 1st Baisakh 2061 (13th April 2004). The new company was registered with the Company Registrar Office on 2060-10-22 under company act 2053. However, the company shall also be known to general public by the name NEPAL TELECOM as registered trademark.

Nepal Telecommunication Corporation (NTC), renamed Nepal Telecom now is a partly government owned public sector entity, administered by a government appointed Board of Directors, which includes a chairman and four voting members. The company is an inevitably accountable autonomous and organized institution.

This study will deal with the revenue planning and cash management of Nepal telecom. Also the study takes over the account of various methodologies of the implementation, current technologies used in the telecommunication and its future policy. The study also depicts the future of telecommunication in Nepal.

2. Statement of the Problems

Revenue planning and cash management has been the most intricate and challenging area if modern corporate finance as much as the management always face a trade-off between the liquidity and profitability of the firm. Though most of the enterprises in Nepal have been well recognized the importance of proper cash, they are still facing the problem of cash management. Nepal Telecom has also suffered from problem of efficient cash management. This study therefore, attempts to have an insight over the problem of revenue planning and cash management. Basically the research intends to explore the following problems.`

    a) What is the pattern of revenue generation in NTC?

b) What is the gap of budgeted and actual revenue in NTC?

c) What is the cash management of NTC?

3. Purposes of the Study

The main purpose of the study is to analyze revenue planning and cash management of Nepal Telecommunication Ltd. in order to identify problems and recommend possible remedial measures. Therefore, the major purposes are as follows.

1. To analyze the pattern of revenue generation of NTC.
2. To identify the gap between budgeted and actual revenue.
3. To assess the cash management aspect of NTC.

4.Significance of the Study

The main purpose of the study is to forecast the future events events so that NTC make collection plans for next year on the basis of previous year collection. This study will be useful to provide information and to draw attention of NTC management regarding what can be done for future planning and management of revenue.

Cash management contributes to improve the overall financial performance and liquidity position of NTC. The need of this study is to examine and check whether the Nepal Telecom is applying optimal cash or not. And the study also shows whether there is consistency between planned sales and actual sales. This study will be concise, brief, practical data based, usable and valuable to the major parties interested in maximization through revenue planning and cash management. This will also serve as a reference for the further study and data collection.

5.Limitation of the Study

The study is confined only about revenue planning and cash management of Nepal Telecommunication. The following factors have limited the scope of this study.

a) The study is only concentrated in the revenue planning and cash management of NTC. It does not cover other area.

b) The accuracy of this study depends upon the data available from NTC and various published documents of the organization.

c) The study covers the analysis of only 5 fiscal years from F/Y 2069/070to F/Y 2073/074.

d) Due to limited time and resource constraint, the study couldn't be conducted at its full scale.

6.Review of Literature

Review of literature is a compilation of theoretical review and the review of the thesis/dissertation carried out in the similar field. Review of the literature is supported to revise the eminent literatures relating to the study. This chapter aims to gives a conceptual framework and makes a review of the relevant studies that have already been done in this research topic so that some new contributions could be given to the established body of knowledge.

The company earns profit only when it is able to sell its product and not when it produces them. It is no use of producing goods that are not likely to be sold and for which there is a limited demand. In some business, it is necessary to establish that the product will sell even before it is produced. In normal times of keen competition, the sales forecast must be realistic. It is undoubtedly true that past can provide experience and information which will be an assistance in estimating present and future revenue but care must be taken in presenting past facts to management so that incorrect conclusions may not be drawn there from (Mohan & Goyal, 1992).

The revenue plan should be designed to coordinate the efforts of the sales department, production department and all other departments. Many factors must be considered when sales budget is established, including sales trends, limitations on the supply of merchandise or the company's market, competing products, the expected amount of advertising, and general level of the economy. Since most of these unknown companies frequently maintain a specially trained staff to increase them (Seiler & Robert, 1964).

The revenue planning process is a necessary part of PPC because (a) it provides for the basic management decisions about marketing, and (b) based on those decisions, it is an organized approach for developing a comprehensive sales plan. If the revenue plan is not realistic, most if not all of the other parts of the overall profit plan also are not realistic. Therefore, if the management believes that a realistic revenue plan cannot be developed; there is little justification for PPC. Despite the views of a

particular management, such a conclusion may be an implicit admission of incompetence. Simply, if it is really impossible to assess the future revenue potential of a business, there would be little incentive for investment in the business initially or for continuation of it except for purely speculation ventures that most managers and investors prefer to avoid (Welsch, Hilton, Gordon,2000). The roles of cash forecasting, cash management accountability, and the elements affecting disbursement and collection time intervals are outlined, including generally accepted management principles and techniques. However, liquid assets have traditionally been justified for transaction motives, to meet the needs that come from the firm's normal activities, as well as for precautionary motives, to help meet unforeseen requirements for cash (Baumol, 1952; Miller and Orr, 1966;Meltzer, 1993; and Mulligan, 1997).

7.Research Methodology

Generally, Research methodology refers to the numerous process adopted by the researchers during the research process. The main objective of the research work is to study to analyze revenue planning and cash management of Nepal Telecommunication Ltd.

7.1 Research Design

Generally, research design means well-define procedure and techniques which guide to study and profound ways for research variability. Hence, descriptive research design has been employed. Descriptive research is a fact finding approach.

7.2 Coverage of Period and Data

As this research aims at studying the revenue planning and cash management aspect of the NTC. The study covers the data of five years time period. For this research study five years data from fiscal year 2069/70 to 2073/74 has been used.

7.3 Nature and Sources of Data

This study was based on both primary and secondary data. Primary data was collected through interview whereas Secondary data was collected from Nepal Telecom's Annual reports, previous thesis and other relevant published and

unpublished documents and other related publications. The require data were also collected from the website of Nepal Telecom (i.e. www.ntc.nt.np).

7.4 Analysis of Data

Different financial, statistical and mathematical tools will be applied for the analysis and interpretation of the data.

1. **Financial Tools**

   Cash to current assets ratio

   Cash to current liabilities ratio

   Cash turnover time

2. **Statistical Tools**

   Mean

   Standard deviation

   Coefficient of variation

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