Financial Structure
Of
Janakpur Cigarette Factory LTD.

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Ramsarup Ramsager Multiple Campus

JanakpurDham, Nepal

April, 2009

VIVA-VOCE SHEET

We have conducted the Viva-voce examination of the theses presented by:

Ramesh Kumar Jha

Entitled

FINANCIAL STRUCTURE OF JANAKPUR CIGARETTE FACTORY LTD.

And found the thesis to be the original work of the student written according to the prescribed format. We recommended the thesis to be accepted as partial fulfillment of the requirement for

Master Degree in Business Studies (MBS)

Viva-Voce Committee

Chairperson, Research Committee: ………………………………….

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Member (External Expert): …………………………………………….

Date :-

ACKNOWLEDGEMENT

Public enterprises in one of the most important means of socio-economic development of the country by utilizing the scarce resources available. The rational behind the establishment of Public Enterprises are basically to accelerate the rate of economic growth, to build infrastructures of development, to make provision of public utility, to create employment opportunity and to reduce trade unbalance of the country. But in fact financial efficiency of Nepalese Public enterprises doesn't seen satisfactory in accomplish their objectives. In this context, financial structure of Janakpur cigarette factory limited has been undertaken as a case study to examine its financial structure. Further, reason as to why financial structure has been poor and the factors responsible for such a state of affairs have bee explored.

I am extremely grateful to **Mr.Balram Jha**, Department of the management R.R.M. Campus, Janakpur for his constant encouragement patient guidance, valuable supervision and meticulous care he has taken at every stage of my work. The present work would not have probably taken this shape without his incisive observation that helped me a lot get at the proper perspective and clear insight. I record my sincere and deep sense of gratitude to him.

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financial support a lot of thanks to my father. I hope that the effort will be valuable to JCF, H.M.G/Government of Nepal and all other interested reader.

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R.R.M. Campus, Janakpur, Nepal
April, 2009 **Ramesh Kumar Jha**

DECLARATION

I hereby declare that the work reported in this thesis entitled **"Financial Structure of Janakpur Cigarette Factory Ltd."** submitted to Office of the Dean, Faculty of Management, Tribhuvan University, is my original work done in the form of partial fulfillment of the requirement for the Master's Degree in Business Studies (MBS) under the supervision of **Mr. Balram Jha**, faculty of management, R.R.M Campus Janakpur.

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CONTENTS

CHAPTER – ONE

INTRODUCTION

CHAPTER – TWO

REVIEW OF LITERATURE

CHAPTER – THREE

RESEARCH METHODOLOGY

CHAPTER – FOUR

DATE PRESENTATION AND ANALYSIS

CHAPTER – FIVE
SUMMARY OF FINDING & RECOMMENDATION

LIST OF TABLES

ABBREVIATION

ACP	-	Average Collection Period
AD.	-	Anna Dominic
B.S.	-	Bikram Sambat
C.V.	-	Coefficient of Variation
CETR	-	Capital Employed Turnover Ratio
CATR	-	Capital Assets Turnover Ratio
COGSR	-	Cost of Goods Sold Ratio
DGM	-	Deputy General Manager
DTTC	-	Debt To Total Capital
DTR	-	Debtor Turnover Ratio
etc.	-	Etcetera
FATR	-	Fixed Assets Turnover Ratio
F.Y. Or R/Y	-	Fiscal Year
G.P.M.	-	Gross Profit Margin
G.M.	-	General Manager
H.M.G.	-	His Majesty's Government
i.e.	-	That is
ITR	-	Inventory Turnover Ratio
JCF or J.C.F.	-	Janakpur Cigarette Factory
NPM	-	Net Profit Margin
OER	-	Operation Expenses Ratio
P	-	Page
PEC	-	Public Enterprises
PP.	-	Pages
ROA	-	Return on Total Assets
ROFAT	-	Return on Fixed Assets Ratio
'r'	-	Correlation Co-efficient

ROSER	-	Return on Shareholder's equity
ROTAT	-	Return on total assets ratio
ROTCER	-	Return on total capital employeed Ratio
R.S.	-	Rupees
S.D.	-	Standard Deviation
S.N.	-	Serial Number
TATR	-	Total Assets Turnover Ratio
TDTAR	-	Total Debt to Total Assets Ratio

CURRICULAM VITAE

1. ***Personal Introduction:***

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2. Educational Background:

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1.	S.L.C.	Shree Sa.M.De.Ra.Sec. School	H.M.G.	-	64%	2054
2.	I.Com.	R.R.M Campus Jnakapurdham	T.U.	-	46%	2056

3.	B.B.S	R.R.M Campus	T.U.	Finance	49%	2060
4.	M.B.S	R.R.M Campus	T.U.	Account	65%	2065

3. ***Training Skills:-*** Diploma in Computer Application (Everest Institute of Computer Centre)

…………………………..

Signature

CHAPTER – ONE

INTRODUCTION

1.9 General Background

Nepal is developing country. Agriculture has become primary economic activities in Nepal. It has played a dominant role in the overall economy. More than eighty Percent People are engaged in agriculture sector. The country generates forty percent of gross domestic production and reports in the form of raw material and finished product from agriculture sector. Whether the Nepalese economy is dependent on agriculture sector, this sector is unable to accelerate rapid economic growth as desired. This is due to lack of proper agro-policies and modern way of cultivation. Thus, industrializations plays significant role for both developed and developing country. Private sector couldn't setup basic and feasible industries to fulfill national goals or objectives due to unattractive profit, lack of huge amount of investment, high risk and long gestation period. Therefore, Government should take initiative in the process of industrialization.

In Nepal, Public sector enterprises have been accepted as the inevitable means for the rapid socioeconomic development. Nepal Bank Ltd. was first of all established in 1999 B.S., which in the first public enterprises have been establishing in the field of industry trade, finance public services and other sectors to meet the need of the country. Janakpur Cigarette Factory was also established in B.S. 2021 Poush 29 in Public sector to fulfill the objectives of H.M.G. of Nepal. JCF, since then, has been playing important role in the economy of Nepal as a manufacturing enterprise in the public sector. Therefore, we are making an effort to know its financial performance at least seven years. This is a case study of JCF.

1.10 Focus of the Study

Public enterprises have been established with responsibilities of reducing trade deficit by increasing export. Promotion and improving balance of payment through import substitution and making the country self-sufficient in daily needs as well as optimum utilization of resources. Public enterprises are also established in those sectors where private sector shows reluctant attitude towards investments in big project because of high risk, Lack of larger amount of capital. In this way, JCF has also been established to meet the same purposes. At present, its annual capacity is five arab twenty five crore billions of cigarette and it has only utilized eighty percent of its capacity. JCF is playing important role to meet employment opportunities and in import substitutions. Thus, growth of JCF is essential in the context of economic development of the Nepal as being one of the big enterprises of the nation. Therefore, JCF should maintain strong financial position for expansion of its future programme as well as to contribute to the government treasury.

So, main essence of this thesis is to give focus on financial strength and weakness of JCF, which is the main indicator of success and failure of this enterprise.

1.11 Statement of the Problem

The main objectives of public enterprises to accelerate economic growth, to generate employment opportunity, to correct unfavorable balance of payment by import substitutions, to make provision of public utilities and maximum foreign earnings. Public enterprises in Nepal, normally, are running in looses. JCF has been functioning since last twenty-five years as public manufacturing enterprises in Nepal. But the previous earning record of JCF shows unsatisfactory return on its investment. It can just be stated that JCF isn't accomplishing its task efficiency. Profitability is must for the growth and survival of the business. It is a measure of efficiency of the business enterprises.

There are several factors, such as poor liquidity position, lack of Ideal capital planning, poor performance of inventories and debtors and ineffective accounting practices etc. might be responsible for inefficient operation of the business enterprise. In our view, beside other factors poor liquidity and lack of proper financing decision may also be one of the important reasons for inefficient operation of JCF in Nepal.

1.12 Objectives of the Study

We know that one of the major objectives of creating public sector enterprises in Nepal has been to mobilize the internal resources needed for economic development of the country. Moreover, they require ensuring the financial viability. In this connection the present research has been undertaken basically with the objectives of analyzing the financial structure of one of the Nepalese Public enterprises in manufacturing sector i.e. JCF.

The main objective of the study is to evaluate financial structure of JCF. In pursuit of main objective, following specific objectives are to be studies.

1. To assess the liquidity position of JCF.
2. To examine capital structure of enterprises.
3. To assess the performance of debtors
4. To evaluate performance of inventory Position.
5. To find out strength and weakness of the enterprise.
6. To analysis the trend of relevant ratios of JCF
7. To explore various problems and effective

Suggestion for the improvement of exiting financial structure of JCF.

1.13 Need and importance of the Study

Pre-mentioned data reveal that the performance of Nepalese Public enterprises specially in manufacturing sector seems poor day to day. In this situation, the establishment of public enterprises with the objective of mobilizing resources and accelerating economic development of the country has been fruitless. Instead, it has been a great financial burden to the Government that has caused a several obstacle to the development of other sector of the country. Thus being forces government has to follow privatization policy since 1992 and has already privatized three manufacturing public enterprises in the first phase. In accordance with Government's policy of gradual privatization, the ownership of Raghupati Jute Mills & Agriculture Inputs Corporation, the management of Bhaktpur

Brick Factory and Biratnagar Jute Mills and certain percentage of shares of Nepal Bank limited have been transferred to the private sector. So, the recent study in mainly centralized to find out how far JCF has been financially successful in mobilizing the resources so that it may not have to go under privatization. JCF is playing an important role as manufacturing enterprise in Nepal. There are so many persons or institutions associated directly or indirectly with the operations and working results of this factory. Present Study is expected to satisfy the need of these persons and institution.

This study shall be of almost value to the HMG is formulating necessary policies regarding to cigarette factory. It will be also helpful to the management itself for taking corrective measures to improve the working efficiency of the enterprises.

Finally, this study is also useful for the manager in taking national decision and making future plans. This will also help to enable consumer nad general public regarding to the real position of JCF.

1.14 Limitation of the Study

Many Public enterprises have been established in Nepal in various sectors such as trade, industry, and finance etc, but in this study we have made an effort to cover only manufacturing sector and study is concentrated only on financial structure of JCF. The study has following limitations.

1. Secondary data has been only used for the purpose of analysis an interpretation.

2. This study is particularly based on last seven years financial statements of JCF.
3. This study has been conducted only for partial fulfillment of MBS programme.
4. This study has used certain financial tools & techniques such as ratio analysis, trend analysis, statistical tools analysis and common size financial analysis.
5. This is only a case study of JCF, So the conclusion drawn from study will not be widely applicable for all types of manufacturing enterprises in Nepal.

1.15 Research Methodology

"Research Methodology is the way to solve about research problem systematically". Therefore research methodology is the research method or technique to use through the entire study. In other word, research methodology is the process of arriving at the solution of the problem through planned & systematic dealing with collection analysis and interpretation of the of the fact and figure. The objective of this study is to know the financial strength and weakness of JCF Ltd.

In order to achieve the objective of the study the following research methodology has follows:

- Research design
- Sources & types of data
- Population & Sample

- Data gathering procedures and instrument.
- Data processing procedures of tools for analysis.

1.16 Organization of the Study

This study has been completed in five chapters.

Chapter One:- Introduction and Background

In this chapter we have incorporated the background of the study, statement of the problem, Objective of the Study, research methodology and organization of chapters.

Chapter Two:- Review of Literature

Chapter second has reviewed exiting literature in the area and also has incorporated financial tools of analysis, findings of earlier researchers and a brief introduction of JCF.

Chapter Third:- Research Methodology

This chapter deals with the methodology used in carrying out the study. At includes research design, sources in data, data collection procedures, Data processing tabulation and analytical tools & technique used.

Chapter Four:- Data Presentation and Analysis

In this chapter the data has presented analyzed and interpreted so as to enquire into short-term and long term financial position of JCF. and Judge its profitability over a given period of time.

Chapter Five: - Findings, Conclusions & Suggestions

This is the final chapter. In this chapter we have mentioned findings and conclusions of the study. Also we have given some valuable suggestions for the improvement in the working performance of the enterprise.

A bibliography, abbreviation and appendix have also incorporated at the end of the study.

CHAPTER – TWO

REVIEW OF LITERATURE

2. Introduction

The purpose of reviewing the literature is to develop some expertise in one's area, to see what new contributions can be made and to receive some ideas for developing a research design. Thus, the previous studies can't be ignored because they provide the foundation to the present study. In other wards, there has to be continuity in research. This continuity in research is ensured by linking the present study with past research studies.

From above, it is clear that the purpose of literature review is to find out what research studies have been conducted in one's chosen field of study and what remains to be done.

Thus, this chapter is broadly discussed under four sections.

2.1 Review of Books.

2.2 Review of Related Research Work.

2.3 Review of Related Dissertation.

2.4 A Brief History of JCF.

2.6 Review of Books

This section is devoted to discuss briefly about the theoretical concept regarding the financial position.

2.1.7 Financial Statement

A financial statement refers to the summarized report of the financial activities of a going concern during a financial year, which is presented in the form of income statement and balance sheet usually prepared at the end of each financial year.

A firm communicates financial information to the users through financial statement & reports. Financial statement contains summarized information of the firm's financial affairs, organized systematically. "They are the means to present the firm's financial situation to the users". Preparation of the financial statement is the responsibility of tap the management. As the statement are used by the investors and financial analysis to examine the firm's performance in order to make investment decisions, It should be prepared very carefully and it will contain as much information as possible.

2.1.8 Income Statement

The income statement provides information on the various revenues and expenses items during a certain period. Items in the income statement are based on accrual principle i.e. transaction (such as sales) are recognized when they accrue and not when actual cash received. Furthermore, the expenses are matched to when the revenue in recognized and not when the actual payment is made. An example of the format of statement is as follows.

Sales Revenue	………………………
Less:- Cost Of Goods Sold	(…………………….)
Gross Profit	……………………...
Less: Selling And Administrative Expenses	(…………………….)
Less: Depreciation Expenses	(…………………….)

Earning Before Interest And Taxes (EBIT)	………………………
Less: Interest Expenses	(…………………….)
Earring Before Tax (EBT)	………………………
Less:- Tax	(…………………….)
Earring After Tax (EAT)	………………………

2.1.9 Balance Sheet

Balance sheet presents the positions of firm's assets, liabilities & equity at a particular date. It is a mirror of the financial position of a firm at the particular date. In this connection, Pandey, says, "The balance sheet contains information about the resources and obligation of a business entity and about its owner's interest's in a business at a particular paint of time".

In accounting language, the balance sheet, communicates information about the assets, liabilities and owner's equity for a business firm as on a specific date.

A balance sheet is a statement showing the nature and amounts of all assets/debt owned at the close of a fiscal period. Kennedy viewed "The balance sheet which reveals the financial positions of a business as reflected by the accounting records, contains a list of assets, liabilities and net worth items at given date.

2.1.10 Relation between balance sheet & Income statement

The balance sheet and income statement are not two separate and independent statements, but they are related to each other. The income statement is a link between the balance sheet at the beginning of the period and at the end of the period.

Generally, the income statement is prepared to compute net profit. Net profit can also be computed by comparing the balance sheet at the beginning and the end of the period. The fact emphasizes the role of the income statement as a link between consecutive statements of financial position. Net profit (or equity during that period). Thus as starting paint, the difference between beginning and ending owner's equity is the net profit (or net loss).

2.1.11 Ratio Analysis

Ratio Analysis is a powerful tool of financial analysis ratio is defined as "the indicated quotient of two mathematical expressions" and as "the relationship between of more things". In financial analysis, a ratio is used as a benchmark evaluating the financial position and performance of a firm. The absolute accounting figures reported in the financial statement don't provide a meaningful understanding of performance and financial position of a firm. An accounting figure conveys meaning when it is related to some other information. "The relationship between two accounting figure expressed mathematically, is known as financial ratio (or simply as a ratio)". Ratio helps to summaries large quantities about the firm's financial performance. Thus the Point is note a ratio reflecting a quantities relationship helps form a qualitative Judgment.

1. To evaluate performance (compared to previous year)
2. To set benchmarks or standards for performance.

3. To highlight areas that needs to be improved or highlight areas that offer the most promising future potential.
4. To enable external parties (such as investors/leaders) in assessing the credit worthiness/profitability of the firm.

While ratio analysis can be a potent diagnostic tool. Managers should be aware of its limitations before applying them to make decisions.

2.1.12 Limitation of Ratio Analysis

1. There is considerable subjectively involved as there is no theory as to what should be the "right" number for the various ratios. Further, it is hard to reach at definite conclusion when some of the ratios are favorable and some are not favorable.
2. Ratio may not be strictly comparable for different term due to a variety of factors such as different accounting prices, different fiscal year. Further more, if a firm in engaged in diverse product lines it is difficult to identify the industry ratio is better than the average, doesn't necessarily means that the company in doing well.
3. Financial statements don't include all items, for example it is hard to put a value of human.
4. Accounting standards and practices very across contains and thus hamper meaningful global companions.
5. Meaningful decision-making is a dynamic process in a constantly changing environment while ratio analysis is a static analysis based in historical detail

6. The linkage among various ratios isn't obvious.

2.7 Review of related research work

Under this section, Research works are reviewed related to topic of 'Financial Structure' related to JCF and others.

2.7.A **Mr. Suraj Singh Thapa** had drawn secondary data from the central office of JCF and he adopts only ratio to evaluate the performance of JCF. His major findings were as follows.

Profitability conditions of JCF were in fluctuating tend some items it was widely high and sometimes it was below the satisfactory point. It's due to cost of production of JCF was found lower because of liberal working capital policy which had effected adversely an quantity of its short-term solvency. Capital structure of JCF was found in low positions and to take advantage of trading on equity.

2.7.B A case study of JCF was also undertaken by **Jitendra Prasad Adhikari** on "A financial analysis of manufacturing public enterprises in Nepal".

He revealed that :-

Profitability position of JCF was extremely poor from liquidity point f view also it was observes not satisfactory. This was indicating poor working capital policy. Capital point of view also unsatisfactory result but efficiency was indicating utilization to some extent. After observing the fact and figure, **Mr. Adhikari** suggested to let down the excess cost of production, administrative & selling expenses and highly financial expenses and specially emphasized for establishment of separate department for cost planning & cost control.

2.7.C A case study of national trading Ltd. Was also undertaken by **Mr. Bhim Kumar Tamang** on "Financial Structure of NTC he revealed that:

2.7.C.1 During the study Period, company hasn't raised any fund either issuing the share or raising long-term loan and these funds should be utilized in profitable sector to achieve the objectives.

2.7.C.2 Debtor turnover ratio NTL is very high. It means NTL has toughened its credit policies to increase sale.

2.7.C.3 Liquidity position of NTL isn't in satisfactory level because current ratio & quick ratio both are below than normal standard. So the NTL is suggested to change the sound working capital policy for keeping the sufficient liquidity position.

2.7.D A Study of Janakpur Cigarette Factory by **Sanjay Kumar Lal Karn** on "Analyzing financial statements of JCF". He revealed that.

2.7.D.1 JCF should maintain adequate liquidity position. Its liquidity position isn't favorable. To overcome the poor liquidity of JCF, the company should evaluate the quality of its current assets and quick assets and adopt the suitable strategy of maintaining an adequate liquidity either by holding more current assets or reducing the level of current liabilities or changing both the variables in any direction. JCF should discourage the payment of advance to maintain the best liquidity position.

2.7.D.2 Debt-equity ratio of JCF isn't sufficient but it seems JCF has no risk bearing capacity observing the P/L A/C and B/S during study period. Therefore, it is suggested to maintain optimum debt-equity ratio.

2.7.D.3 Activity ratio of JCF shows favourable condition due to effective resource utilization and is suggested to maintain also in future.

2.7.D.4 Fixed assets turnover of JCF in indicating the efficient utilization of fixed assets in generating sales up to satisfactory level but total assets turnover of JCF seems unsatisfactory. So improvement is essential total assets turnover ratio.

2.7.D.5 Profitability position of JCF isn't in favourable condition. So, the JCF should launch a long-term program to cut down excessive cost and to reduce wastage.

2.7.D.6 Trend line of JCF automatically will be better If its operational activities goes in positive direction.

2.7.D.7 The cost volume profit relation is also not good or favorable because sale in decreasing where as cost is increasing.

2.8 Review of related Dissertation

Under the section various unpublished master's level dissertation related to this study have been reviewed these are as follows.

2.8.A A study of "Financial Statement analysis of Janakpur Cigarette Factory Limited (JCF) **Dr. Surya Nath Mishara (Currently Ambassador of Doha)** conducted a study on financial statement analysis of JCF with the objective of assessing the financial structure and profitability with a view to providing financial guidelines to the management and to the creditors for taking relevant decisions. The study covered a ten years period (F/Y) 2020/229-2037/38 B.S.) and some of the principal finding were.

a) The current ratio had a decreasing trend and reached up to a satisfactory level. By the end of the study period, however the quality of liquidity position had always been extremely poor due to excessive inventories.

b) Due to large piling up of tobacco stocks in excessive of requirement. The inventory turnover (X = 2.7) were quite below than normal. However, JCF was observed efficient in receivables management, because the average collection period was only over week.

c) The capital structure of JCF was low-geared as the debt was always below 70 percent of the net worth indicating the safety for creditors to get loan. Future the enterprise had no long-term borrowing during the study period and it could not benefited from trading on equity.

d) The overall profitability position of the enterprise was unsatisfactory. For example the net profit margin decreased to 3.71 percent (in 2037/38 B.S.) from 12.7% (in 2028/2029 B.S.) and the average return on equity capital was 9 percent which was supported to be lower than the open market rate which was somewhere in between 20 to 30 percent.

2.8.B A study was conducted by **Mr. Shyam Shrestha** on "A study on inventory management in JCF" He revealed that:

The JCF's procurement and consumption rate of raw material was varied. Different factors were responsible for it procurement and production policy of JCF was defective and serious. Although JCF had enough inventory and its turnover was found satisfactory. The company was facing the problem of overstocking of raw material and finished goods. Al a consequent, working capital was showing high and selling price in increasing trend year by year.

2.8.C A study of JCF by **Hari Raj Gautam** was undertaken on "Financial study of Manufacturing PEs in Nepal with reference to JCF Ltd. The objectives of study are to examine profitability, the strengths and weaknesses of various aspect of financial and operational structure to require the financial health, the position of the sources and utilization of fund in the past to find out the role sources of financing to enquire into the short learn and long term financial strength to explore financial position of JCF and suggest reforms.

2.8.C.1 JCF doesn't seem too successful and efficient to reduce excessive cost of production and cost of operation. For example, cost of good sold constitute nearly about up to 87 percent of sales, while operating costs has once exceeded the sales in the fiscal year 2050/51. There is no proper planning and control mechanism had been developed in this regard.

2.8.C.2 The liquidity position of JCF was found lower, it was indicating poor policy of working capital management. This has been affected adversely on quality of its short-term solvency position. There is relatively more investment is less productive working capital for extra margin at the cost of more profitable opportunities that may have led JCF to low profitability.

2.8.C.3 The analysis of capital structure was found relatively low company hasn't been able to take advantage of "trading on equity policy" That can maximize profitability to the owner capital structure and affect the value of the company by effecting either its expected earning or cost of capital or both, JCF hasn't given preference to long term debt financing.

2.8.C.4 Although the profitability ratios weren't in the negative position. It could have maintained its average ratio. The operating profit is in fiscal year 2050/51 negative that indicates the poor profitability position of JCF the profitability positions, through not being negative are found t have been fluctuating over the year to come because of excessive cost of production, administrative selling expenses.

2.8.C.5 The company isn't replacing new technology and not introducing computer information system. It has to face competition with national as well as international cigarette company.

2.8.C.6 A number of reasons may be responsible for the down going profitability and unsatisfactory financial health of the corporation. The exiting installed capacity of JCF has not been fully utilized as it has just utilized 70% average capacity utilization during the study period. The management hasn't been held responsible by the government for such depressing state of affairs. This is because of chairman belongs to political appointment like wise absence of any price guidelines from government low standard of the collected tobacco, absence of strategically effective marketing tools & programmes and substantially low employee productive in terms of our staffing than warranted by the production volume are some of the reasons for poor profitability of JCF.

2.9 A brief History of Janakpur Cigarette Factory

Nepal is a least development country, which has highly agro-based economy considering the excessive dependence of population on agriculture, the government has been making greater efforts to develop the country in industrial, commercial, public utility and other economic sector over four decades since the initial of economic planning in 2031 B.S. for this, many public enterprises have been set up expecting that they would play an important role in the economic development of the country and public corporations owned and controlled by the public other kind of activities technology and mode of operation are classified as industries". Thus HMG has made an heavy investment of RS. 32.00 billion in public enterprise by the end of fiscal year 1991/92.

Rapid growth of public enterprises in the form of industry was then the carrying need of the country for strengthening national economy. It opens new gates of profitable employment in the country and helps not only reducing unemployment but also assists much in uplifting the economic standard of living leads to the growth of capital in the country considering the facts that government role in making the country industrially developed may not enough, the HMG has been following mixed economy in which private sector as well as is playing leading role in economic development of the country through industrial sectors. Moreover, the Govt. has followed privatization and liberalization and foreign investment policy so as to make private sector interested in investing their resources in industry, commerce and other fields of economy.

Even if the role of private sector is inevitable in economic development, HMG has itself developed its leading activities in industrial field where a heavy and risky investment and resources are required. JCF in one of the large-scale public industries of Nepal and this factory had opened new gates of employment of the unemployed and under employed people of the local areas it is contributing a large amount to the government in form of tax, meeting the growing demand of the cigarette of foreign countries. JCF was established under the company Act, 2021.

The growing demand of cigarette in Nepalese market (around 11 to 15 billion stick at present) needed the country Accordingly JCF has been set-up in the heart of Janakpur towns of Dhanusha district of the central region of Nepal under Former USSR's technical and economic co-operation. It's plan initiation and construction period was B.S. 2018 to B.S. 2021 and was inaugurated by **Late His Majesty King Mahendra Bir Bikram Shah Dev** on 29 Poush 2021 B.S. and since then it has been operating continuously till now.

Taking these facts into consideration JCF was installed and it was inaugurated by **His Majesty late King Mahendra Bir Bikram Shah Dev** in January 14 by submitting the summarized pictures as given below.

1. Name : Janakpur Cigarette Factory Ltd.

2. Plant Location: Janakpur Dham Nepal

3. Plant initiation & Construction Period: B.S. 2018/2021.

4. Establishment in the year: B.S. 2021 Poush 29

5. Capital structure as at B.S. 2021 Poush 29 :

Authorized	RS. 8,00,00,000
Issued	RS. 2,72,26,000
Paid-up	RS. 2,72,20,000
Loan capital	RS. 1,17,00,000
(H.G.M. + Russian)	(1,00,00,000 H.G.M. + 17,00,000 Russian)

6. a) Total assets as at F.Y. 2021/22 : R.S. 5,14,30,588

b) Fixed assets as at F.Y. 2030/31: R.S. 1,85,43,000(APP)

c) Total assets as at F.Y. 2030.31: R.S. 10,00.00.000(APP)

d) Loan (without security) from H.M.G. in F.Y. 30/31:

R.S. 20,13,808

e) Total sale proceeds as at 2030/31: R.S. 9,73,77,077

f) Total cost incurred as at F.Y. 2030/31: R.S.8,49,20,410

g) Total quantity of cigarettes produced in 'M' as at F.Y. 2030/31

(Qty) 22,34,726

h) Value added in F/Y 2030/331: R.S. 4,55,80,880

i) Procurement of R.M. in F/Y 2030/31,

Indian Tobacco - 6,00,00 kgs.

Overseas Tobacco - 30,000 kgs.

Nepalese Tobacco - 15,00,000 kgs.

j) Ratio of R.M. and auxiliary raw material used in production in F.Y. 2030/31.

	Nepalese	Indian	Overseas
Raw material	R.S. 94,88,659	R.S.15,03,1510	R.S. 33,39,802
	(34.97%)	(53.95%)	(11.98%)

Auxiliary material (84,33,346)

k) Total number of direct labour in F.Y. 2030/31 662(including 45 men seasonal)

l) Total number of depots in the country in F.Y. 2030/31-20

m) Excise duty and sales tax in F.Y. 2030/31: R.S. 36828399

Since the JCF is basically an agro-based consumer oriented as well as one the important import substitute industry, JCF has been guided by the following objectives.

a) To cultivate and product high quality tobacco to carry out research in tobacco cultivation.

b) To undertake business of all kinds tobacco and tobacco produced.

c) To set-up suitable manufacturing plants and to operate them.

2.10 Reason for selecting Janakpur as a site for locating cigarette factory:-

Janakpur, the growing industrial town and the birthplace of Sita, was selected us the best site for cigarette manufacturing factory, after conducting a preliminary survey based on the requirement of the factory, by the experts on that line, Janakpur the third industrial town of eastern Terai, situated in the middle of Saptari, Mahottari and Sarlahi three main tobacco growing districts of Nepal it endowed with all virtues with few vices, such as adequate transportation facilities, raw material availability, suitable climate conditions. It also enjoys the Janakpur as the best sites for the location of cigarette factory are as such.

- Availability of adequate tobacco.
- Transportation and communication facilities.
- Availability of labour.
- Proximity to cheap power, full and the availability of water in abundant quantity.
- Suitability of climate and soil.
- Proximity a market.

2.10.A Availability or Adequate Tobacco.

According to the estimates available the total area under tobacco in the five districts Mahottari, Sapatari, Sarlahi, Bara and Parsa in 1959 was 4020 to 4800 hector with the total tobacco production making 3732 to 3665 tons respectively.

Even if the minimum figures of the estimates are taken to be actual and there for the tobacco production of Bara & Parsa districts are exeluded, the tobacco the tobacco produced only in three districts of the cigarette factory. In conformity with the project capacity or the cigarette factory, the estimated tobacco raw material required is 2500 tons annually. Besides this during their explanatory survey of these districts found in that case of guaranteed market for tobacco raw material. The districts of Mahottari, Saptari are greatly influence and increase tobacco production, and many villages of these districts are able to double the area of tobacco. As we have mentioned earlier, Janakpur lies in the mildest of tobacco growing districts of eastern area, Tarai, Saptari, Mahottari and Sarlahi and therefore, occupies a good position from the transportation point or view. Janakpur is connected with the tobacco cultivating pains of the districts by fair wather and Kaccha road, capable or driving trucks and mostly bullock carts. Though not well equipped with good efficient and cheap means of transport like industries of developed countries. It enjoy the means of railway transport particularly by collecting view materials from the cultivates. Mostly the bullock carts are used for carrying the raw materials from the services to the factory, the minimum freight charged for carrying raw tobacco is Rs 5 per tom-mile. Sometimes the factory can also use its own truck for collecting the raw materials from the storehouse situated at different places of the district.

2.10.B Transportation & Communication facilities

One of the governing factors in the localization of an industry in a particular area is the availability of transport and communication facilities in that area the most important & striking argument in favors of localization of cigarette factory at Janakpur is the wonderful location of the place with good means of transport and communication. Janakpur, the developing industrial town at eastern terai is connected with Janakpur the boarder town of India by

20 mile narrow quage railway named N.J.JRA B mile long fair weather road links Janakpur with Jaleshwar is half finished and expected to be completed at the end of 3 year plan along with it, it enjoys the services of even the bullock carts driven in the Kachchi roads frequently gone in every village.

2.10.C Availability of labour

The adequacy of the labour supply in a given area must be considered in terms of the type of skilled labour required for the business. This cigarette manufacturing factory under construction doesn't require variety of skilled labour required by the business. This cigarette manufacturing factory under construction doesn't require vacancy of skilled labour when the factory will go into production; it will need 345 manual labours per shift of (8) eight hours in a day of two shifts. Janakpur a town with growing population can provide the labours required for opening the factory. As the Job isn't highly technique the local labour with little training can perform efficiently generally in average labours are cheapest in the locality.

2.10.D Proximity to cheap power fuel and the availability of water in abundant quantity.

The power potentiality of Nepal is roughly unexhausted on the on e hand, we have tens of big rivers and thousands of rivers flowing from high attitudes of Himalayas and other mountains all worth generating power imported from foreign countries. Naturally, the cost of power is high in Janakpur there is no hydro electric plant the factory has to generate power by operating 3 diseal plants each of 500 kw capacity. At present, the water required for drinking and for other purpose in available by drilling water through pumps.

2.10.E Suitability of climate and soil.

Although modern system of healthy and air conditional central indoor temperature and humidity in the climate of region nevertheless affects the vigor and alertness of human being. Variability of climate within moderate limits can partly determine the cost of erecting suitable building and providing heat, air conditioning is especially unfavorable during the monsoon, have necessitated the provision of air conditioning system for the main shop and proper store. The air temperature is at the level of 20-28 depending on out side temperature. This has raised the cost of construction of factory building. There is no suitable site for constructing the building in that area from the climate point of view the soil conditions aren't bad for erecting the factory building because the factory is in the suburb for construction as well as for the expansion of the factory.

2.10.F Proximity of Market

The consumer is the ultimate user of the products of the factory. Therefore, the products should reach the consumer. The consumer should find out whether the products are salable in the market or not. In case of cigarette consumption, the habits of the consumers govern greatly. Now it is a matter of doubt, whether the cigarette manufactured at Janakpur cigarette factory will be consumed by the people of hence or not. As it was mentioned earlier, the people of that area have greater aptitude of taking other forms of Tobacco smoking such as Biri, Chilam, this required the movement of cigarette manufactured in the factory established at Janakpur to some after region where the demand is relatively higher. This is in turn necessaries for the cigarette factory.

CHAPTER – THREE

RESEARCH METHODOLOGY

4.4 Introduction

In the last two chapters background of the study has already been discussed and review of literature with possible review of relevant ideas. Theories and research findings have left very comfortable to come to the choice of research methodology. "Research methodology refers to the various sequential steps to adopted by research in studding a problem with certain subject in view". In other words, research methodology describes the methods and process applied in the entire aspect of the study.

The basic objective of this study in to evaluate the financial position of JCF. The study aims to draw the conclusion to the point that what position JCF has 8at in the whole trading of PEs in Nepal and to recommit the useful and meaningful points so that all concerned parties can achieve something form this study to accomplish this goal. The study follows the research methodology described in this chapter.

4.5 Research design

"A research design in the arrangement of conditions for collection and analysis of data in a manner that aims to combine relevance to the research purpose with economic in procedure".

Research design in the plan structure and strategy of investigations conceived so as to obtain answer to research conceived questions and to conduct variances. In this study descriptive and analytical research design have been some statistical and financial tools have also been applied to examine and descriptive technique which have been adopted to evaluate financial structure of Janakpur cigarette factory.

4.6 Sources of data

This study in conducted on the basis of secondary data balance sheet. Income statement and other some related schedules of JCF have been collected, analyzed and interpreted in this study.

To accomplish the needs and objectives of the study all the secondary data are complied, processed and tabulated in appropriate forms. In order to Judge the reliability of the data, provided by the JCF & other sources are formal and informal talks with the concerned head of the department of JCF where also help to obtain the additional information of related problem.

4.7 Population & Sample

The word population as used is statistics denotes the aggregate from the sample has been taken, under the population survey method data are collected for each and every unit of the population of universe, which in the complete set of items and which are useful in any particular situation.

However limitation of the time, energy and money may accommodate only a partial review of the population, which is called sample. At present there are 43 public enterprises, which are running in our country. It isn't possible to study all PEs of Nepal because of the limitation of time. So, JCF has only been selected as sample for the purpose of analysis and evaluation in this study.

4.8 Method of Analysis

To achieve the objective of the study, various statically, financial and accounting tools have been used in this study. The analysis of data has been done on the basis of data available. Because of limited time and resources. Simple statically tools such as mean, standard deviation, coefficient of variance, graph percentage and kart Pearson's co-efficient of correlation, trend analysis has been adopted in this study.

Similarly some important financial tools such as ratio analysis, common size statement analysis have been used for the purpose of financial analysis. This various calculated result obtained through financial, accounting and statistical tools have been tabulated under different heading. Then comparison has been made to interpret the result.

4.8.1 USED OF FINANCIAL TOOLS

4.8.1.1 Ratio Analysis

"Ratio refers to the numerical or quantitative relationship between two items or variables. A ratio is calculated by dividing one items of the relationship with other." It is also defined as the indicated quotient of two mathematical expressions and as the relationship between two numbers". The primary purpose of ratio is point out further investigation. Ratios have been used on major tool for interpretation and evaluation of financial statement.

Ratio analysis refers to the numerical relationship between two items or variables either from balance sheet or from income statement or from both statements. As a tool of financial analysis, ratio can be expensed in terms of percentage or fraction comparison between numbers.

Ratio analysis stands for the process of determining and presenting the relationship of items and groups of items on the financial statement. According to van horn "To evaluate the financial condition and performance of a firm, the financial analysis needs certain yardsticks. The yardstick frequently used is a ratio or index relating to pieces of financial data to each other" Ratio analysis is a powerful tool and technique of financial analysis, which helps in identifying the financial heath of the organization. In other word, ratio analysis helps to the analysis to make qualitative Judgment about the firm's financial position as well as performance.

Ratio analysis provides guides and clues especially in spotting tends toward better or poor performance and also in finding out significant deviation from any average or relatively applicable standard. In this connection, JCF orison say, "It is inconceivable that accounting data can be analyzed without transforming into ratios. Hence a justification of financial ratios would also be an important justification of financial accounting."

The four most common standard used in ratio analysis in financial management are absolute, horizontal and budgeted, "Khan and Jain put their view, the alternative methods of expressing items which are related each other are four purpose of financial analysis, referred as to ratio analysis."

Ratio analysis required basis standards of comparison for a useful interpretation of the financial statements only single ratio can't indicate favorable or unfavorable condition of a firm unless it is compared to some appropriate standard. Selection of a proper standard comparison is almost important element in ratio analysis.

An experience and skilled analysis also important for ratio analysis, which can provide a meaningful understanding of the performance and financial position of a firm. Although, ratio analysis is widely in use but no one only means but not end. So, it should always be kept in mind that ratios are only guides in analysis of financial statement and not conclusive ends in themselves.

4.8.1.1.1 Liquidity Ratio

The liquidity ratio measures the liquidity position and short-term solvency position indication the company ability to meet short-term obligation. The current ratio quick ratios are the measure of the liquidity position of the company.

4.8.1.1.1.1 Current Ratio

This ratio shows the relationship between current assets and current liabilities. Current assets those assets, which can be converted into cash within a year such as debtors, inventory, marketable securities, interest receivable and other miscellaneous current assets.

All obligations maturing a year are included current liabilities. It includes creditors, bills payable, accrued expenses, bank overdraft, income tax liabilities, staff bones, divided payable and other miscellaneous current liabilities.

Current ratio is calculated using following formula

$$\text{Current Ratio} = \frac{Current \quad Assets}{Currnet \quad Liabiliteis}$$

4.8.1.1.1.2 Quick Ratio

This ratio shows the relationship between quick on liquid assets and current liabilities. "Quick or liquid assets include those assets, which can be concerted into cash immediately of seasonably soon without a loss in its value. Such as cash balance and bank balance, debtors, bills receivable, etc. Inventory and prepaid expenses aren't included in liquid assets because normally they require sometimes converting into cash." This ratio is better test of financial strength than current ratio. This ratio ignores inventory, as it is very slow moving assets.

$$\text{Quick Ratio} = \frac{Quick \quad Assets}{Currents \quad Liabilities}$$

4.8.1.1.2 Capital Structure Ratio

Capital structure, properly known as leverage firms at measures the long-term solvency position of the firm. Capital structure ratio measures the contribution of financing by the owner compared with financial provided by creditors. Debt-equity ratio, Debt-Assets Ratio and Debt to total capital ratio are studied in this section.

4.8.1.1.2.1 Debt-equity Ratio

The relationship between borrowed fund and owner's equity is known as debt equity ratio. It is calculated in following way.

$$\text{Debt Equity Ratio} = \frac{Long-term \quad Debt}{Shareholder's \quad Equity}$$

4.8.1.1.2.2 Debt Total Capital Ratio

It is the relationship between long-term debt and total capital. Total capital includes owner's equity as well as borrowed capital. It is calculated in following way.

$$\text{Debt to Total Capital Ratio} = \frac{Long-term\ \ Debt}{Total\ \ Capital}$$

4.8.1.1.2.3 Debt Assets Ratio

Total debt to total assets ratio established the relationship between debt and total assets. This ratio explains what percentage of the value of assets of the firm its creditors have financed. A high debt to total assets ratio represents a grater risk to creditor and also to shareholder and vice-versa. So a reasonable debt to assets ratio in desirable. DTAR is calculated by dividing total debt by total assets.

$$\text{Debt Assets Ratio} = \frac{Total\ \ debt}{Total\ \ Assets}$$

4.8.1.1.3 Profitability Ratio

Profitability of the firm is an indication of the efficiency with which the operation of the business efficiency in carried on it measures of the overall effectiveness of the various policy decision of the management. Some important profitability ratio used in this study is as follows.

4.8.1.1.3.1 Gross Profit Margin

This ratio determines the efficiency of the firm with which production or purchasing operation is carried on. Gross profit margin is determined by dividing gross profit by sales revenue.

$$\text{Gross Profit Margin} = \frac{\textit{Gross Profit}}{\textit{Net Sales}}$$

4.8.1.1.3.2 Net Profit Margin

This ratio shows the relationship between net profit after tax to net sales. Net profit after tax is obtained when operating expenses and tax are deducted from the gross profit. Net profit margin ratio is measured by dividing net profit after tax by sales. It shows the operational efficiency of the management.

$$\text{Net Profit Margin} = \frac{\textit{Net Profit After Tax}}{\textit{Net Sales}}$$

4.8.1.1.3.3 Return on Total Assets

The ratio presents the net profit after tax as percentage of total assets hold by the firm. This ratio also measures how efficiency the firm has used their assets.

$$\text{Return on Total Assets} = \frac{\textit{Net Profit After Tax}}{\textit{Total Assets}}$$

4.8.1.1.3.4 Return on Shareholder Equity

The return on shareholders equity indicates how well the management has used the funds supplied by owner. This ratio is computed by dividing net profit after tax by total equity capital.

$$\text{Return on Shareholders Equity} = \frac{Net\ \Pr ofit\ \ After\ \ Tax}{Shareholder\ \ \ fund}$$

4.8.1.1.3.5 Return on Total Capital Employed Ratio

The return on total capital employed indicates how well management has used the funds supplied by creditors and owner. It shows the productivity of permanent capital in term of return. A high the ratio represents the efficiency of the firm in using fund and signifies the permanent capital with has explicit cost of capital, has been soundly utilized to generate surplus. It is calculated by dividing net profit after tax by total capital employed.

$$\text{ROTCER} = \frac{Net\ \Pr ofit\ \ After\ \ Tax}{Total\ \ Capital\ \ Employed}$$

4.8.1.1.3.6 Cost of Goods Sold Ratio (COGSR)

Cost of goods sold ratio reflects how much amount of sales has been covered by the cost of goods sold. It measured the efficiency of production management. A low the ratio is favourable and vice-versa.

$$\text{COFSR} = \frac{Cost\ \ of\ \ Goods\ \ Sold}{Net\ \ Sales}$$

4.8.1.1.3.7 Operating Expenses Ratio (OER)

The operating expenses ratio reflects the level of sales. It is the indicator of operational efficiency of manufacturing enterprise. It also measures the profitability of the firm. A low ratio is favourable and vice-versa.

$$\text{Operating Expenses Ratio} = \frac{Operating\ \ Expenses}{Sales}$$

Where,

Operating expenses = cost of goods sold + selling expenses at general and administrative expenses (including interest)

4.8.1.1.4 Activity Ratio

Activity ratio are employed to evaluate the efficiency with which the firm manages and utilities its asset. There ratio are also called turnover ratio because they indicate the speed with which assets are being convert into sales. Several activities ratio can be calculated to Judge the effectiveness of antes utilization.

4.8.1.1.4.1 Inventory Turnover Ratio

The inventory turnover indicator the efficiency of the firm, inventory management or ability of the firm to utilize inventory. It is calculated by dividing the cost of goods sold by the average inventory. The cost of goods sold figure can't be available in the published financial statements, therefore, the analysis compute the inventory turnover as sales divided by inventory at end.

$$\text{Inventory Turnover Ratio} = \frac{Sales}{Inventory}$$

4.8.1.1.4.2 Debtors Turnover Ratio

Debtor's Turnover Ratio indicates the number of times on the average that debtor's turnover each year. The ratio is finding out by dividing credit sales by average debtors.

$$\text{Debtor's Turnover Ratio} = \frac{Credit\ \ Sales}{Average\ \ Debtors}$$

Something information about credit sales, opening balance and closing balance of debtors mayn't be available then the debtors turnover ratio can be calculated utilizing total sales figure and ending balance of debtors.

$$\text{Debtors Turnover} = \frac{Total\ \ Sales}{Debtors}$$

4.8.1.1.4.3 Average Collection Period.

Average collection period brings out the nature of the firms credit policy and the quality of the debtors more clearly.

$$\text{Average Collection Period} = \frac{Debtors \times Days\ in\ a\ year}{Sales}$$

4.8.1.1.4.4 Fixed Assets Turnover

Fixed assets turnover ratio measures the efficiency in utilizing the firm's machineries, plant & equipment.

$$\text{Fixed Assets Turnover} = \frac{Sales}{Net\ \ Fixed\ \ Assets}$$

4.8.1.1.4.5 Total Assets Turnover

This ratio shows the managerial efficiency in the utilization of total assets.

$$\text{Total Assets Turnover} = \frac{Sales}{Total\ \ Assets}$$

4.8.1.1.4.6 Current Assets Turnover Ratio (CATR)

It indicates the adequacy of sales in relation to investment in current assets. It measures the effectiveness of utilizing current assets in relation to sales. A higher the ratio indicated more efficient in utilizing of current assets in generating sales and vice-versa.

Current Assets Turnover Ratio = $\frac{Sales}{Current\ \ Assets}$

4.8.2 USED OF STATISTICAL TOOLS

4.8.2.1 Mean ($\overline{X}$)

Mean represent the entire figure that is the largest and smallest items. It is frequently referred to as a measure of central tendency. Mean can be calculated on follows.

$$\overline{X} = \frac{\sum X}{N}$$

Where, ($\overline{X}$) = mean

$\sum X$ =Sum of the values of the variable

N = Number of observation

4.8.2.2 Standard Deviation (S.D.)

The measurement of Scatter-ness the figures is a series about an average in known as dispersion. The standard deviation measures the absolute dispersion. The greater the amount of dispersion, greater the standard deviation. A small standard deviation means a high degree of uniformity of the observations as well as homogeneity of a series; A large standard deviation means just the opposite. In this study, standard deviation is calculated at different ratios. It is calculated as follows.

$$\text{S.D.} = \sqrt{\frac{\sum X^2}{N} - \left[\frac{\sum X}{N}\right]^2}$$

4.8.2.3 Co-efficient of Variation (C.V)

"The co-efficient of variance is the relative measures of dispersion, comparable across distribution, which is defined as the ratio as the standard deviation to the mean expressed in percent." It is calculated as follows:

$$\text{C.V.} = \frac{S.D.}{Mean}$$

4.8.2.4 Co-efficient of Correlation Analysis

"Correlation is the statistical tool that we can use to describe the degree to which one variable in linearly related to another". The co-efficient of correlation measures the degree of relationship between two sets of figure. Among the various methods of finding out is applied in this study. The result of co-efficient of correlation is always between +1 or -1 when r = +1, means there is perfect relationship between two variable and vice-versa when r = 0, it means there is no relationship between two variables.

4.8.3 Common size Financial Statements.

Financial statement can be analyzed by concerting them into common size statements and by expressing absolute amount into percentage. It is also known as vertical as static analysis. The Statements indicates the relationship of various items with some common item, which is expressed as percentage of the common item. In other word, percentage statements are called common size statement because each statement is reduced to the total of 100. Each individual item represents a portion of the total of percentage.

The common size statements are most valuables to analysis in studding the current financial condition of a firm and especially in making comparison between firms in the same industries. It is useful for comparing the importance of certain components in the operation of the firm. It high/lights the relative changes in each group of expenses asset and liabilities. Common size financial statements can be prepared for both income statement as well as balance sheet, which the researcher is going to present following brief introduction of these statements.

4.8.3.1 Common Size Income Statement.

"A popular tool for evaluating profitability in relation to sales is the common size income statement." Common size income statement an income statement which each items expressed as a percentage of sales. 25" It is a device that has be suggested to analyze the income statement primary vertically. The sale figure is taken as base and all other figures like cost of goods sold, office and administrative expresses, selling and distribution expenses etc, are expressed as the percentage of sales. The percentage so calculated could be easily compared with the corresponding percentage in periods and meaningful conclusion can be drawn Myer says in the common size income statement, the various parts are compared with whole as incase of common size income statement, that is total income from sales is divided into its forms of disposition."26

The following common size income statement is taken as a performance of the common size income statement.

Common size income statement for the year ended 31st December base year and current year. It is calculated the percentage by the following formula.

$$\text{Percentage} = \frac{Particuler\ \ Expenses\ \text{Pr}\,ofit\ \ or\ \ Sale}{Sales}$$

4.8.3.2 Common size balance sheet

Common size statement is presented simply by reducing the statement items to the whole percentage. In the balance sheet total assets and total capital and liabilities is taken as a base and all other figure are expressed as a percentage to the total. The percentages so calculated can be easily compared with the corresponding percentages in other period and meaningful conclusion can be drawn.

According to **John N. Myer**, "A statement in this from is known as common size or 100 percentage and because this would be true of all statement so constructed they are or common size".27 This type or analysis is use full for the study of the proportion in a single statement. It a not useful for the study of the trends.

CHAPTER – FOUR

DATE PRESENTATION AND ANALYSIS

5 Introduction

Data presentation and analysis is the fourth chapter of this research study. It is an important phase of the research. Collecting data is the collecting link to the word of reality for the researcher. The data collecting activity consists of taking ordered information reality and transforming it into some reading system so that it can late be examined and analyzed. Research is a media can be interpreted as having a collection of data and process of methodology can't be utilized to bring us to the conclusion.

After the completion the work of data collection, the data what researcher call "The raw form" will still a questionnaires and note cards. It is necessary to arrange the data in such a way so that it could make made some since to the researcher and the readers of the thesis. Different types of data require deferent methods of summarizing and presentation. There in number of methods, which can be used to simplify the data. The easiest way to understand data is to show it in charts, graphs and Table. But even before one can arrange the data in tables, it is necessary to rearrange the raw data.

The main purpose of analysis of the data is to change it from an unprocessed in to an under stable presentation. The analysis of data consists of organizing tabulating and performing statistical analysis. The objective of this study has been already highlighted in the first chapter. In order to meet the above objectives, analytical or descriptive and explorative research methodology has been followed which has been described in chapter three. Now, in this chapter the effort has been made to analysis the financial position of Janakpur cigarette factory to achieve these objectives, it is essential to present analysis and interpret the data. The analysis and presentation of data have been made to examine the liquidity and profitability position of J.F.F. with the help of financial statement of last seven year from 2059/60 to 2060/59.

The following financial tools and techniques have been used in the presentation analysis and interpretation of data.

The chapter is decided into the following needs.

4.1 Ratio analysis

4.2 Common Size Statement analysis.

4.3 Statistical tools.

5.1 Ratio Analysis

Ratio analysis is the process of determining and interpreting numerical relationship based on financial statements. A ratio is a numerical yardstick that provides a measure of the relationship between variables. The presentation of an elaborate system of ratio analysis was made only in 1919 by Alexander wall. Webster's and collegiate dictionary defines "A ratio in as the indicated quotient of two or more numbers. The relationship can be expressed as percentage, as quotient or ratio.

Ratio analysis is one of the most commonly used techniques in the analysis of financial statement and evaluation of working performance. That analysis points out the problems and provides a basis to recommend corrective action. There are many parties who often refer to financial ratios in order to keep in track of their investment. The parties, who want to make sure that the business operation is being carried out properly and results are within the expected range, examine financial statement using various ratios. These parties are stockholders, managers, creditors and indirect interest keeper in the business. Some of these parties may be concerned about the liquidity position or financial leverage while others may be interested in the market value of the firm. The ratio analysis is a technique that helps to fulfill the purposes of all.

5.1.1 Liquidity Ratio

The liquidity ratio measures the liquidity position and shoot-term solvency position indicating the company's ability to meet short-term obligation. The current ratio and quick ratio measures the liquidity position of the company. A public enterprise should at least maintain satisfactory liquidity position. JCF should insure that it doesn't suffer from lack of liquidity and also it isn't to much highly liquid. Idle assets earn nothing low liquidity is also not desirable for sound financial health. Liquidity ratio can also be divided as current ratio and quick ratio.

5.1.1.1 Current Ratio

This ratio helps to analyze short-term solvency position of the firm. Current ratio also measures that how much the firm has to meet its current liabilities.

Current assets are those assets, which can be converted into each within short-period of time, normally within a year. Current liabilities are those obligations which are payable within a short-period. This ratio is calculated by dividing the total current assets by the total current liabilities.

$$\text{Current Ratio} = \frac{Current \quad Assets}{Current \quad Liabilities}$$

In the balance sheet of JCF items of current assets include cash and bank balance, inventory. Debtors & advances, prepaid expenses and short-term investment and borrowing where as current liabilities and provisions. The current ratio of JCF during the study period is given I the following table.

Table No. – 1
Current Ratio of JCF

Fiscal Year	Current Ratio
2057/58	1:1.76
2058/59	1:1.57
2059/60	1:1.44
2060/61	1:1.48

2061/62	1:1.57
2062/63	1:1.48
2063/64	1:1.60
Average $(\overline{X})$	1:1.56
Standard Deviation (S.D.)	0.059
Coefficient of Variation (C.V.)	0.053
Normal Standard	2:1

The above table shows that the current ratio of JCF in the F/Y 2058/59, 2060/61, $ 2063/64 is greater than average and in the rest F/Y it is lower than the average.

It we compare the current ratio of JCF with normal standard (2:1). It is found that current ratio of every fiscal year is below the standard. Though it indicates that the liquidity position of JCF is not much satisfactory. Similarly standard deviation and co-efficient of variation (C.V.) of current ratio are 0.059 and 0.53 respecting. It indicates, it is that widely varied. Therefore we can say that JCF has not enough current assets to meet its current liabilities during the period. Calculation of current ratio only, is not enough to measure liquidity position of the firm. It will not assess short term solvency position of the firm. It is quick ratio which is fully measure short-term solvency position. Normal standard for quick ratio has been prescribe (1.1).

5.1.1.2 Quick Ratio

This ratio establishes a relationship quick liquid assets and current liabilities. An asset is liquid, if it can be converted into cash immediately or reasonably soon without a loss value. Cash is the most liquid assets, which are considered to be relatively liquid, and included in quick assets are book debts and market securities stock and prepaid expenses are considered to be less liquid. Inventories normally require sometimes for realizing into cash. The quick ratio is calculated as follows:

$$\text{Quick Ratio} = \frac{Quick \;\; Assets}{Current \;\; Liabilities}$$

Table No.-2
Quick Ratio of JCF

Fiscal Year	Quick Ratio
2057/58	1:0.88
2058/59	0.79:1
2059/60	0.70:1
2060/61	0.63:1
2061/62	0.43:1
2062/63	0.29:1
2063/64	1:0.37
Average $(\overline{X})$	0.59:1
Standard Deviation (S.D.)	0.20
Coefficient of Variation (C.V.)	0.18
Normal Standard	1:1

From the above table, it is observed that the quick ratio of JCF has fluctuated from 0.888 to 0.29 during the study period. The quick ratio is lowest in the F/Y., 2062/63 on it is highest in the F/Y., 2057/2058. The average quick ratio is 59. In the F.Y. 2057/58, 2058/59, 2059/60 and 2060/61, quick ratios are greater the average.

It we compare quick ratio JCF with normal standard (1:1), we find that quick ratio I all the years are lower than normal standard.

It does not look satisfactory On the basis of this ratio, we can conclude that JCF has not sufficient quick assets to pay current obligation immediately.

5.1.2 Profitability Ratio

Profit is the difference between revenues and expenses over a period of times (usually one year). Profit is the ultimate 'out put' of a company, and it will have no future if it fails to make sufficient profit. Therefore, the financial manager should continuously evaluate the efficiency of the company in term of profit. The Profitability ratios are calculated to measure the operating efficiency of the company. Besides management of the company, creditor and owners are also interested in the profitability of the firm. Creditors want to get interest and required of principal regularly. Owners want to get a required rate of return on their investment. This is possible only when the company earns enough profits.

This study has been under taken basically with the objectives analyzing the financial structure of Janakpur Cigarette factory in terms or profitability namely gross profit, margin, net profit margin, return on fixed assets, return on total assets, return on shareholders equity, return on capital employed, operation expenses ratio and cost of goods sold ratios have been calculated to analyzed the financial position.

5.1.2.1 Gross profit margin

Gross profit margin ratio establishes the relationship between gross profit and sales to measure the operational efficiency of the company. The gross profit margin reflects the efficiency with which management produces each unit. This ratio indicates the average spread between the cost of goods sold and sales revenue. When we substrates the gross profit margin from 100 percentage, we obtain the ratio of cost of goods sold to sales. Both these ratios show profit relative to sales after the deducting of production cost, and selling price. A high gross profit margin relative to the Indus by average implies that the firm is able to produce at relatively lower cost. A high gross profit margin ratio is a sign of good management gross profit margin is calculated by dividing the gross profit by sales.

$$\text{Gross Profit Margin} = \frac{Gross\ \Pr otit}{Sales}$$

Table No.-3
Gross Profit Margin of JCF

Fiscal Year	G.P.M. Ratio (in %)
2057/58	11%
2058/59	17%
2059/60	21%
2060/61	23%
2061/62	25%
2062/63	24%
2063/64	24%
Average $(\overline{X})$	21%
Standard Deviation (S.D.)	3.2%
Coefficient of Variation (C.V.)	2.8%

Normal Standard	30%

The above table shows G.P.N. ratio varies from a maximum of 25% in the F/Y 2061/62 to minimum of 17% in the F/Y 2057/58 and F/Y 2062/63 G.P.M of JCF shows irregular trend. The ratio during the F/Y 2058/59 is lower than the average of 21%, which indicates that G.P.M of JCF seem not satisfactory during that period similarly, it's standard deviation (S.D.) and C.V. are 3.2% and 2.8% respectively which indicates that G.P.M. of JCF has fluctuated not so widely, Thus, from sales point of view G.P.M of JCF looks not satisfactory.

5.1.2.2 Net profit margin

Net profit margin ratio establishes a relationship between net profit and sales, indicates management's efficiency in manufacturing, Administering and selling the products. This ratio is the overall measure of the firm's ability to turn each rupee sales into net profit. If the net profit margin is inadequate, the firm will fail to achieve satisfactory return on shareholder's fund. This ratio also indicates the firm's capacity with stand adverse economic conditions. A firm with a high net profit margin ratio would be in a advantageous position to survive in the face of falling selling prices, rising costs of production, declining demand for the product. It would really be difficult for a low net margin in firm to with stand these activities similarly, a firm with high net profit margin can make better use of favourable conditions, such as rising selling prices, falling costs of production or increasing demand for the product. Such a firm will be able to accelerate its profit at faster rate than a firm with a low net profit margin.

$$\text{Net profit margin} = \frac{Net\ \ \mathrm{Pr}\,ofit\ \ After\ \ Tax}{Sales}$$

Table No.:-4

Net Profit Margin of JCF.

Fiscal Year	N.P.M. Ratio (in %)
2057/58	(12.0)
2058/59	(3.7)
2059/60	(0.3)
2060/61	1.1
2061/62	5.6
2062/63	1.2
2063/64	1.3
Average $(\overline{X})$	(0.97)
Standard Deviation (S.D.)	0.03
Coefficient of Variation (C.V.)	0.0385
Normal Standard	0.15

The net profit margin shows fluctuating trend. It is highest in F/Y 2061/62 in 5.6% and lowest is (12.0) in F/Y 2057/58. The ratio during the F/Y 2058/59, F/Y 2057/58 and F/Y 2059/60 is lower than the company's average (0.78). Similarly, its standard deviation (S.D.) and co-efficient of variation (C.V.) are 3% and 3=85% respectively which indicates that N.P.M. of JCF is lower fluctuating and earning of JCF in term of sales looks not much satisfactory.

5.1.2.3 Return on Total Assets (ROTA)

The profitability of all financial resources invested in total assets of the firm. A high return on total assets indication the total assets of the firm are able to generate a reasonable return. So higher the ratio is more favorable and vice-versa. It is calculated by dividing the net-profit (loss) by total assets of the firm. The ratios of the JCF over the study period are given in the following table.

Table No.:- 5
Return on Total Assets (ROTA) of JCF.

Fiscal Year	R.O.T.A.
2057/58	(0.18)
2058/59	(0.062)
2059/60	(0.005)
2060/61	0.021
2061/62	0.114
2062/63	0.025
2063/64	0.025
Average $(\overline{X})$	(0.009)
Standard Deviation (S.D.)	(10 to 12)
Coefficient of Variation (C.V.)	0.057
Normal Standard	2.98

It is observed that the highest and lowest ROTA is 0.114 in fiscal year 2061/62 and (0.062) in the F/Y 2058/59 respectively. Average ROTA of JCF is 0.019, which is lower than normal standard (10 to 12). The evidences shows that the ROTA of JCF highly unsatisfactory over the study period. Thus, we can conclude that total assets of the firm aren't effectively utilized and they aren't able to generate a reasonable return. Standard deviation & co-efficient of variation is 0.57 & 2.98 respectively which indicates that return on total assets ratio isn't widely varied.

5.1.2.4 Return on shareholder's equity (ROSE)

Return on shareholder's equity indicates new well the firm has used the resourced of owners. It also measures the overall profitability of owner's investment. A high ROSE respects the sound profitability position of a firm and vice-versa. It is calculated by dividing net profit (loss) to shareholder's equity. The ratios of JCF for the study period are given in the table.

$$\text{ROSE} = \frac{Net\ \Pr ofit\ \ After\ \ Tax}{Shareholder's\ \ Equity}$$

Table No.:- 6
Return on Shareholder's Equity Ratio (ROSE) of JCF.

Fiscal Year	ROSE
2057/58	(1.28)
2058/59	(0.13)
2059/60	(0.03)
2060/61	0.10
2061/62	0.26
2062/63	0.05
2063/64	0.57
Average $\left(\overline{X}\right)$	(1.6)
Standard Deviation (S.D.)	0.59
Coefficient of Variation (C.V.)	42.39
Normal Standard	13 to 15

It is observed that the highest and lowest ROSE of JCF are 0.26 in fiscal year 2061/62 and (1.28) in the fiscal year 2057/58 respectively. The average of ROSE I (0.16). The average ratio is lower than normal standard (13 to 15%). ROSE is always lower than normal standard over the study period which indicates that profitability position of JCF in terms of return on equity capital is unfavorable JCF doesn't seem to have utilized its resources property. Thus, it isn't desirable to invert on equity shares. Standard deviation & co-efficient of variation is 59& 42.39 respectively which indicates that return on shareholder's equity ratio is more fluctuating.

5.1.2.5 Return on Total Capital Employed (ROTCE)

Return on total capital employed indicated indicates how well management has used the funds supplied by creditors and owners. It shows the productivity of permanent capital in terms of return. High the ratio represents the efficiency of the firm in using fund and signifies the permanent capital, which has explicit cost of capital, has been soundly utilized to generate surplus. It in calculated by dividing net profit (loss) after tax by total capital employed.

$$\text{ROTCE} = \frac{Net\ \mathrm{Pr}ofit\ \ After\ \ Tax}{Total\ \ Capital\ \ Employeed}$$

Table No.:- 7

Return on Total Capital Employed of JCF.

Fiscal Year	ROTCE
2057/58	(0.20)
2058/59	(0.11)
2059/60	(0.009)
2060/61	0.038
2061/62	0.204
2062/63	0.047
2063/64	(0.002)

Average $(\overline{X})$	0.0739
Standard Deviation (S.D.)	0.0217
Coefficient of Variation (C.V.)	

It is observed that the highest and lowest ROTCE of JCF are 0.204 8(0.20) in the fiscal Year 2061/62 and 2057/58 respectively. ROTCE of JCF is lower than average ratio up to the F/Y 2059/60 but it is grater than average ratio in the recent year. This ratio show satisfactory return on overall capital employed in recent year. It's a picture of JCF because JCF has been able to utilize its fund efficiently. Thus, standard deviation & co-efficient of variation are 0.739 & 0.0217 respectively which indicates that ROTCE of JCF isn't widely.

5.1.2.6 Cost of Goods Sold Ratio (COGSR)

Cost of goods sold ratio reflects how much amount of sales has been covered by the cost of goods sold. It measures the efficiency of production management. A low cost of goods sold ratio is favorable and vice-versa. It is calculated by dividing cost of goods sold by net sales.

Table No.:- 8

Cost of Goods Sold Ratio of JCF.

Fiscal Year	COGSR
2057/58	0.43
2058/59	0.83

2059/60	0.79
2060/61	0.77
2061/62	0.75
2062/63	0.77
2063/64	0.76
Average $(\overline{X})$	0.73
Standard Deviation (S.D.)	0
Coefficient of Variation (C.V.)	0
Normal Standard	0

It is observed that the highest and lowest cost of goods sold ratio are 0.83 in the fiscal year 2058/59 and 0.43 in the fiscal year 2057/58 respectively. Average ratio in the study period is 0.73. It is greater than average ratio over the study period. It shows that the management of JCF isn't in efficient in terms of cost control or there in lack of proper pricing policy in the product of JCF standard deviation and co-efficient of variation are zero that shows, cost of goods sold ratio of JCF isn't fluctuating.

5.1.2.7 Operating Expenses Ratio

The operating expenses ratio explains the change in the profit margin (EMIT to sales) ratio. In other shows, operating expenses ratio in the relationship between operating expenses and sales. A higher operating expenses ratio is unfavorable since it will leave a small amount of operating income to meet interest, dividend. It is a yardstick of operating efficiency.

The operating expenses ratio indicates the average aggregate variations in expenses, where some of the expenses may be increasing while others may be falling thus, to know the behavior of expenses to sales, this ratio should be calculated. When this ratio compare from year to year for the firm. It will throw light on management policies and programs. Operation expenses ratio I calculated as follows:

$$\text{Operating Expenses ratio} = \frac{Operating\ \ Expenses}{Sales}$$

Where, operating expenses = cost of goods sold + selling expenses (excluding interest)

Table No.:- 9

Operating Expenses Ratio of JCF.

Fiscal Year	OER (%)
2057/58	117%
2058/59	106%
2059/60	101%
2060/61	434%
2061/62	947%
2062/63	978%
2063/64	98%
Average $\left(\overline{X}\right)$	397%
Standard Deviation (S.D.)	387%
Coefficient of Variation (C.V.)	75.44%
Normal Standard	0

From the above table it is observed that the operating ratios varies from a maximum of 978% to minimum 98%. The average operating expense ratios or JCF is 397%. The operating expenses ratio is higher than normal standard. The high operating ratio may be attributed to high operating expenses and low sales return. This cause the JCF goes in loss. The operating expenses ratio in unsoundly higher than reasonable and if has to be bought down by reducing cost of operation. Standard deviation and co-efficient of variation 397% & 75.44% respectively which indicates that OER of JCF is widely varied.

5.1.3 Activity Ratios

Funds of creditors and owners are invested in various assets to generate sales and profit. Activity ratios are employed to evaluate the efficiency with which the firm manages and utilize its assets. These ratios are also called turnover ratio because they indicate the speed with which assets are being converted or turnover into sales. Actually ratios the involve relationship between sales & assets. A proper balance between sales and assets generally reflects that assets are managed well. Several activity ratios can be calculated to Judge the effectiveness of assets utilization.

5.1.3.1 Inventory turnover ratio

Inventory turnover ratio shows the relationship between sales and stock. This indicates the effectiveness stock management of the firm. Inventory turnover ratio also shows how rapidly the inventory is being turned into sales. A high inventory turnover ratio is the indicator of good inventory management and vice-versa. Inventory turnover ratio is calculated in two ways, one method is that dividing cost of goods sold by average inventory and another method is dividing sales by closing inventory. Second method has been used in this study. The ratio of JCF is given in the table No.10.

Table No.:- 10
Inventory Turnover Ratio of JCF.

Fiscal Year	ITR (in times)
2057/58	5.18
2058/59	7.21
2059/60	7.53
2060/61	6.56
2061/62	7.79
2062/63	6.92
2063/64	6.49
Average $\left(\overline{X}\right)$	6.81
Standard Deviation (S.D.)	0.0435
Coefficient of Variation (C.V.)	6.04
Normal Standard	4.00

According to the above table the inventory turnover ratio of JCF varies from lowest 5.18 in the fiscal year 2057/58 to highest of 7.79 times in the fiscal year 2061/62. The average ITR of JCF is 6.81 times during the study period. The average ratio is higher in fiscal year 2060/61 but in other years, the average ratio is lower.

To Judge whether the JCF's inventory is good or net, it should be compared with standard. Comparing the ITR of JCF with the manufacturing industry standard (4 to 8 times). The ITR of JCF is grater. It indicates that inventory turnover ratio of JCF is satisfactory. A high inventory turnover is indicative of good management and the firm's utilization and co-efficiency o variation of JCF are 0.435 and 6.04 respectively. It means inventory turnover ratio of JCF isn't varied. Thus the firm is able to dispose off it's stock in time.

5.1.3.2 Debtors Turnover Ratio

Now days a firm may expand its activities all over the word. It means there is no limitation in the business. Firm sells it goods for cash and credit both, when the firm sells goods on credits, debtor is created in the firm's account. DTR indicates the speed with which debtors are being collected. It measures the efficiency of credit management of the firm. Theoretically, the ratio is calculated dividing credit sales by average debtor but the computation of the figure of average debtors involves practical difficulties. Therefore, we have used alternative formula of debtor turnover i.e. sales by debtor. Debtor turnover ratio of JCF is presented in following table.

Table No.:- 11

Debtor Turnover Ratio (DTR)

Fiscal Year	DTR (in times)

2057/58	5.18
2058/59	10.65
2059/60	13.26
2060/61	14.76
2061/62	29.69
2062/63	23.35
2063/64	29.05
Average $(\overline{X})$	17.99
Standard Deviation (S.D.)	7.09
Coefficient of Variation (C.V.)	0.39
Normal Standard	6 times

It is observed that debtor turnover ratio of JCF varies from 29.69 in the year 2061/62 to lowest of 5.18 times in the F/Y 2057/58. The average debtors turnover ratio 17.99 times over the study period. The debtor turnover ratio is above the average ratio in F/Y 2061/62, 2062/63 & 2063/64. But it is below than average in other years.

When, we compare average debtor turnover ratio with normal standard (times), we find that debtor turnover ratio of JCF is always higher. The high debtor turnover ratio of JCF has followed better management its debtor. The higher the value of debtor turnover, the more efficient is the management credit, since debtor turnover ratio of JCF is satisfactory should be maintained in the future also.

5.1.3.3 Average Collection Period

Average collection period measure the quality of debtors. The average collection period should be compared against the firm's credit term and policy to Judge its credit and collection efficiency. The shorter average collection period in the better the quality of the debtor more clearly. The ratio is calculated by debtors multiplied by days in a year and divided by sales. Sales may be the credit sales or total sales and debtors also may be average debtors or ending debtors depending upon the availability of information.

$$\text{ACP} = \frac{Days\ \ in\ \ a\ \ year\ \ X\ \ Debtors}{Sales}$$

It indicates the rapidity or slowness of its collection shorter the ACP, the better quality of debtors. Sales may be cash sales or credit sales and debtors depending on the availability of information. The ACP of JCF has been shown in following table.

Table No.:-12

Average Collection Period (ACP)

Fiscal Year	**ACP (in days)**
2057/58	70
2058/59	33.8
2059/60	27.15
2060/61	24.39
2061/62	12.12
2062/63	15.42
2063/64	13
Average $(\overline{X})$	28
Standard Deviation (S.D.)	7.88
Coefficient of Variation (C.V.)	0.35
Normal Standard	60

It is observed that the highest ACP is being 70 days in F/Y 2057/58 and the lowest being 12.12 days in F/Y 2061/62. The average of CP in JCF in 28 days. ACP has exceeded the average from the F/Y 2059/60 to F/Y 2063/64 and it is below average in the remaining periods. ACP of JCF is lower than normal standard.

It is the indication that JCD has qualititative debtor. ACP explains that JCF collects cash from its customer very fastly. Similarly, standard deviation and co-efficient of variations (C.V.) are 7.88 and 0.35 respectively which shows that the ratio is few fluctuated but it can be taken good symptom because ACP is decreasing trend.

5.1.3.4 Fixed Assets Turnover Ratio (FATR)

Fixed assets turnover ratio indicates the adequacy of sales in relation to investment in fixed assets. It measures the efficiency with which the firm has been using its fixed assets to generate sales. FATR is calculated dividing net sales by net fixed assets. A higher the ratio indicates more efficient utilization of fixed assets in generating sales and vice-versa. The ratios of JCF over study period are given in the table.

Table No.:-13

Fixed Assets Turnover Ratio (FATR)

Fiscal Year	**RATR (in times)**
2057/58	8.6
2058/59	12.34
2059/60	13.35
2060/61	15.35
2061/62	19.67
2062/63	20.22
2063/64	22.44
Average $(\overline{X})$	15.99
Standard Deviation (S.D.)	3.22
Coefficient of Variation (C.V.)	0.20
Normal Standard	10

It is observed that the FATR in JCF varies from 8.6 times to 22.44 times, fixed assets turnover ratio is lowest in F/Y 2057/58 where as it is higher in F/Y 2063/64. Average Fixed assets turnover ratio is 159.99 times. It is below an average in F/Y 2057/58 to 2060/61.

While comparing the average with industry normal standard (10 times) It is always been higher. It indicates that JCF has mobilized and utilized better utilization of fixed assets in generating sales. Similarly, standard deviation and co-efficient of variation are 3.22 and 0.20 which indicate that, fixed assets turnover ratio of JCF isn't widely fluctuating.

5.1.3.5 Total Assets Turnover Ratio (TATR)

Total assets turnover ratio indicates the adequacy of sales in relation to investment in total assets. It measures the efficiency with which the firm has been using its total assets to generate sales. It is calculated dividing sales by total assets. A higher ratio indicates more efficient utilization of total assets in generating sales and vice-versa. The ratios of JCF over the study period are given in the table.

Table No.:-14

Total assets turnover ratio of JCF

Fiscal Year	TATR (in times)
2057/58	1.11
2058/59	1.67
2059/60	1.78
2060/61	1.85
2061/62	1.20

2062/63	2.08
2063/64	1.96
Average $(\overline{X})$	1.67
Standard Deviation (S.D.)	0.29
Coefficient of Variation (C.V.)	0.17
Normal Standard	2 times

TATOR is around the average. The average is 1.67 times. The TATOR of JCF is lowest in F/Y 2057/58 and highest in F/Y 2062/63. It is above the average in F/Y 2059/60, 2062/63 & 2063/64 but it is below the average in remaining years.

The TATOR in JCF is lower than the manufacturing industry standard (2 times) in 2058/59 to 2061/62. But it is above the manufacturing industry standard in remaining years. This expresses that the firm is successful to generate enough sales per rupee investment in total assets. Thus, it is learnt from the analysis of TATOR that JCF is successful in utilizing its total resources to generate adequate sales and profit. Similarly standard deviation and co-efficient of variation are 0.29, 8.17 respectively which indicates that TATOR of JCF isn't widely fluctuating.

5.1.3.6 Current Assets Turnover Ratio

Current assets turnover ratio indicates the adequacy of sales in relations to investment in current assets. It measures the effectiveness of utilizing current assets in relation to sales. Current assets turnover ratio is calculated dividing sales by current assets. A higher the ratio indicates more efficient in utilizing of current assets in sales and vice-versa.

Current assets turnover ratio of JCF is presented in table.

Table No.:-15
Current Assets Turnover Ratio (CATR) of JCF

Fiscal Year	CATR (in times)
2057/58	1.89
2058/59	2.52
2059/60	2.72
2060/61	2.74
2061/62	2.92
2062/63	3.01
2063/64	2.76
Average $(\overline{X})$	2.65
Standard Deviation (S.D.)	0.17
Coefficient of Variation (C.V.)	0.062
Normal Standard	0

It is observed that the highest and lowest current assets turnover ratio is 3.01 times in F/Y 2062/63 and 1.89 in F/Y 2057/58. It is an increasing trend. Average ratios in the study period are 65 times.

It shows that JCF is efficient in utilizing of current assets in generating sales. Current assets turnover ratio of JCF hasn't fluctuated over the study period because standard deviation & co-efficient of variation are 0.17 &

0.062 respectively. It is favorable to the firm but the rate of ratio is low, however it has increasing trend.

5.1.4 Capital Structure Ratio

Capital structure property known as leverage ratio. It is used to examine the capital mix of a firm. It measures the long-term solvency position of the firm. Capital structure ratio measure the contribution financially by owner compared with financially provide by creditors. It also indicates the firm's debt and fixed charge paying ability. Debt-equity ratio, total debt to total capital ratio and debt to asset ratio are studied in this regard.

5.1.4.1 Debt Equity Ratio

Debt-equity ratio is the relationship between borrowed fund and owner's capital. It measures the log-term solvency position of the firm. This ratio reflects the relative claims of creditors and shareholders against total assets of the firm. It is calculated by dividing long-term debt by shareholder's equity.

Past accumulated looses and deferred expenditure should be excluded from the shareholder's equity and shareholders equity is equal to net worth. Therefore this ratio is called debt to net worth. Another variation of the debt-equity ratio is divided the total debt by the shareholders equity.

The debt to equity ratios indicates the contribution of debt capital and equity capital in total investment. A high ratio is unfavorable from company point of view. It introduces inflexibility in the firm's operation due to increasing interference and undue pressure from creditors during the period of low profits.

A highly debt financial company suffer great stains as it can't earn sufficient profit even to pay interest charge on borrowing. As a result their pressure and control increase and firm find difficulties to meet working capital needs. So its, has to borrow on high unfavorable terms and conditions.

During the period of high profit a highly debt financial firm has to pay a large amount out of income as a cost of capital. Similarly, low debt equity ratio implies owner's upper hand over creditors. So it may be favorable to a firm during the period of low profit.

An optimum debt equity ratio should be maintained which is generally determine3d on the basis of normal standard performance of JCF in relation to debt equity ratio.

Table No.:-16

Total Debt Equity Ratio of JCF

Fiscal Year	Total Debt Equity Ratio (in %)
2057/58	334%
2058/59	398%
2059/60	407%

2060/61	410%
2061/62	130%
2062/63	120%
2063/64	126%
Average $(\overline{X})$	275%
Standard Deviation (S.D.)	137%
Coefficient of Variation (C.V.)	46%
Normal Standard	100%

From the above table, the average debt-equity ratio of JCF is 275%. It has fluctuated between 120% to 410% and if we compare with the normal standard (100%), the debt-equity ratio is always higher.

A high debt-equity ratio implies a grater claim of creditor than owner. From creditor point of view, it represents an unsatisfactory situation since a high proportion of creditors provide a smaller margin on safety for them. During the period of law profit, the debt servicing will prove to be high burden some for a firm with high debt-equity ratio. Similarly, Standard deviation and coefficient of variation (C.V) 137% and 46% respectively which indicates that debt-equity ratio is widely varied.

5.1.4.2 Total Debt to Total Assets Ratio (TDTTAR)

Total debt to total assets ratio establishes the relationship between debt and total assets. This ratio explains what percentage of the value of assets of the firm its creditors have financed. A high debt to total assets ratio represent a great risk to creditors and also to shareholders and vice-versa. So, a reasonable debt to assets ratio is desirable. Debt to total assets ratio is calculated by dividing total debt by total assets.

Table No.:-17
Debt to Total Assets Ratio of JCF

Fiscal Year	TDTTAR (in %)
2057/58	77%
2058/59	80%
2059/60	80%
2060/61	85%
2061/62	57%
2062/63	55%
2063/64	56%
Average $(\overline{X})$	70%
Standard Deviation (S.D.)	13%
Coefficient of Variation (C.V.)	18%
Normal Standard	50%

As per above table the total debt to total assets ratio in JCF fluctuates from a lowest of 55% in the F/Y 2062/63 to a highest of 85% in the F/Y 2060/61. The average total debt to total assets ratio in JCF is 70% the ratio in F/Y 2061/62, 2062/63 and 2063/64 are below the average and during the year 2058/59, 2059/60 and 2061/62 it is above the average ratio.

In comparison to average ratio with normal standard (50%), total debt to total assets ratio in JCF is always higher. This ratio indicates that debt to total assets ratio in JCF looks not satisfactory. It indicates risky position also for JCF creditors because high proportion of debt finance. Similarly, standard deviation and co-efficient of variation of total assets are 13% &

18% respectively. Which indicates that ratio of total debt to total assets in too much varied.

5.1.4.3 Debt to total capital ratio (DTTC)

It is a relationship between long-term debt and total capital. Total capital includes owner's equity as well as borrowed capital. A high ratio shows the share of financing by the creditors as compare to that of owners. This means creditor would suffer more in times of distress the owner. This is why creditor prefers low debt equity ratio.

Table No.:-18

Debt to Total Capital Ratio of JCF

Fiscal Year	DTTCR (in %)
2057/58	34%
2058/59	46%
2059/60	42%
2060/61	41%
2061/62	22%
2062/63	15%
2063/64	21%
Average $(\overline{X})$	32%
Standard Deviation (S.D.)	12.34%
Coefficient of Variation (C.V.)	37.4%
Normal Standard	0

DTTC of JCF is an decreasing trend. Which indicates that it is favorable for creditors? A low ratio shows the small share of financing by the creditors as compare to that of owner and it means creditors prefer low debt equity ratio. Thus, DTTD ratio of JCF looks at desirable level. Standard deviation and co-efficient of variation of DTTCR is 13.34% and 37.4% respectively. It indicates that it is moderately fluctuating.

5.2 Common Size Statement Analysis

A simple method of tracing periodic charges in the financial performance of a company is to prepare comparative statements. Comparative financial statement will contain items at least of two periods. Increase and decrease in income statement and balance sheet over period can be shown in two ways. 1) Aggregate changes 2) Proportional changes. Drawing Special columns for aggregate amount or percentage or both of increase/decrease can indicate aggregate changes. Relative or proportional calculation in relation to a common base is in special column. For sample, in case of income statement sales figure is amused to be common base (equal to 100) and all other items are expressed as percentage of total assets or total funds. The financial statements prepared in terms of common base percentage are called common size statements.

5.2.1 Common Size Balance Sheet

The balance sheet items are divided by total assets and expressed as a percentage of total assets and each item of capital and liabilities are divided by total liabilities. Thus, the whole balance sheet is converted into percentage form. Such converted balance sheet is known as common size balance sheet. When balance sheets of the same concern for several years converted into percentage form, they are known as comparative common size balance sheet. For the purpose of analysis, the figure of total assets and total liabilities lave been taken as equal to 100 percent. Comparative common size balance sheet of JCF is given in the following table.

Table No.:-19

Common Size Balance sheet of JCF.

Particulars	2059/60	2060/61	2061/62	2062/63	2063/64
Current Assets					
Debtor and advanced	16	13	13	7	9
Prepaid Expenses	10	10	10	24	25
Investment & Loan	10	12	9	-	-
Inventory	23	24	28	29	27
Cash and bank balance	8	8	8	12	5
Total Current Assets	**66**	**65**	**68**	**69**	**69**
Fixed Assets					
Net fixed assets	14	13	12	10	10
Share investment	9	9	9	20	21
Investment for provident fund	11	12	11	-	-
Total Fixed Assets	34	35	32	31	31
Total Assets	**100**	**100**	**100**	**100**	**100**
Current Liabilities					
Bills Payable	35	38	37	35	35
Provision	8	8	9	9	12
Total Current Liabilities	42	45	46	44	47
Long-term Liabilities					
Share Capital	6	6	6	6	6
Loan	28	24	23	13	9
Liability of Provident fund	10	11	10	-	-

General & Capital reserve	14	13	14	27	38
Total long-term liabilities	**58**	**55**	**54**	**56**	**53**
Total Liabilities	**100**	**100**	**100**	**100**	**100**

It is observed that the comparative common size balance sheet of JCF shows the percentage of all items of assets and liabilities during the study period total current assets of the JCF has increasing trend except the year 2060/61. Debtor and advances has decreasing trend except the fiscal year 2063/64 but prepaid expenses have increasing trend. Similarly, investment & loan has increasing trend except the fiscal year 2061/62. Likewise, inventory and bank balance has also increasing trend except the fiscal year 2063/64. Total fixed assets of JCF are increasing. Share investment and investment for provident fund are increasing trend but net fixed assets are decreasing. Total current liabilities of JCF isn't very high but it has increasing trend share capital of JCF is constant but loan is decreasing trend. Similarly reserve fund of JCF is also increasing. In short equity capital is lower than debt capital. Therefore we can say that JCF has to bear risk in the period of low profit margin, because it has to pay grater amount for interest on borrowing and negligible amount of profit will reserve for shareholders.

From the above analysis it may be concluded that:

- Share capital of JCF is low. JCF need to increase its share capital.
- Inventory of JCF has covered a big par of current assets it affects the profit directly so it has do reform its policies regarding to inventory.

- Cash and bank balance of JCF is also low so JCF should maintain in desirable level.
- Share investment and provision should also be increased up to suitable level.

5.2.2 Common Size Income Statement

Common size income statement shows the percentage of net sales that has been observed by each item of expenses. It shows the relationship of cost of goods sold, operating income, operating expenses, net operating income, and profit before tax, and net profit after tax. In this study, figure of sales have been taken, as 100 percent and percentage of other item to sales have been determined on that basics of common size income statement. It shows the position relating to profitability. It indicates item of expenses responsible for increase or decrease in percentage of profit/loss. The following table shows the comparative common size income statement of the JCF during the study period.

Table No.:-20

Common Size Income Statement.

Particulars	2059/60	2060/61	2061/62	2062/63	2063/64
Sales	100	100	100	100	100
Less:- Cost of Goods Sold	83	79	76.9	75	763
Gross Profit	17	21	23.1	25	23.7
Add: Non-Operating					
Income	1	1.1	0.7	1.5	0.7
Less:-					

Operating expenses	18	8.4	7.4	7.7	8
Selling & distribution exp.	14	13.1	13.8	11.5	13
Administration expenses	-	-	-	1.2	1.1
Interest expenses	1	0.8	0.7	0.6	0.6
Resident place expenses	23	22	21	20	9
Special tax expenses	5	2	1.9	5.5	0.76
Add:-other operating income	-	-	-	7.4	3.3
Total operating income	5	2	1.9	12.9	4.14
Add:- Previous year's income(loss)	2	-	-	-	-
Net Profit before tax	3	2	1.9	12.9	4.14
Less:- Tax	-	-	-	-	-
Net profit after Tax	3	2	1.10	13.9	3.14

According to the table, the comparative common size income statement of JCF shows that percentage of cost of goods sold has decreasing trend except F/Y 2063/64. Similarly, gross profit margin has increasing trend except F/Y 2063/64. When percentage of cost of goods sold has increased, percentage of gross profit has decreased and vice-versa. So, we can say that there is negative relationship between cost of goods sow & gross profit. Operating expenses of JCF has been increasing trend except the F/Y 2063/64 during the study period. Selling & distribution expenses also support to increase operating expenses ratio.

The high percentage of NPAT is slowly increasing tend except the F/Y 2063/64. The high percentage of NPAT is 12.9% in the year 2062/63 and low rate is (3) percent in the year 2059/60.

From the above analysis, we can conclude that cost of goods occupied large amount, So it should be reduce to increase net profit after tax and similarly, expenses should also maintain in desirable level.

5.3 AN OVERVIEW OF JANAKPUR CIGARETTE FACTORY

5.3.1 Establishment

Mobilizing the available resource (raw material & manpower) of the country through producing qualitative product and to secure money within Nepal which was going outside the country, Janakpur cigarette factory had come in the extended. Plant initiation and construction of JCF was started on B.S. 2018, Marg & but it was established in the year B.S. 2021, Poush 29. Stone had kept by Late King Mahendra Bir Bikram Sahdev production of JCF was commenced under soviet technological and financial aid. This is the symbol of friend ship between Nepal & U.S.S.R . In the beginning, it was able to produced 2 Arab cigarette annual but demand of the country wasn't fulfilled by them so, to increase the capacity, machinery and building was expanded on F/Y 2028/29 to F/y 2030/31 Now up to till date, it has kept fully capacity t produce 5 Arab Cigarette each year.

5.3.2 Capital & Investment

Authorized capital of JCf as at B.S. 2021, Poush 29 was R.S 8,00,00,000. Issued capital was Rs. 2,72,26,000 and similarly paid up capital was also Rs. 2,72,26,000. but total loan capital was Rs. 1,17,00,000 out of which H.M.G. contributed Rs. 1,00,00,000 and Russian Financed Rs. 17,00,000. JCF has maintained same level up to now and debentures are also hot issued up to till date.

5.3.3 Raw material

In initial stage essential raw material of JCF was imported from India and overseas. Now, It is mostly arrange by Nepal motivating the domestic tobacco cultivators, farmers and suppliers. It believes local purchases of tobacco are received from five districts like Mahottari, Saptari, Sarlahi, Bara and Parsa.

5.3.4 Production & Sales

Really, production has fallen down in comparison to target in F/Y 2045/46. But now productions and sales are spontaneously increased. In the future productive may be speedily in the long time because machinery and equipment are repaired and maintenance. JCF had to face keen competition when factory wasn't in monopoly market but now it is in progress. In F/Y 2054/55 and 2058/59 revenue achieved 911376700 and 1177083705, which reflects gradually increasing.

5.3.5 Contribution

In F/Y 2054/55 to 2058/59 JCF has tax paid 12695150 but in F/Y 2054/55 to F/Y 2058/59 total revenue 2,26,3215,641.23 have paid including VAT, sales Tax and health tax. Customs and other taxes aren't included on total revenue.

5.3.6 Employment

Recently, 1638 employees have got opportunity for job directly under JCF out of which 871 men are technical and 767 men are non-technical. But in the starting phase, total number of direct labours was 662 including 40 men seasonal. Now, near 100 men are involved in selling and distribution throughout Nepal. Transported and porter are also engaged and passing their life using this media. In addition to this, domestic tobacco cultivators, farmers, villagers, suppliers are also get lucrative opportunity of such type of job.

5.3.7 Pollution Control

When JCF was established, it didn't take care of polluted environment but showing the increasing public interests and pressure toward pollution control, it has installed pollution free plant layout. In coming days, we hope effective pollution free program would be done by them.

5.3.8 Social Responsibilities

JCF has paid 24 crore health tax for effected people from cigarette in which cancer hospital is in making. In the social area, JCF has also helped in constructing eye hospital, school, temple etc.

5.3.9 Continuity

For the few last years JCF had been operating special programme about increased production, pollution control, and filed of raw materials and entertainment. Above maintained field is directly related with public interests. Therefore, in coming also JCF committees to bring continuity on this. Due continuity on repair and maintenance of plant & machinery in F/Y 2055/56, JCF has success to maintain and increase the production like last year.

CHAPTER – FIVE

SUMMARY OF FINDING & RECOMMENDATION

5.4 Introduction

This is the last chapter of this research study. Instruction of this study has been already presented in the first chapter. In second chapter, the available literature related to 'Financial Structure of Janakpur Cigarette Factory' has been reviewed. Research methodology has been briefly described in chapter third. All available data's are presented and analyzed in the fourth chapter.

Here, in this chapter an effort has been made to present summary of finding and some workable suggestions & have also been given for the future course of action.

5.5 Summary of major finding

The major findings of this research study as reveled 'in the analysis' are briefly presented below.

5.5.1 Liquidity Position

Our study reveals that current ratio of JCF has been observed below than normal standard (i.e. 2:1) and quick ratio in also found not satisfactory. It is below than standard.

It reflects poor liquidity position of JCF Janakpur Cigarette Factory hasn't enough current assets to meet short term obligation. Firm will have to face difficulty in making payment of short-term creditors and loan in time short-term solvency position of JCF seems to be very much weak.

5.5.2 Profitability Position

The profitability ratio reveals that:

- Profitability in terms of gross profit margin of JCF is lower than normal standard. From sales point of view, gross profit margin of JCF looks not much satisfactory.
- Average Net Profit margin of JCF is (78) which is greater than normal standard. It looks satisfactory over the study period. A higher ratio is an indication of the higher efficiency of the business and better utilization of total resources.
- Average operating expenses ratio of JCF is higher than normal standard. It looks unsatisfactory over the study period. Higher operating ratios indicate increase in operating expenses and decrease in business capacity, ultimately in lower operating profit. Higher ratio however, isn't preferable.
- Average return on total assets ratio is (1.9) which is lower than standard it looks not much satisfactory lower ratio isn't able to generate reasonable return on total assets.
- Average return on shareholder's equity ratio (ie. 1.4%) of firm is lower than standard. It doesn't seem that if has utilized its resources properly. So, it is not desirable to invest on equity shares
- Return on total capital employed ratio of firm shows satisfactory return over the study period. It is a good that JCF has been able to utilize its fund efficiently.

- Net profit margin and gross profit margin of JCF show unfavorable financial structure with poor profitability. Similarly return on total assets, return on capital employed and return on share holder's equity is aren't satisfactory which indicates unsound financial health of the factory.

5.5.3 Activity Ratio

Activity ratio reveals that:

- Average inventory of JCF (6.81) is greater than normal standard. A high inventory turnover is an indication of efficient inventory management JCF has effectively managed its inventory generating sales over the study period.
- Average debtor turnover ratio of JCF in 17.99, which is higher than normal standard (6 times). It is an indication of more efficient management of credit. It means JCF is collecting cash from debtors quickly credit policy seems very satisfactory.
- Average collection period in lower than normal standard (60 days) that indicate JCF collects cash from its customer very fast.
- Fixed assets turnover ratios are higher than normal standard that shows the satisfactory position and it seems that JCF has mobilized and utilized its fixed assets more effectively in generating sales.
- Average total assets turnover is lower than normal standard. It indicates that a firm isn't successful to generate enough profit per rupee investment in total assets.

- Current assets turnover ratio of JCF (2.65) is higher than average ratio in recent year. It looks satisfactory and JCF is efficient in utilizing current assets in generating sales.

Activity ratios are used to indicate the speed with which assets are being turned over into sales. Inventory turnover and debtor turnover of JCF shows effective utilization of its resources on the other hand shorter average collection period of JCF is also indicating the policy of quick collection of cash from its customer. Collection policy is appreciable and it is good signal for future prosperity.

5.5.4 Capital Structure Ratio

Capital structure reveals that:

- Average ratio of debt-equity is greater than normal standard. High debt-equity ratio of firm shows that greater of financing have been made by the creditors in comparison to the owners. So, it is not favorable situation for the firm.
- Average ratio of debt to total assets is higher than normal standard (50%). Which looks unfavorable and it indicate the risky position of JCF for the creditors.
- Debt to total capital ratio of JCF is lower than average in recent year. Low debt to total capital ratio of firm shows the small share of financing by the creditors as to compare with the owner, which is favorable for creditors.

Generally, capital structure ratio Judges the long-term financial position. The capital structure of JCF is found low-geared leverage. From the security point of view, the contribution of finance by the owners is extremely low which may proved dangerous in adverse situation in future.

5.5.5 Comparative Statement Analysis

Common size statement analysis includes common size balance sheet and common size income statement, which reveals that:

- Total current assets of JCF have increasing trend except the F/Y 2057/58, which indicates that there will be no problem of working capital.
- Debtor and advices has decreasing trend except the F/Y 2063/64. It indicates that JCF collects cash from its customer in time and it is a good sign of current assets.
- Prepaid expenses have decreasing trend during study period. It effects the working capital.
- Inventory has increasing trend during the study period. It is an indication of efficient inventory management.
- Cash and Bank balance has increasing trend except the F/Y 2063/64 which shows that cash & bank balance.
- Total fixed assets have decreasing trend except F/Y 2057/58 which indicates that JCF isn't utilized its fixed assets more effectively.

- Bills payable has decreasing trend except the F/Y 2058/59 and provision has increasing trend. It indicates the good position of working capital.
- Share capital of JCF is constant but loan is decreasing trend. It isn't a satisfactory position.

5.6 Recommendation

On the basis of the study, following recommendations are made for improving the present condition of JCF.

5.6.1 JCF should maintain adequate liquidity position because its liquidity position isn't favorable. To overcome the poor liquidity of JCF, the company should evaluate the quality of its current assets and quick assets and adopt the appropriate strategy of maintaining on adequate liquidity either by holding more current assets or reducing level of current liabilities or changing both the variable in any direction JCF should discourage the payment of advance to maintain the best liquidity position.

5.6.2 JCF should pay attention for continuing its present position of activity ratios in future also. JCF has been utilizing its resource effectively in generating sales. Therefore proper holding and regular monitoring will be more beneficial for better improvement.

5.6.3 Profitability position of JCF isn't favorable. The JCF should launch a long-term programme to cut down excessive cost and to reduce wastage. Cost reduction, technique, cost control devices, inventory control. Standard costing techniques are suggested to be followed which will helpful in improving to reduce cost of product. Responsibility centers are needed to establish for improving the condition of profitability. Without perfect estimation of cost, accurate profit can't be determined. Authorized body should pay attention on internal as well as external factor to minimize the cost.

5.6.4 Leverage ratios of JCF seem not desirable. Highly debt finance company suffers great strains and undue pressure to pay interest charge to creditors. It also indicates that more of the funds invested in the business are provided by the outsider. It the management has risk taking ability, it will be profitable for them. JCF hasn't risk bearing capacity observing the P/L A/C and B/S over the study period. JCF should pay more attention towards maintain ideal capitalization. The proportion of debt to capital should be in the ratio or 4:60.

Share capital of JCF is low. JCF needs of increase its share capital. Inventory of JCF has covered a big part of current assets. It affects the profit directly so it has to reform its policies regarding to inventory.

Cash and Bank balance of JCF is also low so JCF should maintain in desirable level.

Share investment and provision should also be increased up to suitable level.

Besides this some important advice, are also given for the improvement of JCF. Cost control is one of the most significant devices for improving the poor profitability. Although there is no separate costing department. Costing department should be entrusted with responsibility of categorizing the actual costs into direct and indirect fixed and variable, controllable and uncontrollable and the joint cost on product basis.

It should follow on overall strategic policy regarding human resource management, performance appraisal, suitable investment and financial decision. Strength, weakness, opportunity and threat (swot) analysis also helps the factory to enhance the inter-departmental and inter-departmental interaction and co-operation. It should be used in practical life for improving financial condition of JCF.

The manual accounting system should be revised and finance department should be provided with professional trained-staff and mechanical devices to maintain accounts of the factory.

Power should not be centralized i.e. authority should be delegated from top to bottom level for freedom in the work. Reward and punishment policy should adopt fairly to motivate and discourage them. Promotion and transfer should be made on the basis performance evaluation. Political appointment of staff should be discouraged. Attention should be paid to reduce overstaffing because it raises unnecessary operating expenses.

Cost and income statement should be prepared periodically and deviation should be analyzed timely. After then corrective action should be taken on the basis of feedback.

THE END

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