

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

Cash is the lifeblood of a business enterprise without cash no adequate amount of cash to operate. The decision maker must pay close attention to the firm's cash position events and transactions that affect cash position. If cash managed well then the company remains healthy and strongly, if cash managed poorly then company goes into serious cardiac arrest. The analysis of event and transaction affecting the cash position is termed as cash flow analysis.

It is very remarkable to know the activity of cash form where it is received and to where it is applied. The cash flow statement to show all the cash receipts (inflows) and cash payment (outflows) of a firm for a period. Cash flow statement is prepared to understand the relationship between accrual accounting events and their cash impacts. This statement classifies cash flow from operating, financing, and investing activities as required by accounting standards. on the other hand, the statement facilitates to convey information about cash receipts and cash payments of a firm during the accounting period. Though the same information comes through the cashbook already prepared in the cause of positing ledgers the statement of cash flows present information in a different manner so, that the decision maker knows how much cash has increased or decreased in operating, investing and financing activities.

-) statement of cash flows reflect the ability of the company.
-) To generate positive cash flows in future periods.
-) To meet its obligations and to pay dividends.

This cash flow statement helps the user to evaluate a company's ability to have sufficient cash both on short and long-term basis. Due to this reason, the statement of cash flow is useful to virtually everyone interested in the

company's creditors. The statement of cash flows assists management, investors, creditors and others by providing the following information:

-) The enterprise's ability to meet its obligations,
-) The enterprises ability to generate positive future net cash flows.
-) To enterprise's ability to pay dividends.
-) The enterprise's need for external financing.
-) Reason for differences between net income and associated cash receipts and payments,
-) Effect on an enterprise's financial position of both including cash and non-cash investing and financing transactions during the period.

The statement of cash flows is an important financial in terms of providing information for investors and creditors it shows how the accrual accounting information is converted into cash based information and arrange the information so, that investors and creditors can better understand the cash effects of a company's operating, investing and financing activities. The primary purpose of the cash flow statement is to provide information about the cash receipts and cash payments of the entity. The cash flows statement helps to assess the solvency of a business and to evaluate its ability to generate positive cash flows in future period, pay dividend and finance growth. (Dangol, 2063:61)

The balance sheet provides information about the assets of an enterprise and how these assets have been financed by owed and borrowed funds at a certain time but it doesn't explain the changes in assets, liabilities and owners equity resulting from an enterprise's financial performance during a specific period but earning is measured by accrual accounting. It does not show cash generate through its operation.

The statement of cash flow has now become a standard feature of financial reporting in a number of countries and is required in addition to the balance sheet and profit and loss statement. From 1988, companies in united state have been required to present statement of cash flows. Since the beginning 1992, British companies are required in other many countries including Australia, NewZealand and South Africa. In 1992, the international accounting standard on cash flow statement. Nepal company Act 2063 B.S. also made mandatory present cash flow statement along with Balance sheet and income statement. According to institute of chartered accountants of Nepal has published the financial statement, which should include cash flow with the balance sheet and profit and loss account.

So, every enterprise should prepare its as an integral part of its financial statement for each period for which financial statement as presented. Cash flow analysis is done through the statement of cash flow. A cash flows statement is a statement of company's ability to generate cash from various activities such a as operating, investing and financing.

1.1.1 Focus of the Study

The focus of the study includes cash flow analysis of manufacturing companies in Nepal. The researcher studies the cash inflow and outflow of Dabur Nepal Pvt. Ltd. and Unilever Nepal Ltd.

Cash flow is the lifeblood of business organization. It is the fuel that keeps the business alive without cash no business transaction can even imaging to be done. So, analysis of liquidity position is an important aspect of modern business organization. As such the decision makers must pay close attention to the firm's cash position and events and transactions that affect the nauseas of cash position to change. The analysis of events and transaction that effect the cash position of the company is termed as cash flow analysis.

Cash flow means the inflow and outflow of the cash of a business over a

certain period of time. It defines the flow of cash. Cash flow can be defined as a two ways positive cash flow and negative cash flow. If coming of cash is more than outgoing of cash in the business, the company has a positive for business enterprise like a good health. "Cash flow" is one of the most vital elements for the survival of a business. It can be negative or positive; the latter is obviously a most undesirable situation.

1.1.2 Brief Overview of Unilever Nepal and Dabur Nepal Pvt. Ltd.

a. Unilever Nepal Limited

Due to the liberal economic policy of government, Unilever Nepal Ltd. was formed as a subsidiary company of Hindustan Lever Ltd., India the factory is situated at Basamadi VDC of Makawanpur district, 6 km. far from Hetauda of the central development region of Nepal and the registered office of the company is situated at Kathmandu, Nepal. Unilever Ltd. was formed as a public limited company in 1993 and production started to December 1994. While started, it is called Nepal Lever Ltd. Now, it is changed Unilever Nepal Ltd. instead of Nepal Lever Ltd. it is registered according to company act, 1964 (New Company act, 2053) as a joint venture company of foreign investment and technology transformation with an authorized capital of Rs. 3000000 (thirty corers) divided into 3000000 numbers of shares of Rs. 100 each, paid up capital of Rs. 120000000 (twelve corers) divided into 1200000 (twelve lakhs) shares of Rs. 100 each and working capital of Rs. 99800000 (nine corers and Ninety Eighty Lakhs).

Hindustan Lever Ltd. Was formed as subsidiary company of Unilever group of company of England, with a 5% share. It was around 1940 in India. Its head office is in Mumbai, India. Its total turnover is more than Nepals budget and products are more than 110 consumer goods. However Unilever Nepal Ltd. Current sales policy is to future plan is to sales as 40% in Nepal and 60% in India.

The objectives of the company are to established and carry on the business of soaps, detergent, cosmetics, personal care products, toothpaste and household cleaners, to export and otherwise deal with products and also to perform all such other activities which may be related, and to carry out other objectives as set in the memorandum and articles of association of the company.

b. Introduction of the Dabur Nepal Pvt. Ltd.

Dabur Nepal Pvt. Ltd. (DNPL) was established in 1989 as a joint venture company as per the agreement entered in Nepal with Dabur India Ltd. for the production of any ayurvedic based personal care health care and food product. And started manufacturing products in 1992 the company's factory and registered office is in Rampur, Tokani at Bara district and the corporate office is in TNT building at Teenkune, Koteshwore.

The company is the first of its kind in the country to harness ecological resources and manufacture commercially variable and value added top of line products locally, to be sold at prevalent rates for domestic use and export to India, Bangladesh and other neighboring countries. During the span of fifteen year there has been vertical growth in a sphere of business and operations in adoptions to lateral expansion in the area of research and development. In order to enable effective utilization of resources, company has set up "plant for life" 90 million green house projects at Banepa in 1996. The application of this project has spurred a steady supply of rare, endangered medicinal saplings in a state of the art green house equipped with modern climate controls. The saplings are sold at a cost to farmers in remote areas to grow and harvest with "bus back" guarantee, steps have been taken to subsidize the cost of saplings in order to enable broad participation of the local people.

The company's various community initiatives, generation of employment and additional income for the local people have resulted in improved socio-economic condition.

1.2 Statement of the Problem

Private enterprises are established to develop the economic situation of the country through involving manufacturing and trading good and products for the support of goods in the market so, the government of Nepal has introduced the private sector with the bound objectives of privatization of the public sector industries also however, the performance of PE's is not satisfactory except few enterprises. Many PEs are operating at losses; some are already closed due to the political situation and negligence of the government for the better enrichment. The private enterprises of Nepal are facing many problems such as:

- Lack of capital
- Lack of skilled manpower
- Low capacity utilization
- Political instability
- Low quality of raw material
- Competition with open market

In this way, there are lots problem in private enterprise of Nepal. Private enterprises, which have been undertaken for study, are found to be associated with some problems. Therefore, an account of above financial shortcomings within the selected private enterprises, the research attempts to ascertain the answers of the following questionnaires, which are as follows:

- Why the investment opportunities of these private enterprises companies differ?
- What does their cash flow indicate? Is the cash managed properly or not? Are their any irregularities regarding cash flow?
- What are the factors that affect company's liquidity and solvency?

- How far they have been able to keep the sound status in term of business?
- Why the private enterprises companies haven't same amount of cash flow?
- What is the role of spread to generate positive cash? How from operating activities?
- What is the condition of cash flow with the highest amount of annual operating profit?

1.3 Objectives of the Study

The main objectives of the study are to evaluate the performance of the private enterprises companies considering the cashflow in the sector of private enterprise companies individually and yearly will be the objective of stud suitable and decisive advice will be recommended on the basis of finding from the study to the concerned authorities for their future enhancement. The specific goals of this study are mentioned below:

- a. To compare the cash flow different activities of companies.
- b. To compare the cash flow performance of individual companies.
- c. To recommend the appropriate suggestions to the concerned authorities for future improvement.

1.4 Need of the Study

This study is based on the analytical study of private enterprise companies. The main study under it is cash flow analysis of individual and comparative evaluation within concerned companies. Manufacturing companies are not only important for our country. In whole day we are always used that product a goods which is produced by manufacturing companies. We did not think our life without manufacturing companies. In present day it had

made our life more easier, comfortable. It has also contributed the development of our country.

Thus the study of cash flow of private enterprise companies provides knowledge about the cash position, liquidity position and future income sources of the private enterprise companies. This analysis is the beneficial for concern private enterprise companies to make appropriate policies analysis also provided detail information about strength and weakness of the private enterprise companies based on cash flow statement. This study may be the important material for library. This study analysis cash position of manufacturing companies in this present unstable situation. The comparative analysis also supplies recommendation to make effective cash flow in future.

1.5 Limitations of the Study

The study is not free from limitations. The limitations of the study are as follows:

-) The study will be mainly confirmed only on Unilever Nepal Ltd. and Dabur Nepal Pvt. Ltd.
-) The Study will be fundamentally based on the data of published financial statement of manufacturing companies mention under study.
-) Only five years data from Fy 2062/63 to Fy 2066/67 will be taken for analysis.
-) Data will be historical account rather than on price-level change.

1.6 Organization of the Study

This study will be organized such a way that the stated objective can be achieved as much as possible.

This study is divided into five chapters. Prior to the body of the thesis, several

pages of preliminary materials such as the page, viva voce sheet, approval sheet, acknowledgements, table of contents, list of tables, list of figures and abbreviations used will have been presented.

Chapter I: This introductory chapter includes brief background information, objectives, statement of the problem, focus of the study and organization of the study.

Chapter II: This chapter deals with literature review. In other words, it focuses on the theoretical part of the study, including conceptual reviews and review of books, articles, journals and thesis. Conceptual review includes theoretical explanation of investment decision, financial terms and project evaluation and analysis technique.

Chapter III: This chapter with the name research methodology includes sources of data, research design, population and samples and data analysis tools. The financial and statistical tools used for data analysis are explained.

Chapter IV: This is the most important and extensive chapter as it include and the main theme of the study. This chapter all finally based on detail analysis, conclusion are met.

Chapter V: This is the concluding chapter, where a brief summary of the whole study is given, conclusion of the study is explained and recommendation are put forward recommendation are based on the comparative studies of two companies.

CHAPTER-TWO

REVIEW OF LITERATURE

Review of literature includes the whole study and review of those books, articles and thesis, which are related to our research. It provides the information about the research. Review of literature is so important like an investigation of disease before treatment in medical science. It includes related books, article, journals and thesis. The textual matters would help the researcher to support the area of research in order to explore the relevant and true facts for the reporting purpose. Actually, it is the best guideline for the research work.

Conceptual Review

Review of Related Studies

2.1 Conceptual Review

Before the introduction of cash flow, fund flow was used. Later cash flow has been introduced instead of fund flow. So, it is the latest finding of accountancy. Nepal's act 2053 made compulsion to submit cash flow statement with financial statement. Amendment of company act 2062/63 has also made compulsion to submit cash flow statement was introduced in Nepalese curriculum only from the bachelor degree level. But now it has been included in the curriculum of +2 levels. In many research works, the researcher works, the researcher has reviewed different thesis, journals and books written by Nepalese writers as well as foreign writers.

2.1.1 Fund Flow Analysis

"The funds flow statement consists of two terms 'funds and 'flow'. The 'funds' refers to ass pecuniary resources that can be measured in term so money. It may be interpreted as cash or working capital or all financial resources. 'Flow' means change in amounts of funds between two periods. Thus, the statement designed to highlights the change in the financial position of business is known

as funds Flow Statement" (Dangol; 2064:360).The balance sheet and income statement of a business shows the financial position at a given point of time and summary of revenue and expenses during the accounting period. But for evaluating the past performances, future potential of a business, a separate statement has to be prepared which is known as funds flow statement. For showing the changes in assets and liabilities from the end of one period of time to the end of another period of time a statement of changes in financial position or a funds flow statement has to be prepared.

The comparatively study of two balance sheet of a company prepared for two different years for knowing the financial activities of a company is know as funds flow statement. Form where the funds have been obtained, which is known as sources and where the funds have been utilized, which is know as uses are shown by a funds flow statement.

“Funds flow statement is the statement of sources and uses of fund. Funds flow statement shows the from which the funds are received and the areas to which the obtained funds have been utilized. Funds flow statement indicates various mean by which funds were received during the particular period and the ways in which theses funds were applied. Thus, the funds flow statement is an essential tool for financial analysis” (Koirala and other, 2064:310)

It explains the sources from which additional fund i.e. working has been arrived and the uses to which the fund or working capital has been employed. Funds flow statement is prepared on the basis of two balance sheets of subsequent dates and highlights the changes in the financial position of a concern. The main purpose of funds flow analysis is to get clear information about the financial transaction that brings changes in the companies' resources. The objective of funds flow statement is to disclose the cause of changes in the assets, liabilities and equity capital between two balance sheet dates. It highlights the changes in financial position of a concern and indicates the ways to where these funds were utilized which shows the inflow and outflow of the funds. It is a kind of financial tools which answers the following questions.

) From which sources funds were received?

-) How many funds were received?
-) For what purpose the fund is used?

2.1.2 Cash flow Analysis

Cash is the heart of business organization without cash no any business organization can be imagined to be done. It is the fuel that keeps a business alive. Without cash no activities can take place. A business must have an adequate amount of cash to operate. So, analysis of liquidity position is an important aspect of modern business organization. As such the decision must play close attention to the firm's cash position and events and transaction that affect the cash position of company is termed as cash flow analysis (Munankarmi, 1999:259).

Cash flow analysis is done through statement of cash flow. Cash flow statement is a statement of a company's ability to generate cash from various activities. Such as operating, investing and financing and their need of cash. It is a statement, which shows the inflows and outflows of cash and cash equivalent during the year.

2.1.3 Profit and Cash flow

Profits are calculated to know the economic condition of a firm. Although the profits are accounting measure, they may not reflect the economic reality of the firm. Only increase in profit will not always result in higher stock price. Profit of the firm depends on many factors such as methods of depreciation, non operating gains, income expenses and loss. One profit maximization is not wealth maximization of the firm.

Cash flow analysis is another accounting measure that many recognize the profit little further than profits measured. It can measure the actual cash available for the firm. It shows the actual cash receipt (inflow) and the actual

cash payment (outflow) of the business organization. It is after all the available cash not the profit that determines the firm's future investment and growth. Cash flow has earning potential and captures the economic impact of managerial decision. So, cash flow can be considered as an index of the wealth not the profit of the firm.

2.1.4 Cash Flow Statement

Cash Flow Statement is an accounting tool to reflect the cash (position) available from different sources within an accounting period. It presents the actual cash position systematically and analytically. It is the reconciliation of opening and closing cash. It presents the actual view of business on cash basis. The flexibility came to an end in late 1987, with the Financial Accounting Standard Board's (FASB) issuance of statement no. 95, which called for a statement of cash flows to replace the more general funds statement of cash flows to replace the more general funds statement. The FASB, in an effort to help investors and creditors better predict future cash flow, specified a universal statement activity. This format is still used today. Similarly Nepal accounting standard (NAS-03) cash flow statement should report cash flow during the period classified by operating, investing and financing activities.

Nepal Company Act 2053 B.S. also made mandatory to present cash flows statement along with balance sheet and income statement. NAS says, "the cash flow statement is the part of the complete set of financial statement including balance sheet, income statement and accounting policies and extraordinary notes".

Cash flow analysis is done for cash flows. A cash flow statement is a statement of business firm that can present the ability of the firm cash from various activities such as operating, investing and financing and their need of cash. This statement shows the inflow and outflows of cash and cash equivalents during the year. It shows cash collected from operating activities, investing activities and financing activities like income statement, balance sheet profit

and loss all cash flow is a accounting tool that measure financial position of the firm. It also helps to keep in track a changed balance sheet recognizing the great importance and usefulness of cash flow analysis. In November 1987, the financial accounting standard board issued statement financial accounting standard no. 95, "Statement of cash flows". The statement became effective for annual financial statement for fiscal year ending after July 15, 1988. Thus the statement of cash flow is now one of the major financial statements.

"Due to increasing importance of the cash flows analysis to the decision maker. FASB stated that the financial statement of the company should include information about:

- a. How a business obtains and spends cash?
- b. Its borrowing and repayment activities.
- c. Sales and repurchases of ownership.
- d. Dividend payment and other distribution to its owners and
- e. Other factor that effect a company's liquidity and solvency

(Munankarmi, 2003:45).

"All enterprises that prepare financial statements in conformity with IAS are required to present a cash equivalents during a period. Cash and cash equivalents comprise cash on hand and demand deposits, together with short term, highly liquid investments that are readily convertible to a known amount of cash and that are subject to an insignificant risk of changes in value. Guidance notes indicate that an investment normally meets the definition of cash equivalent when it has maturity of three months or less from the date of acquisition. Equity investments are normally excluded, unless they are in substance cash equivalent (e.g. preferred shares acquired within three months of their specified redemption date). Bank overdrafts, which are repayable on demand and which form an integral part of an enterprises cash management, are also included as a component of cash and cash equivalents (IAS, 07:8).

"Information about the cash flows of an enterprise is useful in providing the

users of financial statements with a basis to assess the ability of the enterprises to generate cash and cash equivalents and the needs of enterprise to utilize those cash flows. The economic decisions that are taken by users require an evaluation of the ability of an enterprise to generate cash and cash equivalents and the timing and certainty of their generation” (Bajracharya, 2004:901).

2.1.5 Importance of Cash Flow Analysis

The Importance of this analysis is increasing day by day. Cash flow analysis is the importance tools to analysis the financial position of a business firm. Only profit and loss or income statement cannot reflect the actual financial position. Cash flow analysis helps the user of financial statement evaluate a company’s ability to have sufficient cash both in short term and long term basis. For this reason, the statement of cash low is useful to virtually everyone interested in the company’s financial health.

Cash flow analysis shows daily operations generated to meet obligation and relate to major inflows of cash from sales. As a result, it would able to convey if inflows from operation combine to result in a positive cash flow or in a drain. The importance of cash flow analysis is as follows:

- a. It is prepared on cash basis. Hence, cash position of a firm can be easily evaluated.
- b. It is helpful to a firm for planning and co-ordination financial operation properly.
- c. It helps to evaluate financial and cash position.
- d. It is also in planning the repayment of loan, replacement of fixed assets and long term cash planning.
- e. It is useful for both internal and external users. The external users refer to the bank and other financial institutions.

It provides useful information to the users of the statement to:

- a. Assess an enterprise's ability to generate positive future cash flows.
- b. Asses an enterprise ability to meet its obligation, its ability to pay dividends and its need for external financing.
- c. Assess the reasons for differences between income and associate cash receipts and payments.
- d. Assess both cash and non-cash aspects of a company's investment and financial transactions.
- e. Assess a company solvency, liquidity and financial flexibility; solvency is the ability of a company to pay its debts as they matured. Liquidity is the ability to generate adequate amount of cash and also refers to assets and liabilities measures to cash. Financial flexibility refers to adopt during the period of financial adversity, to obtain financing, to liquidate non-operating assets for cash (Bajracharya, 2004:901).

2.1.6 Objectives of Cash Flow Statement

The Primary objectives of the cash flow statement are to providing information about the inflows and outflows of firm's cash during the particular period. It provides the information to financial statement users with insight about the change in cash and cash equivalent during an accounting period. Cash flow statement is an important tool, which provides information to its users, about the ability of the cash flow statement are as follows:

-) To help the financial manager to explain the situation of cash.
-) To make easy to prepare cash budget for the specific period for future reference.
-) To help know the causes of changes in the cash position on two dates.
-) To help to evaluate the financial position of an organization.

-) To help to evaluate the financial position so that it can make plans and policies regarding decision-making activities for short term and long term financing.
-) To provide information about a company's operating, investing and financing activities during the accounting period.
-) To help the understanding liquidity position of the firm.
-) To locate the reason for variations in cash position.

2.1.7 Difference between Funds Flow and Cash Flow

Funds flow and cash flow statement look similar. There are some differences. The main differences between funds flow and cash flow statement are as follows:

Schedule of Change in Working Capital: It is necessary to prepare the schedule of changes in working capital separately under funds flow statement to show the increase or decrease in current assets and current liabilities whereas in cash flow, both current and concurrent assets appear. Hence, separate working capital is not necessary.

Accounting: Funds flow is based on accrual basis of accounting and cash flow is based on cash basis of accounting.

Method of Preparation: the information about source and uses of funds can be obtained with the help of funds flow statement. The net difference between sources and uses represent net increase or decrease in working capital. Cash flow is prepared by taking opening balance of cash and the difference between source and uses represent the closing balance of cash.

Starting: Cash flow statement starts with balance of cash in hand and in the beginning of the period for which the statement is prepared where as funds flow statement does not start with any operation balance.

Objectives: Cash flow statement is used to show the cause of change in cash position of a company between two balance sheet date and fund flow statement is used to show the changes in working capital position of a company between two balance sheet dates.

Usefulness: generally fund flow statement is useful for long term financial planning However cash flow statement is useful for short term cash planning.

Necessity: cash flow can not be prepared if funds flow is available but fund flow can be prepared if cash flow is not available.

Simplicity: Fund flow is comparatively easier to prepare than the cash flow statement.

2.1.8 Preparation of Cash Flow Statement

Nepal accounting standard has made it compulsory that every enterprise should prepare the cash flow statement showing cash classified by operating, investing and financing during the period. An enterprise presents its cash flow from operating, investing and financing activities in a manner that is most appropriate to its business. In cash flow statement, cash may inflow or outflow. Inflow of cash means receipt of cash to the firm and outflow of cash means payment of cash from the firm. The statement is prepared by taking the opening balance of cash, adding to this all inflows of cash and deducting all the outflows of cash from the total. In the process of finding operating profit, adjustment for prepaid and outstanding expenses and incomes are made to covert the data from accrual basis to cash basis. This statement of cash flow is a good tool for the short term cash planning and short term analysis of the business firm. It shows the sources and application of the business. There are some sources and application of cash, which have been presented below:

Sources of Cash

Sources of cash indicate inflow of cash. The situation of cash coming into

business firm various sources is termed as sources of cash. They can as:

-) Receipts from customers for sales of goods and services activities.
-) Receipts from sales of fixed assets.
-) Receipts from sales of investment and from investments.
-) Receipts from interest and dividends on loans and investments.
-) Receipt from insurance of share capital.
-) Receipt from insurance of debenture.
-) Receipts from other long-term borrowing.

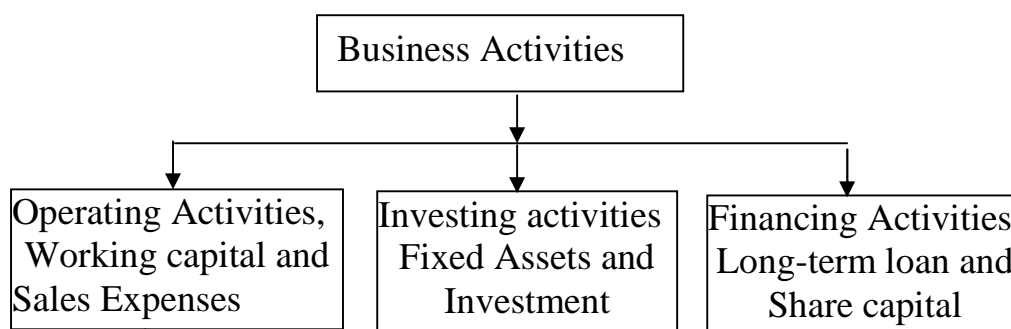
Application of cash

Application of cash indicates outflows of cash. If cash of the business for different purpose, at that time it is called application or outflows of cash. The application of cash can be termed as:

-) Payments to suppliers and employees for materials and services.
-) Payments to government for taxes and duties.
-) Payments for purchase of fixed assets.
-) Payment for purchase of investments and for making for loans.
-) Payments for dividends on share capital.
-) Payments for principal on debenture and other borrowings.
-) Payments for interest on debenture and other borrowings.

Besides these items, other related items of cash inflow and outflows are included In sources and application of cash.

Figure 2.1: Components of Cash Flow



Generally, there are two methods of preparation of cash flow statement. Those are:

- a. Direct Method
- b. Indirect Method

2.1.8.1 Direct Method

Direct method of cash flow statement calculates the cash inflow and cash outflow on direct incoming of cash and direct outgoing of cash. It is started from sales revenue. If income statement and balance sheet is given in the information, direct method must be used. This method of cash flow statement calculates the income of cash and outgoing of cash from operating activities, investing activities and financing activities.

When the direct method is used the cash flow statement doesn't begin with net income, rather, it shows cash collected from customer and deducted cash used for various expenses. That is, major class of gross cash receipt and gross cash payments are discussed. Following are the three steps of preparation of cash flow statement from direct method.

- a. Determination of Cash flow from operation activities.
- b. Determination of Cash flow from investing activities.
- c. Determination of Cash flow from financing activities.

Steps in Preparing Statement of Cash Flows

A specific procedure should be followed while preparing statement of cash

flow is a calculated the cash flow from operating activities, using either the direct or indirect method. The Second step is to analyze the information for changes resulting from investing and financing activities. The third step is to arrange the information gathered in step 1 and 2 into of cash flow.

Step1: Determination of Cash Flows from Operating Activities

The direct method of cash flow converts its income statement from accrual basis to the cash basis. Operating activities involve producing and delivering goods and providing services. Cash flow from operating activities includes receipts customer for sales of goods and services (collection from debtors). Cash outflows from operating activities include payments to purchases of materials and for services, payment to employees for services and payment made to government for taxes and duties.

Step2: Determination of Cash Flows from Investing Activities

Investing activities involve making and collecting loans and acquiring and disposing of fixed assets. Cash inflows from investing activities are receipts from sales of fixed assets, share, debenture or similar instrument of other enterprises. Cash outflows under investing activities are purchase of share and debenture of other enterprises, purchase of fixed assets etc.

Step3: Determination of Cash Flows from Financing Activities

Financing activities involve obtaining resources from owners and providing them with a return of their investment, borrowing money and repaying amounts borrowed. It also includes incoming of cash by issue of share and debenture, repayment of long-term loan, payment of dividend, repayment of principal with interest etc. Comparative balance sheet should be analyzed by preparing necessary accounts.

Table 2.1: Statement of Cash Flow under Direct Method

particular	Amount
------------	--------

Operating Activities:	
A. Cash collected from debtors and sales	
Net sales (less sales return)	XXX
Add, Decrease in A/c recv./bills recv./sundry debtors	XXX
Bad Debt recovered	XXX
Increase in provision for doubtful debts	XXX
Less, Increase in A/c recv./bills recv./sundry debtors	XXX
Bad Debt written off	XXX
Decrease in provision for doubtful debts	XXX
Total	XXX
B. Cash purchases and payment mad to suppliers	
Net purchases /material supplies/cost of goods sold	XXX
Add, Decrease in A/c payable/bills payable/sundry creditors	XXX
Increase in inventories/stock	XXX
Purchase related expenses	XXX
Less, Increase in A/c payable/bills payable/sundry creditors	XXX
Decrease in inventories/ stock	XXX
Total	XXX
C. Payment made to employees and other operating expenses	
Direct Labor	XXX
Manufacturing overhead	XXX
General expenses	XXX
Administrative expenses	XXX
Selling and Distribution expenses	XXX
Rent/ Interest expenses	XXX
Add, Decrease in outstanding expenses	XXX
Increase in prepaid expenses	XXX
Less, Increase in outstanding expenses	XXX
Decrease in prepaid expenses	XXX
Total	XXX
D. Payment made for tax expenses	
Tax expenses for the year	XXX
Add, Increase in prepaid tax	XXX
Decrease in outstanding tax	XXX
Less, Decrease in prepaid tax	XXX
Increase in outstanding tax	XXX
Total	XXX
E. Cash inflow from interest income	
Interest income/ received	XXX
Add, decrease in outstanding income	XXX

Less, increase in outstanding income	xxx
Total	xxx
F. Cash available from operating activities before extra ordinary items (A-B-C-D+E)	xxx
Add, Increase in Bank overdraft/ short term loan	xxx
Less, Decrease in Bank overdraft/ short term loan	xxx
I. Net cash available from operating activities	xxx
Cash available from investing activities:	
Purchase of share and debenture of other company	xxx
Sales of share and debenture of other company	xxx
Purchase of fixed assets	xxx
Sales of fixed assets	xxx
II. Net cash available from investing activities	xxx
Cash available from financing activities:	
Issue of share and debenture	xxx
Redemption of preference share and debenture	xxx
Issue of long term loan	xxx
Repayment of long term loan	xxx
Dividend paid	xxx
III. Net cash available from financing activities	xxx
Net change in cash or equivalent of cash (I+II+III)	xxx
Add, Opening cash balance	xxx
Cash balance at the end/ closing cash balance	xxx

2.1.8.2 Indirect Method

Indirect method is that type of method, which calculates the cash flow from operating activities by considering the non cash flow from operating activities by considering the non-cash items. The non-cash expenses are added on net profit and non-cash income is deducted on net profit and changes in working capital are also considered.

The indirect method of cash flow statement is much harder to understand than the direct method. But the direct method is not the one used by most companies

because it does not clearly show why the year's net income differs from the year's net income differs from the year's net operating cash flow. They refer a presentation that helps the user to understand the reason for the difference between the period's net income and the period's net cash from operating the reconciliation, or indirect method.

Step1: Determining Net Cash Flow from Operating Activities:

Operating activities are those kinds of activities, which are done to generate income or revenue. These activities are performed to run daily activities like production, transportation, setting etc. these activities are the source of continues cash flow. Operating activities are always with in the management control and they provide based for management estimation of fund needed to rise from available sources. Cash flow from operating activities is generally the cash effects of transaction and economic events included in the determination of income. Under indirect method the net cash flow from operating activities is determined by adjusting net profit or loss for the effect of:

- a. Change during the period in inventories and operating receivable and payables.
- b. Non cash item such as depreciation, provision, defected taxes and unrealized gains or losses.
- c. All these item for which the cash effect is investing or financing cash flow.

Step 2: Determining Net Cash Flow from Investing Activities:

Investing activities indicate lending long-term investment, buying and selling of fixed assets of two accounting period. Fixed assets can be productive assts or revenue generating assets. In investing activities, increasing fixed assets refer purchases of assets and that result outflows of cash and decrease in assets of sales of assets and if sales of assets exist, there happens inflow of cash.

Step 3: Determining Net Cash Flow from Financing Activities:

Financing activities include issue of share, debenture (not short term than one year), redemption of share, debenture of same category. In other word, financing activities include borrowing money from creditors and repaying the amount of borrower and obtaining resources form owner, repayment of borrowed fund of among and payment of dividend to owners. The amount of share capital and retained earning accounting are analyzed to calculate the inflows and outflows from financing activities.

Table 2.2: Statement of Cash Flow under Indirect Method

Particular	Amount	Amount
A. Operating Activities		
Net profit for the period		xxx
Add, Non Cash/Non Operating Expenses:		
a. Depreciation for the period	xxx	
b. Amortization of goodwill	xxx	
c. Amortization of patents/copy right	xxx	
d. Amortization of trade mark/investment	xxx	
e. General reserve maintained	xxx	
f. Discount of issue of share and debenture	xxx	
g. Premium of redemption of preference share and debenture	xxx	
h. Loss on sale of fixed assets	xxx	
i. Preliminary expenses written off	xxx	
j. Provision of taxation	xxx	
k. Provision for dividend	xxx	xxx
Total		xxx
Less, Non Operating Incomes:		
a. Appreciation of fixed assets	xxx	
b. Premium on issue of share and debenture	xxx	
c. Discount on redemption of preference share and		

debt		
d. Profit on sales of fixed assets	xxx	
e. Dividend received	xxx	
f. Refund of tax	xxx	xxx
	xxx	
Funds from Operation		xxx
Add, Increase in current liabilities(item wise)		xxx
Decrease in current assets (except cash item wise)		xxx
Less, Decrease in current liabilities (item wise)		xxx
Increase in current assets (except cash item wise)		xxx
Net cash available from operating activities before tax		xxx
Less, Tax Paid		xxx
Net cash available from operating activities		xxx

B. Investing Activities:		
Purchase of share and debenture of other company	xxx	
Sales of share and debenture of other company	xxx	
Sales of investment	xxx	
Purchase of investment	xxx	
Purchase of fixed assets	xxx	
Sales of fixed assets	xxx	xxx
Net cash available from investing activities		xxx
C. Financing Activities:		
Issue of share and debenture with premium or discount		Xxx
Redemption of preference share and debenture with premium and discount		(xxx)
Issue of long-term loan		xxx
Dividend paid		(xxx)
Net cash available from financing activities		xxx
Net change in cash and cash equivalent (A+B+C)		xxx
Add, Beginning cash and cash equivalent		xxx
Ending cash and cash equivalent		xxx

Group Cash Flow Statement

Group cash flow statement deals both cash and accrual basis figure, whereas group cash flow statement attempts to report only cash movement, group cash flow is prepared from the consolidated accounts. After the completion of

consolidated profit and loss account and consolidated balance sheet, the holding company can prepare this statement.

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

- a. Operating Activities
- b. Investing Activities
- c. Financing Activities

The above three activities are similar to basic cash flow statement. According to IAS-7, Para, 40 states the aggregate cash flow arising from acquisition and from disposal of subsidiaries or their business unit should be presented separately and classified as investing activities: IAS-7,Para39.

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

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

Non-cash transaction related to investing and financing activities should not be included in the cash flow statement. According to IAS-7, Para-43 “Investing and financing transaction that does not required the use of cash or cash

equivalent should be excluded

From a cash flow statement.” Such transaction should be disclosed elsewhere in the financial statement in a way that provides all the related information about the investing and financial transactions activities. Examples of non-cash transactions are as follows:

- a. The acquisition of assets either by assuming directly related liabilities or by means of a finance lease,
- b. The acquisition of an enterprise by means of equity share,
- c. The conversion of debt to equity.

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

Table 2.3: Calculation of Net Value of Assets

Particulars	Details	Amount
Fixed assets of subsidiary company		
Current assets of subsidiary company		
Total assets acquired		
Less, Current liabilities		
Net worth or net assts		
Less, receivable from holding company		
Total		
Add, Payable to holding company		
Net assets acquired		
Less, Minority interest		
Capital reserve		
Good will		

Value of share in holding company (If share are issued acquisition) Reserve of holding company		
Net value of subsidiary purchase		

2.2 Review of Related Studies

2.2.1 Review of Books

The books related to cash flow analysis and cash management has been selected to review. Besides these, the book related to manufacturing and economy of our country have also been reviewed my research is mainly based on cash flow of selected manufacturing companies. Cash is the basic and common needs of every business organization. Without cash nothing is possible to operate and run in the organization, so it is the foundation of target point. It is the most important aspect of working capital. Cash is the basic input needed to use excess cash income profitable way. Any business organization should be able to maintain optimum level to cash to run the organization smoothly. If cash balance is excess the necessary then it will result disturbance in daily operation and will compel the organization to loss many business opportunities.

To run every function smoothly, corporate must adopt appropriate policy of cash, which made optimum cash management possible for improving the efficiency of cash management. Developing countries corporate are not adopting appropriate cash management policy, which includes time value of money. It time value of money is not considered in cash management the corporate should loss large amount of cash as interest for effective cash management, cash collection and disbursement policy must be effective.

Financial management is responsible not only for profitability but also for proper liquidity position. And the key for maintaining liquidity position is cash.

Cash is lifeblood for organization. In business, to purchase merchandise, assets and other necessary things are purchased in credit, creditors must be paid at that time cash is important. Besides these cash is needed to repay short term as well as long term loan and liabilities. If the firm is unable to pay liabilities, it is compelled to terminate. The main part of working capital is cash. And working capital is to be managed to keep current assets efficiency in order to maintain the firm's liquidity while not keeping any assets as to high level.

Cash budget is planning of cash flow before doing the task. It shows the planned cash inflow, outflows and ending position by interim period for a specific time span. Cash budget is important accounting measure to make future certain in respect of cash or liquidity. It includes cash receipts and disbursement for specific time period. Cash budget is a long term and short term. It shows cash excess and deficit. Excess cash can be used for probable activities and cash deficit shows the cash need for investment planning. Cash budget is a tool to estimate annual profit.

2.2.2 Review of Articles and Journals

Advanced and research based journals of finance are hardly found in Nepal. Very limited numbers of journals of finance cannot cover its full dimension. Though, in this section articles from various national and international journals are reviewed and the attempt is concentrated to build the sound conceptual framework of subject matter, which may help for the success of the study.

The journal of finance, published by American Finance Association for many decades is taken into account. In its volume XV of September 1960, Joseph C. Schabacker, at this article, "A study of cash planning in small manufacturing companies." is reviewed here, which is as follows:

Several significant investigations have been conducted to explain the causes of failure among small businesses. The most widely accepted theory forthcoming from such studies is that poor internal management is the predominant factor in

failure. Businesses do not fail merely because they are small.

A formal cash plan is here defined as a written forecast, as opposed to mental estimates. The definition of a small manufacturing company is a firm with 150 employees or less.

The situation of this problem involved a determination of the kinds of financial planning feasible, an analysis of how much is actually being done, and the formulation of a minimum amount of financial planning that should be accomplished.

A random sample of twenty-eight small machinery manufacturing companies in the Los Angeles area was investigated. Financial and operational data were obtained through questionnaires and personal interviews with the president (or senior executive). In addition, information was collected from each company's outside auditor, from the bank loan officer, and from Dun and Bradstreet files.

Statement analyses were prepared for the Dun and Bradstreet fourteen financial ratios for each company for the period 1951-56. These ratios were compared with appropriate industry result by year as published by Dun and Bradstreet. A "Score" was then developed for each company representing (a) over-all operating results and (b) net profit results.

W.J. Baumol, at his article "The Transaction Demand for cash: An inventory theoretic Approach" on quarterly journal of economic (Vol. LXV, Nov.1952) identifies cash maintenance and demonstrates that the model of economic order quantities that is applicable to inventory management is perfectly applicable in cash management too. He has presented model in view of minimizing the opportunity cost of holding cash and maximizing the return on the available funds, the cash balance should be maintained at a minimum level and the funds not required from immediate use be invested in the marketable securities.

Ram M. Saksena at his article, "Towards more efficient cash management." On quarterly journal of management quality (Vol.No.5, 1974) identified that the

term cash management has a meaning according to the purpose for which it is used and persons with varying branches of knowledge implies various meaning of cash. Economics considered cash, as the means to satisfy human want, the lawyer the view that cash is the legal tender money issued by a determinate authority. However, our concern of the meaning of cash is an asset constituting the most liquid item among all the assets. But to obtain cash involves cost because corporation has to rise through issue to share or by borrowing with interest. In through generation money market procurement is liability and wasted opportunity unless it is not put to its optimal use.

Associated Professor S.P. Munankarmi in his article defined about cash flow analysis. It is an integral part of financial planning stated the importance of cash in organization by calling the lifeblood of business enterprises. According to him it is the fuel that keeps a business alive. So, a business must have adequate amount of cash to operate and decision makers should pay attention to the firm's cash position and events and transaction that affects the cash position of the company is termed as cash flow analysis.

Due to the increasing importance of cash flow analysis FASB stated that financial statement should pay attention to the firm's cash position and events and transaction that effects the cash position of the company is termed as cash flow analysis. Due to the increasing importance of cash flow analysis FASB stated that financial statement should include information about the sales and repurchase of its ownership securities about dividends payment and other distribution to its owners and about factors that affect a company's liquidity and solvency.

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

profit that determines the firm's future investment growth.

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

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

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

Net cash from financing activities and determined by the flow of short-term loans and over drafts. There may be some non-cash investing and financing payments and such payments are not reported in the statement of cash flow.

The FASB concluded that non-cash portions of investing and financing activities should not reported in the statement of cash flow. However the board recognizes that non-cash investing and financing activities are important events and so they should be disclosed by preparing a separate schedule for such activities.

As per the format of cash flow statement the article started further that section seven of Nepal Company Act 2053 B.S. mentions the company's books of accounts and accounting system to be adopted by the company. Articles 83 reporting statements which includes balance sheets income statement and cash flow statement and articles 84 of the act mentioned that the balance sheet and profit and loss account should be prepared in the prescribed format, but the cash flow statement is not prescribed as such in the author's opinion be presented in the format as prescribed by the FASB. The article concluded that an accurate cash flow projection being an integral part of financing plans help to avoid cash flow problems and also helps to keep borrowing cash as low as possible.

2.2.3 Review of Previous Related Thesis

Shrestha (2005) he carried out a study titled “ A Study on Cash Management with Respect to National Trading Limited (NTL) and Salt Trading Limited (STCL)”. Her main objective is to present overall picture of cash of NTL & STCL. The major findings of the study are:

- a. The current assets to total assets of NTL & STCL are both in fluctuating trend.
- b. The investment assets to total assets of NTL & STCL are both of the trading companies with respect to its total assets and net fixed assets.
- c. Cash & Bank balance holds the largest portion followed by inventory in NTL whereas cash & bank balance holds the least in STCL & inventory holds the higher portion.

- d. The turnover positions of the NTL & STCL are in fluting trend.
- e. The liquidity position of the STCL is satisfactory & favorable in comparison to the liquidity position of the NTL.

Sainju, Sabin Prakash (2003), “Cash management in public manufacturing enterprises of Nepal: a case study o f Royal drug.” he has made conclusion indicating the poor cash management practices of Royal Drugs Limited (RDL). He concluded that

-) Overall cash management practices have been found disappointing.
-) Overall liquidity position of the firm has been found moderately dissatisfactory.
-) Overall, yearly cash inflows and out flow in RDL is not properly managed. Surplus cash hasn't been properly employed to earn return by investing in short-term investment opportunities.
-) Profitable has been found in very weak position.
-) Overall cash budgeting practice of RDL is very poor.

On this study payable deferral period, inventory conversion periods and receivable collection period and their aggregate effect as cash management has not been identified i.e. cash conversion cycle of the company has not been identified which helps to analysis overall status of collection of not cash in organization.

Mr Kiran Neupane (2004) has conducted a research entitled in "A study of cash management of Nepalese Public Enterprise" (A case study of Salt Trading Corporation Limited. He has collected the data from secondary source that are published by the Salt Trading Corporation Limited and related information through the direct interview and questionnaire. The period covered is F.Y. 2055/56 to 2059/60. He has set the following objective.

-) To study the existing cash management in STCL.
-) To critically review the cash management technique procedure by STCL.
-) To suggest appropriate cash management policy for future.

He has pointed the major findings of his research work are as follows:

- i) Cash management in the STCL is primarily based on the traditional practice lacking in scientific approach. A more serious aspect of cash management has been the absence of any formalized system of cash planning and cash budgeting in STCL.
- ii) Modern practices with respect of debt collection, monitoring the payment behavior of customers and relevant banking arrangement in collection of receivables have been virtually ignored in STCL.
- iii) The STCL could not make the best use of available cash balance prudently.
- iv) The average cash turnover time in a year is found 40 times which is in fluctuating trend over the study period.
- v) The average inventory conversion period into cash is found a little more than two month i.e. 62 days which is very slow.
- vi) The average payable conversion period is faster than average receivable period which is not a good single for the purpose of managing cash.
- vii) Average cash conversion cycle taken 64 days i.e. little more than two month which is not a good single for the cash management or cash collection efficiency of corporation is very low.
- viii) Management has taken liberal credit policy to sales of goods. Hence the cash and bank balance of the study period is in minimum.
- ix) No optimum cash balance is maintained. The cash and bank balance with respect to current assets has been fluctuating. Similarly is the cash with respect to the total assets.

Mr. Niraj Adhikari (2004) has submitted as dissertation in the topic "A comparative and Analytical Study on Cash Flow of selected Finance Companies" to the faculty of management T.U. in the course of partial fulfillment of M.B.S. The data are collected from both primary and secondary source. The period covered was from F.Y. 2054/55 to 2057/58. the basis objective of this research paper is to analysis the trend of cash flows of selected institute, to examine and compare the cash flow statement of those financial institution, to identify the strength and weakness of working capital management especially cash management of those financial institution.

Major Finding

(i) National finance company

In case of NFS the total cash flow from operating activities is in increasing trend in the first two year but in the final year it is decreasing.

Deposit mobilization/collection is in decreasing trend.

The amount of current liabilities and current assets are increasing trend.

The cash flow from investing activities is not regular.

Borrowing is in decreasing trend which in the final fiscal year has decreased to zero.

(ii) Lumbini Finance and Leasing Company

) The amount of total cash flow from operating activities is in increasing trend in the first two year but in the final year it is decreasing.

) Deposit mobilization/collection is in increasing trend.

) The amount of current assets is decreasing in the first two years of the study period but it is increasing in the final year.

) The amount of loan is decreasing in the first two years of the study period but it is increasing in the final year.

) Cash flow from investing activities is in decreasing trend.

) Borrowing is in decreasing trend.

Adhikari (2007), in his study on cash flow analysis of selected finance companies in Nepal has examined the various aspect of cash management or cash flow in financial management and the poor financial performance of finance company. Hence, this study deals with cash position, trend of cash flows and sources and usage of cash in differ sector. The major findings of the study are:

- a. Deposit mobilization/collection is increasing in some finance companies. The contribution to the total cash inflow is also increasing year after year.
- b. Cash flow from investing activities is fluctuating.
- c. The amount of current liabilities is fluctuating.
- d. Amount of dividend to the shareholder is increasing.

In this regard the study on cash flows analysis of selected finance companies, Adhikari suggested the finance company as follows:

Company should concentrate on increasing the deposit collection/ mobilization activity because that is the main item which contributes mainly to the total cash inflow. The company should be less dependent to the creditors to flow cash inside the company.

The company should invest as per the availability of the cash from operating activities otherwise it has borrow from outsider to make investment.

The review clearly pointed out that the cash management is the major problem in Nepalese enterprises. But the success and failure of an enterprise greatly depend upon the efficient management of cash.

2.3. Research Gaps

There is gap between the present research and the previous research in terms of some objectives, tools for analysis, period of data and the organization. The main issue of this study is to analyze the cash flow analysis of Dabur Nepal Private Limited and Unilever Nepal Limited. It is mainly concerned with Dabur Nepal Private Limited and Unilever Nepal Limited and Data is taken in between 2062/63 to 2066/67. This study is has been done to analyze the cash flow of selected organization, to examine, analyze and compare the cash flow and to provide recommendations to the concerned organization for future improvement on the basis of this study.

CHAPTER THREE

RESEARCH METHODOLOGY

Simply research means to search again. The first look may not always be adequate so we search the same problem gain and again. Research methodology is a research method used to need specific objectives. It is a systematic way to find out the probable salutation it includes research design, sample design, period of study, sources of data and collection procedure, data processing and terms methods and tools techniques, theories to analyze and interpret.

3.1 Research Design

"Research design is the plan, structure and strategy of investigation conceived so as to obtain answer to research questions and to control variance" (Howard K.Wolfff and Prem; 1999:50).

The main objective of the study is to analyze to cash flow statements of the Manufacturing Company and provide suggestion on the basis of findings .In order to fulfill objectives of the study as much as possible, an adequate attention has been paid in the process of Research Design. The research is carried out on the basis of secondary sources data. In the study, the researcher has followed the comparison cash flow analysis of selected companies. Cash flow analysis to especially identify the performance of these companies. On the ground of observed infirmities and inefficiencies, an attempt will be made to suggest the reasonable and useful recommendations to the concerned.

3.2 Population and Sample The population for this study shall comprise the entire manufacture companies, which are operating in our country and supplying new goods & products to the Nepalese people.

In order to fulfill the objectives of the study, two manufacturing companies are:

Unilever Nepal Ltd.

Dabar Nepal Pvt. Ltd.

3.3 Period of study

The study will be based on previous 5 years data covering the F/Y 2062/063 to 2066/67.

3.4 Sources of Data & Data Collection Procedures

The research study shall consist of secondary data. The audited balance sheet, profit and loss account and related scheduled of the concerned manufacturing companies collected. Beside there, other essential data and information will be collected from some published and unpublished document.

So far as the data collection procedure will be concerned annual report of selected organization, which will be collected by making an access to the manufacturing companies and the chartered accounts firms. In addition, answer on certain queries made to staff of concerned organizations also assists in data collection procedure. The researcher will also consult the library to gather necessary data and information during the course of study. If the related subject matters are available in anywhere there will be contacted for further information.

3.5 Data Processing

For my study, related and necessary data will be gathered. Than first of all, the quitted account of different separate sheets each for balance sheet & profit and loss account in order to depict the overall picture of different years of such companies. There after cash flow statement has been present by comparing the consecutive fiscal year balance the data one analyzed by observing all the financial statement.

3.6 Data Analysis Tools

While conducting the analysis, the research will use trend of cash flow through chart of cash flow.

3.6.1 Cash Flow Analysis

Cash is lifeblood of business enterprise. It is the fuel that keeps a business alive. Without cash no activities can take place so, a business must have an adequate amount of cash to operate. As such the decision makes must pay close attention to the firm's cash position and events and transactions that affect the cash position of the company is termed as cash flow analysis.

CHAPTER – IV

PRESENTATION AND ANALYSIS OF DATA

Data presentation and analysis is the important part of the research work. It can be considered as the heart of research. In this chapter, the research analyzes five years data of selected manufacture company. According to research methodology mentioned in previous chapter, only collected data are nothing it they are presented and analyzed properly.

4.1 Dabur Nepal Private Limited

In side the cash flow from different activities of Dabur Nepal Private Limited is compared with different year cash flow statement of same company. Although it is better to analyze and compare five years data.

4.1.1 Cash from Operating Activities

This includes all those activities which are main activities of any company. If the cash inflow from this activity is greater than the outflow then it is considered satisfactory, because it shows the companies have liberal cash to operate and to bear all the expenses and overheads occurred during the operation.

The cash from operating activities can be determined by applying any one method from 1) direct method or 2) indirect method. This selected company is applying indirect method to determine cash from operating activities. The difference between direct method and indirect method is: on direct method starting is sales and on indirect method starting is net profit. Net profit is calculated by deducting all cash and non cash expensed that can be deducted while calculating net profit. So, on this indirect method, there should be making same adjustment of different non cash expenses and income to determine actual cash flow.

Table 4.1: Cash Flow from Operating Activities of Dabur Nepal Pvt. Ltd.

Particular		2062/63	2063/64	2064/65	2065/66	2066/67
A.	Cash Flows from operating Act:					
1.	Profit/loss before taxation and extra ordinary items	115085000	174222000	61942000	25628000	22264000
	Add, Depreciation	107788000	102495000	104176000	125979000	128913000
	Mis. Expenses written off	1896000	-			-
	Amortization of differed rev. expenditure		1241000	1508000	1509000	1509000
	Stock written off		2875000		-	-
	Assets not in use written off	9177000	9177000	2210000		
	Interest expenses	105442000	67278000	50473000	49393000	55767000
	Loss on sales of bonds	6985000		-		204000
	Loss on sales of assets	581000		-		-
	Provision for doubtful claims & other	-	3473000	150000		-
	Exchange loss on account of loan from Dabur Intl.	-	-		1223000	
	Less, Interest Received	(1333000)	(951000)	(760000)	(771000)	(287000)
	Rent Received	(31000)	(292000)	(257000)	(376000)	(1119000)
	Profit on sales of fixed assets	-	(211000)	(77000)	(181000)	(72000)
	Other misc. gain	-	-	(973000)		
2.	C.F. from operation before WC charge	345590000	359307000	218392000	212404000	207179000
	(Increase)/decrease in c. assets	(118943000)	(26582000)	23209000	(87270000)	(595000)
	Increase/(decrease) in c. liabilities	23928000	(101511000)	94482000	156548000	(25686000)
	Cash flow from operation	25057000	231214000	336083000	281682000	180898000
	Interest paid	(104702000)	(74170000)	(52106000)	(49319000)	(55612000)
	Advance income tax paid	(27572000)	(38446000)	(15137000)	(7411000)	(7166000)
	Income tax adjusted from previous year	(952000)	(3767000)	(1417000)	(6424000)	(11549000)
	Cash flows before exceptional items	117349000	114831000	267423000	218528000	106571000
	Loss on apiculture business	-	(9441000)			
	Loss on sales of Govt. bonds		(5063000)	(1462000)		-
	Net cash flows from operating activities	117349000	100327000	265961000	218528000	106571000

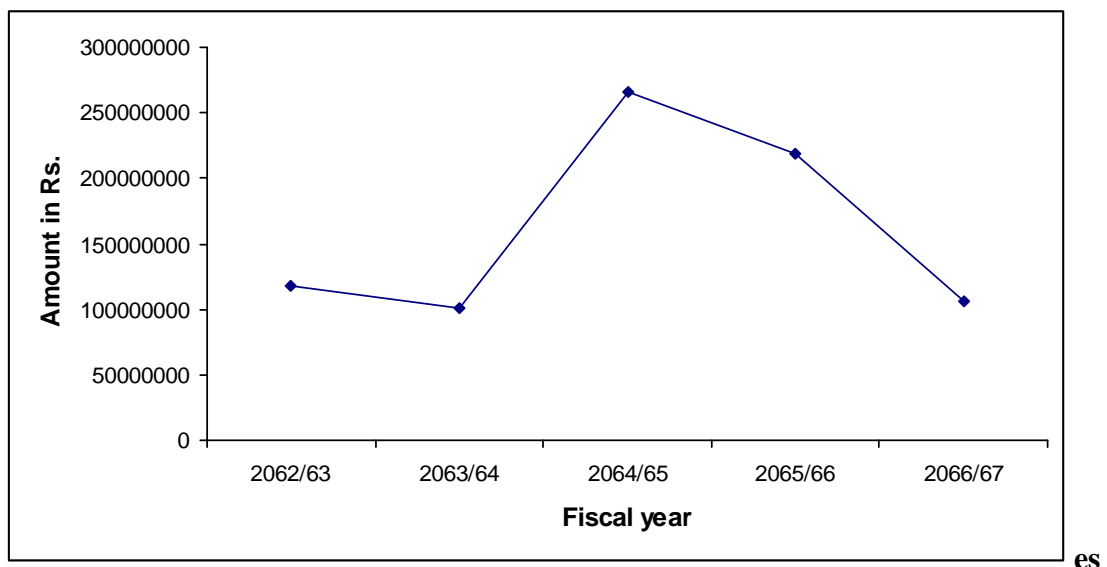
Total cash flow from operating activities of Dabur Nepal Private Limited (DNPL) in recent year is declining the year 2063/64, 2066/67 and increasing from the year 2064/65 to 2065/66. Operating cash flow are Rs. 117349000m Rs. 100327000, Rs. 265961000, Rs. 218528000 and Rs. 106571000 respectively in the year 2062/63 to 2066/67. This amount is declining by 14.50% in the year 2063/64 and 9.18% in 2066/67 as compared to the year 2062/63 and increased by 126.64% in the year 2064/65 and 86.22% in year 2065/66. Depreciation is Rs. 107788000, Rs. 102495000, Rs. 104176000, Rs. 125979000, Rs. 128913000 from the year 2062/63 to 2066/67. It was decreased by 4.91% in the year 2063/64, 3.35%, in the year 2064/65 and increased by 16.88% in the year 2065/66, 19.60% in the year 2066/67 with comparing the year 2062/63, misc. expenses written off, stock written off, loss on sales of bonds and assets are cash inflow item in it. It was occurred only one year stock written off occurred 2063/64. Provision for doubtful claims and other is also inflow item and it has occurred only two years 2063/64 and 2064/65. Exchange loss on account of loss from Dabur Intl. Is also inflow items and it was also occurred only one year 2065/66. Other main cash producing sources is an asset not in use written off for the year 2062/63 and 2063/64 is same Rs. 9177000. It was increasing for the year 2064/65. An interest expense is high in the year 2062/63 than other four years.

Interest received, rent received, profit on sales of assets & other misc. gain are main put flows items. Interest received in the year 2062/63 to 2066/67 is Rs. 1333000, Rs. 951000, Rs 760000, Rs. 771000 and Rs287000 for five years respectively. Interests received are decrease trend. Rent received was Rs. 31000, Rs. 292000, Rs. 257000, Rs 376000, Rs 1119000 respectively from the year 2059/060 to 2066/67. it seems to increase trend. Other misc. gain was Rs. 973000. it was occurred only one year 2061/062. Operating cash flow before working capital change in include items like increases or decreases in current assets, current liabilities and interest payment, decrease in current assets and increase in current liabilities is the cash inflows whereas increase in current assets and decrease in current liabilities is the cash outflows. Interest payment is the main source of cash outflow. A current assets was decreased by 770.65% in the year 2063/64 with respect to

2062/63. it was increases by 119.51% in the year 2064/65 and decreased by 26.63% and 99.50%.in the year 206263 to 2066/67 with comparing to the year 2059/060. Current liabilities were decreased by 524.23% in the year 2063/64, 207.95% in the year 2063/064 with comparing the year 2062/63, it was increased by 294.86% in the year 2064/65, 554.25% in the year 2065/66 with comparing the year 2062/63. Interest payment was high in the year 2062/63 then other four year other main items of operating profit before working capital changes are advance income tax paid, income tax paid adjusted from previous year, loss on apiculture business, loss on sales of Govt. bonds. But these items are changing unsteadily in different years.

The above statement of cash flow shows that DNPL had maintained the positive cash flow from operating activities. But CFOA was fluctuating during the study period. The CFOA decreased in FY2063/64 but in 2064/65 and 2065/66 drastically increased however in FY2066/67 it fell down to Rs. 106571000, this is due to the payment of the current liabilities of the company. Overall the performance of the company was good which helped the creditors. The cash flow from operating activities during the study period can be shown in graphical representation as follows.

Figure 4.1: Trend Line of Cash Flow from Operating Activities



4.1.2 Cash Flow from Investing Activities (CF1A)

Cash flows from investing activities represent inflows and outflows that occurred within an accounting period and concern all the investments that the company has made. Primarily, these cash flows refer to cash received or paid for the acquisition or disposal of long term (fixed assets). Cash flows from investing activities should be reported separately from the cash flow from operating activities and in a unified form that does not allow the selection between a direct or indirect method. This includes all those investment made or sold inside or the outside the company. If the cash inflow is less than the cash outflow then it is considered satisfactory for the company because more the company is able to invest more it is considered to be able to expand. The separate disclosure of cash flows arising from investing activities is important because the cash flows represent the extent to which expenditure has been made for resources intended to generate future income and cash flows. Examples of cash flows arising from investing activities are:

- a. Cash payments to acquire property plant and equipment intangible and others long term assets. These payments include those relating to capitalized development costs and self constructed property plant and equipment.
- b. Cash receipts from sales of property plant and equipment intangible and other long term assets.
- c. Cash payments to acquire equity or debt instrument of other enterprise and interest in joint venture.
- d. Cash receipts from sales of equity or debt instrument of other enterprises and interest in joint venture.
- e. Cash advances and loans made to other parties.
- f. Cash payments from the repayment of advances and loans made to other parties.

Investing activities are related with the purchase and sales of non current assets such as plant and machinery, land and building, furniture and fixture etc. Investing activities also include lending money and the purchase or sale of investments in securities. Changes in equipment, assets or investments relate to cash from investing. Usually cash changes from investing are a "cash out" item, because cash is used to buy new equipment, buildings or short-term assets such as marketable securities. However, when a company divests of an asset, the transaction is considered "cash in" for calculating cash from investing.

Table 4.2: Cash Flow from Investing Activities

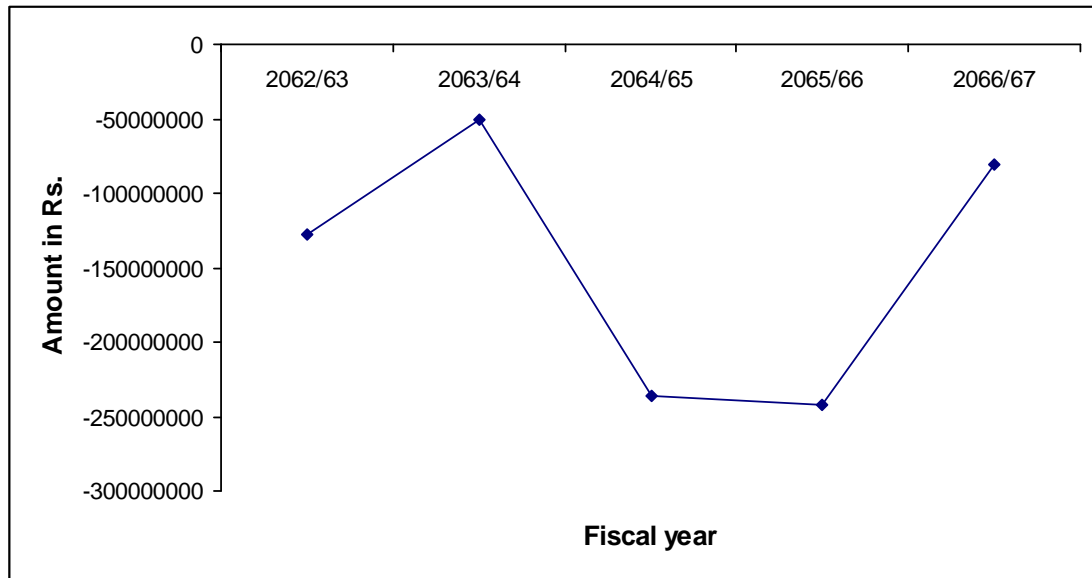
Particular		2062/63	2063/64	2064/65	2065/66	2066/67
B.	Cash Flow from Investing Activities					
	Purchases of fixed assets	(112666000)	(101000000)	(242464000)	(241882000)	(84188000)
	Sales/(purchase) of investment	(15462000)	6768000	1930000	(1998000)	1794000
	Sales of fixed assets	738000	49582000	2998000	1018000	425000
	Interest received	-	951000	760000	771000	287000
	Increased in Deferred revenue expenditure	-	(7280000)	-	-	-
	Rent received	31000	292000	257000	376000	1119000
	Net cash flows from investing activities	(127359000)	(50687000)	(236519000)	(241715000)	(80563000)

Cash flow from investing activities of this company is Rs. (127359000), Rs. (50687000), Rs. (236579000), Rs. 241715000, Rs. (80563000) respectively from the year 2062/63 to 2066/67, which show that there is investment in the year 2062/63 to 2066/67. The above trend lines shows that the cash flow from investing activities was negative during the study period of 2062/63 to 2066/67 which indicated that the company had purchased more fixed assets and made investment in other company. Interest received was appeared in the year 2063/64 to 2066/67 amounted Rs. 951000, Rs. 760000, Rs. 771000, Rs. 287000. Increase in deferred revenue expenditure was appeared in the year 2063/64 Rs. (7280000), rent received was also appeared in the year 2062/63 to 2066/67 amounted Rs: 31000, Rs. 292000, Rs. 257000, Rs. 376000, Rs. 11119000. Purchase of fixed assets is Rs. (112666000), Rs. (101000000), Rs. (242464000), Rs (241882000), Rs (84188000) respectively from the year 2062/63 to 2066/67. Investment is Rs (15462000), Rs. 6768000, Rs. 1930000, Rs (1998000), Rs. 1794000 respectively from the year 059/60 to 2066/67.

The investment of fixed assets is increase in every year is comparing with the year 2062/63. But increment of investment in fixed assets isn't stable. It has increased highly in the year 2064/65 than other years. Investment increases only two years 2062/63 and 2065/66. The increased investment in fixed assets

and investment shows the company is able to invest in these items. It shows that it has positive operating cash flow. The cash flow from investing activities during the study period can be shown in graphical representation as follows.

Figure 4.2: Trend Line of Cash Flow from Investing Activities



4.1.3 Cash from Financing Activities

This section shows the sources of fund generated through owner's capital and borrowed capital. Financing activities also include the repayment of debt and payment of cash dividend to shareholders. If the cash inflow is greater than the cash outflow whether it is satisfactory or not, depends on the situation. But it shows the company's ability to take risk but excess cash inflow through this activity is considered as no much healthier for the financial condition of the company. According to international accounting standard financing activities are:

- a. Cash proceeds from issuing shares of other equity instruments.
- b. Cash payment to owners to acquire or redeem the enterprise shares.
- c. Cash proceeds from issuing debentures, loans, notes, bonds mortgage and other short or long term borrowings.
- d. Cash repayments by a lessee for the reduction of the outstanding liability relating to a finance lease.

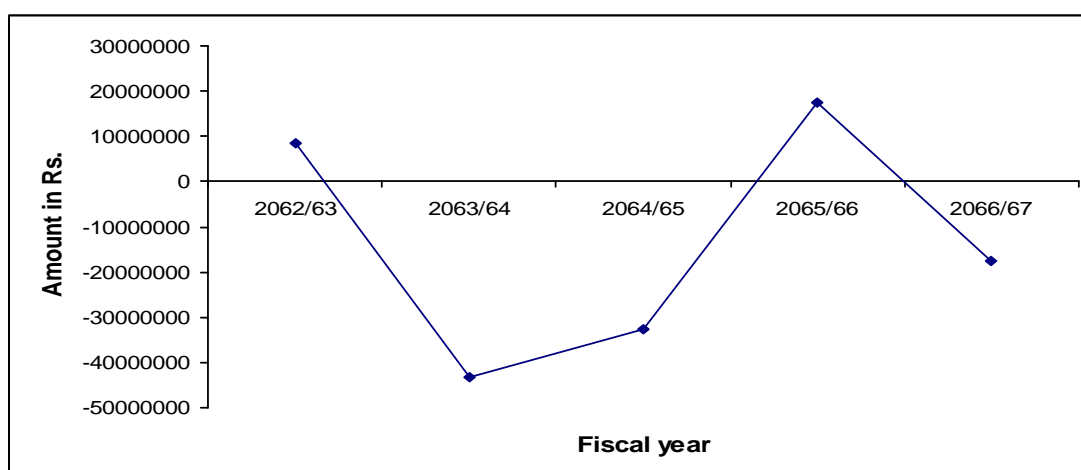
Table 4.3: Cash Flow Financing Activities (CFFA)

Particular		2062/63	2063/64	2064/65	2065/66	2066/67
C.	Cash Flow from Financing Act.					
	Increase in Borrowings for working capital	235808000	-	-	-	-
	Amount received from Dabur Intl as loan	-	-	-	320915000	-
	Decrease in other long-term loans	(11883000)	-	-	-	-
	Differed finance from supplier	(4720000)	(11247000)	(703000)	28831000	(17434000)
	Decrease in unsecured loan	(180000000)	-	-	-	-
	Dividend paid	(31941000)	(31941000)	(31941000)	-	-
	Loan repaid to Dabur Intl				(332138000)	-
	Interest received	1333000	-	-	-	-
	Net cash flow from financing activities	8597000	(43188000)	(32644000)	17608000	(17434000)

Cash flow from financing activities is Rs. 8597000, Rs. (43188000), Rs. (32644000), Rs. 17608000, Rs. (17434000) respectively in the year 2062/63 to 2066/67. There is negative cash flow in the year 2063/64, 2064/65 and 2066/67. But other two years have positive cash flow. Cash flow decreased by 602.36% and 479.71% in the year 2063/64 and 2064/65 but it is increased by 104.82% in the year 2065/66. Similarly it is decreased by 308.79% in the year 2066/67 with comparing the year 2062/63. This shows the high percentage of deviation in this five years.

Change in borrowing in the year 2062/63 is Rs. 235808000 but other year neither cash receipt nor paid amount received as a loan Rs. 320915000 in the year 2065/66. Long term loan, unsecured loan. Loan repaid, interest received are also main items in it, which was occurred only one year. Differed from finance supplier trend is not stable. Dividend paid was same in 3 years (205960 to 2064/65). The above trend line shows that the cash flow from financing activities was fluctuating during the study period. Cash flow from financing activities was positive in first year then after two years it was negative then one year positive and remaining one year also negative. In FY 2063/64 & FY 2065/66 it was decreased but in the FY 2065/66 it has been increased. In the same way in the FY 2063/4 it has been decreased. The trend line shows the unstable cash flows from financing activities.

Figure 4.3: Trend Line of Cash Flow from Financing Activities



4.1.4 Net Cash Flow and closing balance of the Year

Net cash flow is the aggregate cash flow from operating , investing and financing activities. The amount of net cash flows of a organization depend upon the type, size, condition and contingencies of the organization. So, there may be fluctuation on the net cash flow and the organization should apply required strategies to keep adequate balance of cash. The net cash flow of DNPL shown on following table.

Table 4.4: Net Cash Flow and Closing Balance

Particular	2062/63	2063/64	2064/65	2065/66	2066/67
A. Net cash flows from operating activities	117349000	100327000	265961000	218528000	106571000
B. Net cash flows from investing activities	(127359000)	(50687000)	(236519000)	(241715000)	(80563000)
C. Net cash flow from financing activities	8597000	(43188000)	(32644000)	17608000	(17434000)
Net change in cash & cash equivalents (A+B+C)	(1413000)	6452000	(3202000)	(5579000)	8574000
Opening cash & bank balance	5648000	4234000	10686000	7484000	1905000
Closing cash & bank balance	4235000	10686000	7484000	1905000	10479000

DNPL Company has different cash flow in different years. The trend of net cash flow is volatile. Net cash flow of FY 2062/63 is Rs. (1413000) in the year 2063/64 Rs. 6452000, in the year 2064/65 Rs.(3202000), in the year 2062/6^Rs. (5579000), in the year2066/67 Rs. 8574000. The cash flow was negative in the year 2062/63, 2064/65 and 2065/66. But it was positive in the

year 2063/64 and 2066/67. Cash flow from operating activities was positive in all years. Cash flow from investment activities was negative in all years. And cash flow from financing activities was negative in three years 2025/60, 2064/65, 2065/66 and positive in two years 06/62, 2066/67. Closing balance of all year are positive.

4.2 Unilever Nepal Limited

The different year's cash flow statement of Unilever Nepal Ltd. Company is analyzed here cash flow statement of the company is compared with different year cash flow statement of the same of company.

Table 4.5: Cash Flow from Operating Activities

Particular	2062/63	2063/64	2064/65	2065/66	2066/67
A. Cash Flows from Operating Act:					
Net Profit	93167104	140782744	189199474	238156507	263064838
Adjustment Add:					
Depreciation	24038196	19761682	17430497	19581408	19517262
Interest	2602127	1787341	1765167	1789825	1059458
Provisions (Increase)	36790775	55961244	92166244	81527835	50992951
Loss in Sale of Fixed Assets	253095	771767	5203181	933478	4940773
Cash Flow Prior to Change in Working Capital	156851297	219064778	305764563	341989053	339575282
Change in Working Capital:					
Decrease (Increase) in C. Assets	15484149	(91160083)	(115390338)	(50831073)	(22133323)
Increase (Decrease) in C. Liabilities	150414454	88707924	34521290	(16928343)	15175048
Interest Payments	(2602127)	(1787341)	(1 765 167)	(1789825)	(1059458)
Provisions (Decrease)			-		
Advance Income Tax Paid	(30000000)	(47749000)	(64580765)	(66285242)	(80980000)
Net Change in Working Capital	133296476	(51988500)	(147214980)	(135834483)	(88967732)
Net Cash Flow from Operation	290147773	167076277	158549582	206154571	250607550

Cash flow from operating activities shows the excess cash inflow than cash outflow from operating activities. CFOA of Unilever Nepal Ltd. Was Rs. 290147773, Rs. 167076277, Rs. 158549582, Rs. 206154571 and Rs.250607550 respectively from the year 2062/63 to 2066/67. The amount was declined by 42.42%, 45.36%, 28.95% and 13.63% respectively in the year 2063/64 to 2066/67 with comparing the year 2062/63.

Net profit before appropriation was Rs. 93167104, Rs. 140782744, Rs.189199477, Rs 238156507 and Rs 263064838 in the year 2062/63 to 2066/67 respectively. It was increased by 51.11%, 103.07%, 155.62% and 182.36% respectively from the year 2063/64 to 2066/67 as comparing with the year 2062/63. It seems that Net profit before appropriation is increasing trend. It was increasing steadily.

The main adjusted item, which add cash inflows are depreciation. It was Rs. 24038196 Rs. 19761882, Rs. 17480497, Rs. 19581408 and Rs. 19517262. respectively from the year 2062/63 to 2066/67. There was not a great change in depreciation amount. Besides depreciation, Interest, provision (increase) and loss on sales of fixed assets are the other items, which are adjusted in profit before appropriation.

The main items of operating profit before working capital change are increase or decrease in current assets, increase or decrease in current liabilities, interest payment, provision (decrease) and advance income tax paid. But these items are changing unsteadily in different years.

Although there are flexible in different items in different years, cash flow from operating is positive and increasing trend in all year. It shows that the company can invest by its own fund because of its positive cash flow from operating activities. The above trend line show that ULNL had positive cash flow from operating activities and above trend line shows the company had fluctuating CFOA during the study period.

Figure 4.4: Trend Line of Cash Flow Operating Activities

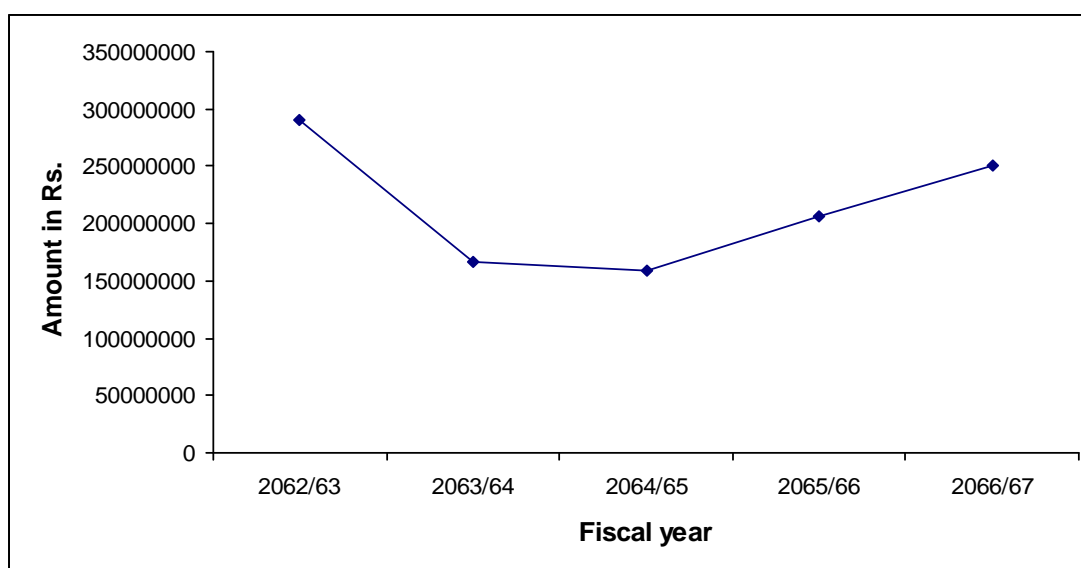


Table 4.6: Cash Flow from Investing Activities (CFIA)

B. Cash Flow from Investment					
Interest/dividend receipt					
Sales/(Purchases) of fixed					
Assets/Investment	1749429	(10085767)	(14700057)	(38514050)	(27616000)
Fixed Deposit					(30000000)
Sales of Govt. Securities	-		-		79764185
Not Cash Flow from Investment	1749429	(10085767)	(14700057)	(38514050)	22148185

Positive cash flow from investing activities represents sales of investment and fixed similarly negative cash flow means the company investment for internal and external fixed assets securities and loans and advance. Basically it include the items according to the nature of business manufacturing companies mainly include receive interest and dividend, purchases and sales of fixed assets, fixed deposit, increase or decrease in short term loan etc. when they purchase fixed assets and investment there happens negative cash flow from investing activities. And this condition company's ability to make investment and using sources to business. To make investment by its own sources, the firm should

have sufficient CFOA, it doesn't have to borrow from outside.

Cash flow from investing activities of ULNL was observed positive in the two years 2062/63 and 20623/64 due to the sales of investment. But in the following fiscal year i.e. 2063/64, 2064/65, and 2065/66 that indicate more procurement of fixed assets and purchases of investment. It was observed that the cash flows from investing activities were Rs. 1749419, Rs. (10085767) during the first two year of study period. It has drastically decreased to in 2064/65 and Rs. (38514050) in 2065/66 but in the FY 2066/67 Rs. 22148185. Negative cash flows from investing activities for three year 2063/64, 2064/65 and 2065/66 was seen due to purchases of fixed assets find positive cash flow in 2062/63 and 2066/67 year there was sales of fixed assets and government securities. By the study of this activity and its cash flow, we come to know the company has been selling the fixed assets and it has purchased fixed assets in every year. It means the company able to maintain fixed assets. The cash flow from investing activities during the study period can be shown in graphical representation as follows:

Figure 4.5: Trend Line of Cash Flow from Investing Activities

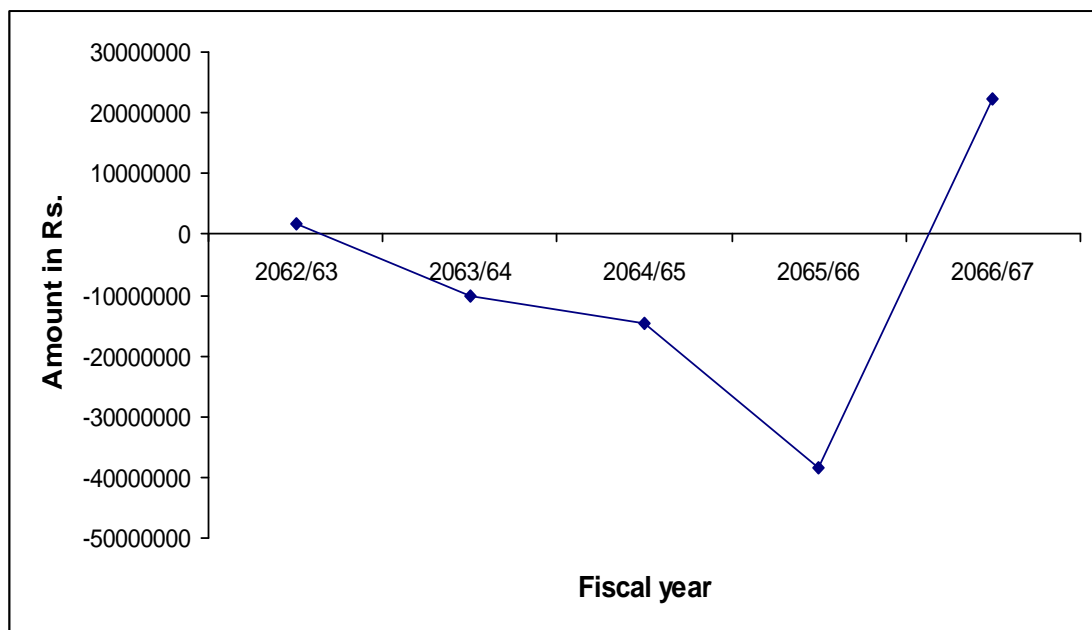


Table 4.7: Cash Flow from Financing Activities (CFFA)

C.	Cash Flow from Financial Activities:					
	Dividend Distribution	(36828000)	(82863000)	(92070000)	(368280000)	(230175000)
	Net Cash from Financing Activities	(36828000)	(82863000)	(92070000)	(368280000)	(230175000)
	Gross Increase in Cash/(Decrease) (A+B+C)	255069202	74127510	51779526	(200639479)	42580735
	Opening Cash and Bank Balance	62334979	317404181	391531692	443311288	59021739
	Closing Cash and Bank Balance	317404181	391531691	443311218	242671739	101602475

Financing activities include such type of activities, which is related, to collect or borrow and repay the long-term borrowings. Any organization needs fund to mobilize or operate the organization effectively and smoothly. And the needed fund (capital) to operate the company and the various sources from where fund can be raised is included in financing activities. Generally financing sources refers share, debenture, and retained earning and dividend paid.

Cash flow from financing activities of Unilever Nepal Ltd. Was Rs. (36828000), Rs. (82863000), Rs. (92070000), Rs. (368280000) and Rs. (230175000) from the year' 2062/63 to 2066/67 respectively. It was increased 125%, 150%, 900%, 525% in the year 2063/64 to 2066/67 respectively with comparing the year 2062/63. The main and single item inside the financing activities is dividend paid. It was also increasing trend in every year. The cash flows for financing activities during the study period can be shown in graphical representation as follows:

Figure 4.6: Trend Line in Cash Flow from Financing Activities

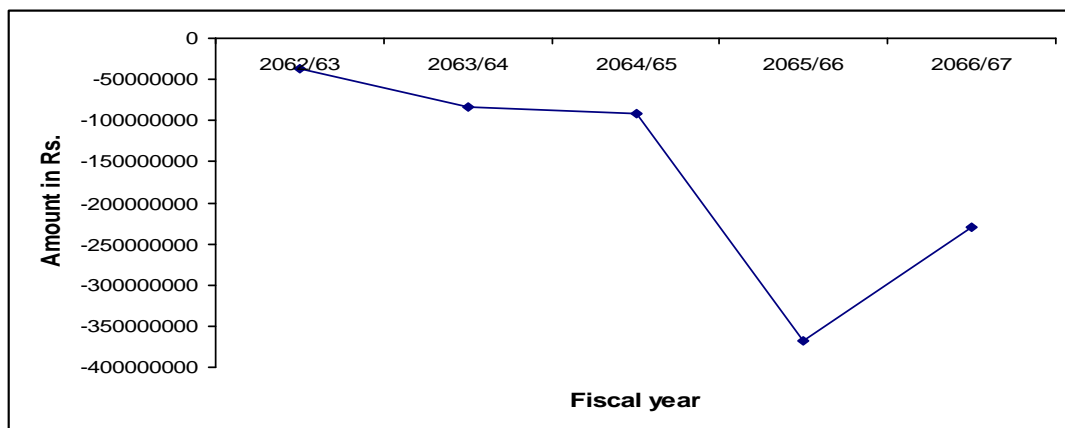


Table 4.8: Net Cash Flow and closing balance for the Year

Particular	2062/63	2063/64	2064/65	2065/66	2066/67
Net Cash Flow from Operation	290147773	167076277	158549582	206154571	250607550
Not Cash Flow from Investment	1749429	(10085767)	(14700057)	(38514050)	22148185
Net Cash from Financing Activities	(36828000)	(82863000)	(92070000)	(368280000)	(230175000)
Gross Increase in Cash/(Decrease) (A+B+C)	255069202	74127510	51779526	(200639479)	42580735
Opening Cash and Bank Balance	62334979	317404181	391531692	443311288	59021739
Closing Cash and Bank Balance	317404181	391531691	443311218	242671739	101602475

Unilever Nepal Ltd. Has different net cash flow in different years in different activities. The trend of cash flow is not only raising but also falling the different years .net cash flow are Rs. 255069202, Rs. 74127510, Rs. 51779526, Rs. (200639479) and Rs. 42580735 from the year 2062/63 to 2066/67 respectively. Net cash flow for the year 2062/63, 2063/64, 2064/65 and 2066/67 are positive but for the year 2065/66 is negative. Cash flow from operating, investing and financing activities are also not stable. Operating profit before working capital change and operating cash flow are all positive. Cash flow from investing activity is negative except the fiscal year 2062/63 and 2066/67. And the cash flow financing activities is negative in all year.

4.3 Comparative Cash Flow Statement of Dabur Nepal Pvt. Ltd. and Unilever Nepal Ltd. Fiscal Year 2062/63

Table 4.9: Comparative Cash Flow Statement of DNPL and UNL for the Fiscal Year 2062/63

	Particular	DNPL	UNL
A	Cash Flow from Operating Activities:		
	Net Profit	115085000	93167104
	Adjustments:		
	Depreciation	107758000	24038196
	Misc. Exp. Written Off	1896000	-
	Interest	105442000	2602127
	Less on Sales of Assets	581000	253095
	Asset on Used Written Off	9177000	-
	Loss on Sale of Bond	6985000	-
	Provision (Increase)	-	36790775
	Less, Interest Received	1333000	-
	Rent Received	31000	-
	Operating Profit before Working Capital Change	345590000	156851297
	Change in Working Capital:		
	(Increase)/Decrease in Inventories	(54884000)	-
	(Increase)/Decrease in Debtors	3182000	-
	(Increase)/Decrease in Loan & Advance	(62249000)	-
	(Increase)/Decrease in Deposits & Receivable	(4992000)	-
	Decrease/(Increase) in Current Assets	-	15484149
	Increase/(Decrease) in Current Liabilities	(8178000)	150414454
	(Decrease)/Increase in Provision	32106000	-
	Advance Income Tax Paid	(28524000)	(30000000)
	Interest Payments	(104702000)	(2602127)
	Net Change in Working Capital	(228241000)	133296476
B	Net Cash Flow Operation	117349000	290147773
	Cash Flow from Investing Activities:		
	(Purchases)/Sale of Fixed Assets/Investment	(128128000)	1 749429
	Sales of Fixed Assets	738000	-
	Rent Received	31000	-
	Net Cash Flow from Investing Activities	(127359000)	1749429
C	Cash Flow from Financing Activities:		
	Increase in Borrowing for Working Capital	(11883000)	-
	Decrease in other Long Term Loans	(4720000)	-
	Payment of Term Loans to Banks	(180000000)	-
	Decrease in Unsecured Loans	(31941000)	(36828000)
	Payment of Dividend	1333000	-
	Interest Received		
	Net Cash from Financing Activities	8597000	(36828000)
	Gross Increase in Cash/(Decrease) (A+B+C)	(1413000)	255069202
	Opening Cash and Bank Balance	5648000)	62334979
	Closing Cash and Bank Balance	4235000	317404181

4.3.1 Cash Flow from Operating Activities

Operating cash flow of DNPL for the year 2062/63 is Rs. 117349000 and UNL for the year 2062/63 is Rs. 290147773 respectively. UNL has higher CFOA than DNPL. The

Operating profit before working capital changes is Rs. 345590000 and Rs. 156851297 in DNPL and UNL respectively. It is higher in DNPL than UNL. It shows the good position of company in cash. Due to the first operating year, the UNL has not miscellaneous expenses written off, asset not use written off, loss on sale of bond and cash outflow etc. Current assets are increased in DNPL but decrease in UNL current liabilities was decrease in DNPL and increased in UNL. Provisions are increase in both companies. Advance income tax paid Rs. (28524000) and Rs. (30000000) DNPL and UNL respectively. UNL paid higher tax than DNPL. DNPL paid higher interest than UNL, it means DNPL borrow loan higher than UNL.

4.3.2 Cash Flow from Investing Activities (CFIA)

Cash flow from investing activities of UNL has only one items i.e. sale of fixed assets. But DNPL has different items. They are purchases of fixed assets, sale of fixed assets, rent received. In comparison of fixed assets the DNPL to has more amount than UNL. The investing cash flow of DNPL (Rs. 12759000) and Rs. 1749428 of UNL. It is positive in UNL and negative in DNPL. The items of both companies are not same to compare. Due to the lack of different items in investing activities, it can be concluded that UNL is in initial stage whereas DNPL seems to be matured.

4.3.3 Cash Flow from Financing Activities (CFFA)

The cash flow from financing activities of DNPL and UNL are Rs. 8597000 and Rs. (36828000) respectively. Cash flow from financing of UNL has also only one item i.e. dividend distribution. But DNPL has different items. They are increasing in borrowing for working capital, decrease in other long term loan, repayment of term loans to banks, decrease in unsecured loans, payment of dividend, interest received. In comparison of dividend distribution of UNL has higher distributed than DNPL. The items of both companies are not same to compare.

4.3.4 Net Cash Flow for the Year

Net cash flow for the year of DNPL and UNL are Rs. (1413000) and Rs. 255069202 respectively. The amount is negative in DNPL but positive in UNL. According to the point of positive and negative cash flow, UNL is better than DNPL.

4.4 Comparative Cash Flow Statement of Dabur Nepal Pvt. Ltd. and Unilever Nepal Ltd.

Table 4.10: Comparative Cash Flow Statement of DNPL and UNL for the Year 2063/64

Particular		DNPL	UNL
A.	Cash Flow from Operating Activities:		
	Net Profit	174222000	140782744
	Adjustments:		
	Depreciation	102495000	19761682
	Amortization of Deferred Revenue	1241000	-
	Expenditure	9177000	-
	Assets not in Use Written Off	2875000	-
	Stock Written	67278000	1787341
	Interest Experts	3473000	55961244
	Provision for Doubtful Claims & Other	-	771767
	Loss on Sales of Fixed Assts		
	Less:		
	Interest Received	(951000)	-
	Rent Received	(292000)	-
	Profit on Sale of Fixed Assets	(211000)	-
	Cash Flows from Operation before Working Capital Changes	359307000	219064778
	Change in Working Capital:		
	Decrease/(increase) in Current Assets	(26582000)	(91160083)
	Increase/(Decrease) in Current Liabilities	(101511000)	88707924
Advance Income Tax Paid	(74170000)	(1787341)	
Interest Payments	(42213000)	(47749000)	
Loss on Apiculture Business	(9441000)	-	
Loss on Sale of Government Bonds	(5063000)	-	
Net Changes in Working Capital	(258980000)	(51988500)	
Net Cash Flow from Operation	100327000	167076767	
B.	Cash Flows from Investment Activities:		
	Purchase of Fixed Assets	(101000000)	(10085767)
	Sale/(Purchases) of Investments	6768000	-
	Sale of Fixed Assets	44582000	-
	Increase in Deferred Revenue Expenditure	(7280000)	-
	Interest Received	951000	-
	Rent Received	292000	-
Net Cash Flows from Investment Activities	(50687000)	(10085767)	
C.	Cash Flows from Financing Activities:		
	Repayment of Long-term Loan	(11247000)	-
	Dividend Distribution	(31941000)	(82863000)
	Net Cash Flows from Financing Activities	(32644000)	(82863000)
	Gross Increase in Cash/(Decrease) (A+B+C)	6452000	74127510
	Opening Cash and Bank Balance	4234000	317404181
Closing Cash and Bank Balance	10686000	391531691	

4.4.1 Cash Flow from Operating Activities

Operating cash flow of DNPL for the year is Rs. 100327000 and UNL for the year is Rs 167076767 respectively. UNL has higher CFOA than UNL. The operating profit before working capital change is Rs. 359307000 and Rs. 219064778 in DNPL and UNL respectively. It is higher in DNPL than UNL. It shows the good position of company in cash. In this year also, UNL doesn't have other items, which are in BPC mentioned in cash flow statement.

4.4.2 Cash Flow from Investing Activities (CFIA)

CF.IA of UNL has only one item i.e. increase in fixed assets. But DNPL has different items. They are purchase of fixed assets, sales of investment, sale of fixed assets, increase in differed revenue expenditure, interest received, rent received. In the comparison of fixed assets the DNPL has more amount than UNL. The investing cash flow of DNPL is Rs. (50687000) and Rs. (10085767) is of UNL. It is more in DNPL than UNL. Inside the investing activities, the DNPL has many items. So, the items of both companies are not same to compare.

4.4.3 Cash Flow from Financing Activities

Cash flow from financing activities of DNPL and UNL are Rs. (32644000) and Rs. (82863000) respectively for the year 2063/64. It is negative in DNPL and UNL. The cash flow from financing activities of DNPL includes repayment of long term loan and dividend distribution but there is only one item dividend distribution in UNL. In comparison of dividend distribution UNL distribute higher dividend than DNPL. It seems to UNL has more benefits than DNPL in other item that is not in UNL, so not same to compare.

4.4.4 Net Cash Flow for the Year

Net cash flow for the year are Rs. 10686000 and Rs. 391531691 in DNPL and TJNL respectively. The amount is positive in both companies. It shows the both companies have good cash status

4.5 Comparative Cash Flow Statement of DNPL and UNL

**Table 4.11: Comparative Cash Flow Statement of DNPL and UNL for the
FY 2064/65**

	Particular	DNPL	UNL
A.	Cash Flow from Operating Activities:		
	Net Profit	61942000	189199474
	Adjustments:		
	Depreciation	104176000	17430497
	Amortization of Deferred Revenue Expenditure	1505000	-
	Assets not in Use Written Off	2210000	-
	Interest Expenses	50473000	1765167
	Provision for Doubtful Claims & Others	-	92166244
	Loss in Sale/Written Off Fixed Assets	150000	5203181
	Less: Interest Received	(7600001	-
	Rent Received	(257000)	-
	Profit on Sale of Fixed Assets	(77000)	-
	Other Misc. Gain	(973000)	-
	Cash Flows from Operation before WC Change	218392000	305764563
	Change in WC:		
	Decrease/increase) in Current Assets	23209000	(115399338)
	Increase/(Decrease) in Current Liabilities	9^482000	34521290
	Interest Paid	(52106000)	(1765 1 67)
	Advanced Income Tax Paid	(16554000)	(64580765)
	Loss on Sale of Govt. Bonds	(1462000)	-
	Net Change in Working Capital	47569000	(147214980)
	Net Cash Flow from Operation	265961000	158549582
B.	Cash Flow from Investing Activities:		
	Purchase of Fixed Assets	(242464000)	(14700057)
	Sale (Purchase) of Investments	1930000	-
	Sale of Fixed Assets	2998000	-
	Interest Received	760000	-
	Rent Received	257000	-
	Net Cash Flow from Investing Activities	(236519000)	(14700057)
C.	Cash Flow from Financing Activities:		
	Repayment of Long- Term Loan	(703000)	-
	Dividend Distribution	(31941000)	(92070000)
	Net Cash Flow from Financing Activities	(32644000)	(92070000)
	Gross Increase in Cash/(Decrease) (A+B+C)	(3202000)	51779526
	Opening Cash and Bank Balance	10686000	391531692
	Closing Cash & Bank Balance	7484000	44331 1218

4.5.1 Cash Flow from Operating Activities (CFOA)

Operating cash flow of for the year respectively. DNPL has higher CFOA than UNL. The operating profit before working capital changes is Rs. 218392000 and Rs. 305764563 in DNPL and UNL company respectively. It is higher in the UNL than DNPL. It shows the good position of company in cash. In this year also, UNL doesn't have other items which are in DNPL mentioned in cash flow statement.

4.5.2 Cash Flow from Investing Activities (CFIA)

Cash flow from investing activities of DNPL and UNL are Rs. (236519000) and Rs. (14700057) respectively. It is negative in DNPL and UNL. Inside the investing activities, the DNPL has many items like purchases of fixed assets interest received, rent received, where as UNL has only one items i.e. purchase of fixed assets. In comparison of fixed assets DNPL has more amount than UNL. In other items of both companies are not same to compare.

4.5.3 Cash Flow from Financing Activities (CFFA)

Cash flow from financing activities of DNPL and UNL are Rs. (32644000) and Rs. (92070000) respectively for the year 2064/65. It is negative in DNPL and UNL. The cash flow from financing activities of DNPL including repayment of long term loan and dividend distribution but there is dividend distribution only in UNL. In comparison of dividend distribution UNL distributed higher dividend than DNPL. It means UNL has more benefits than DNPL.

4.5.4 Net Cash Flow for the Year

Net cash flow for the year are Rs. (3202000) and Rs. 51779526 in DNPL and UNL respectively. The DNPL has negative net cash flow whereas the UNL has positive. So, the UNL is better in cash position than DNPL.

4.6 Comparison Cash Flow Statement of DNPL and UNL

**Table 4.12: Comparison Cash Flow Statement of DNPL and UNL for the
FY 2065/66**

	Particular	DNPL	UNL
A.	Cash Flow from Operating Activities:		
	Net Profit	25628000	238156507
	Adjustments:		
	Depreciation	125979000	19581408
	Amortization of Deferred Revenue Expenditure	1509000	-
	Interest Expenses	49393000	1789825
	Provision	-	81527835
	Exchange Loss on Account of Loan	11223000	-
	Loss on Sale of Fixed Assets	-	933478
	Less:		
	Interest Received	(771000)	-
	Rent Received	(376000)	-
	Profit on Sale of Fixed Assets	(181000)	-
	Cash Flows from Operation before WC Change	212404000	341989053
	Change in WC:		
	Decrease/increase) in Current Assets	(87270000)	(50831073)
	Increase/(Decrease) in Current Liabilities	156548000	(16928343)
	Interest Paid	(49319000)	(1789825)
	Advanced Income Tax Paid	(13835000)	(66285242)
	Net Change in Working Capital	, 6124000	(135834483)
	Net Cash Flow from Operation	218528000	206154571
B.	Cash Flow from Investing Activities:		
	Purchase of Fixed Assets	(241882000)	(88514050)
	Sale (Purchase) of Investments	(1998000)	-
	Sale of Fixed Assets	1018000	-
	Interest Received	771000	-
	Rent Received	376000	-
	Net Cash Flow from Investing Activities	(241715000)	(38514050)
C.	Cash Flow from Financing Activities:		
	Amount Received from Dabur Int'l as Loan	320915000	-
	Loan Repaid	(332138000)	-
	Dividend Distribution	-	(368280000)
	Differed Finance from Supplier	28831000	-
	Vet Cash Flow from Financing Activities	17608000	(368280000)
	Gross Increase in Cash/(Decrease) (A+B+C)	(5579000)	(200639479)
	Opening Cash and Bank Balance	7484000	443311218
	Closing Cash & Bank Balance	1905000	242671739

4.6.1 Cash Flow from Operating Activities (CFOA)

Operating cash flow of DNPL is Rs. 218528000 and UNL is Rs. 206154571 for the year respectively. The operating profit before working capital changes is Rs. 212404000 and Rs. 341989053 in DNPL and UNL respectively. It is higher in UNL than DNPL. It shows the good position of company in cash. UNL doesn't have other items, which are in DNPL mentioned in cash flow statement.

4.6.2 Cash Flow From Investing Activities (CFFA)

Cash flow from investing activities of DNPL and UNL are Rs. (241715000) and Rs. (38514050) respectively. It is negative in DNPL and UNL. Inside the investing activities, the DNPL has many items like purchases of fixed assets, purchases of investment, sale of fixed assets, interest received, rent received whereas UNL has only one item i.e. purchases of fixed assets. In comparison of fixed assets DNPL has more amount than UNL. And other items of both companies are not same to compare.

4.6.3 Cash Flow from Financing Activities (CFFA)

Cash flow from financing activities of DNPL and UNL are Rs. 17608000 and Rs. (368280000) respectively for the year 2062/03. It is positive in DNPL and negative in UNL. The cash flow from financing activities of DNPL includes. Amount received, loan repaid, differed finance from supplier but there is only one item i.e. dividend distribution only in UNL which are not in DNPL. The items of financing activities are not same in both companies.

4.6.4 Net Cash Flow for the Year

Net cash flow for the year are Rs. (5579000) and Rs. (200639479) in DNPL and UNL respectively. The DNPL and UNL have negative. It shows that the both companies do not have good cash status.

4.7 Comparative Cash Flow Statement of DNPL and UNL

**Table 4.13: Comparative Cash Flow Statement of DNPL and UNL for the
FY 2066/67**

S.N	Particular	DNPL	UNL
A.	Cash Flow from Operating Activities:		
	Net Profit	22264000	263064838
	Adjustments:		
	Depreciation	128913000	19517262
	Amortization of Deferred Revenue Expenditure	1509000	-
	Interest Expenses	55767000	1059458
	Loss on Sale of Fixed Assets	204000	4940773
	Provision	-	50992951
	Less: Interest Received	(287000)	-
	Rent Received	(1119000)	-
	Profit on Sale of Fixed Assets	(72000)	-
	Cash Flows from Operation before WC Change	207179000	339575282
	Change in WC:		
	Decrease/(Increase) in Current Assets	(595000)	(22133323)
	Increase/(Decrease) in Current Liabilities	(25686000)	15175048
	Interest Paid	(55612000)	(1059458)
	Advanced Income Tax Paid	(18715000)	(80950000)
	Net Change in Working Capital	100608000	88967732
	Net Cash Flow from Operation	106571000	250607550
B.	Cash Flow from Investing Activities:		
	Purchase of Fixed Assets	(84188000)	(30000000)
	Sale (Purchase) of Investments	1794000	-
	Sale of Fixed Assets	425000	-
	Interest Received	287000	(27616000)
	Rent Received	1119000	-
	Fixed Deposit	-	79764185
	Net Cash Flow from Investing Activities	(80563000)	22148185
C.	Cash Flow from Financing Activities:		
	Differed Finance from Supplier	(17434000)	-
	Dividend Distribution	-	(230175000)
	Net Cash Flow from Financing Activities	(17434000)	(230175000)
	Gross Increase in Cash/(Decrease) (A+B+C)	8574000	42580735
	Opening Cash and Bank Balance	1905000	59021739
	Closing Cash & Bank Balance	10479000	101602475

4.7.1 Cash Flow from Operating Activities (CFOA)

Operating cash flow of DNPL is Rs. 218528000 and UNL is Rs. 206154571 for the year respectively. The operating profit before working capital changes is Rs. 21240400 and Rs. 339575282 in DNPL and UNL respectively. It is also higher in UNL than DNPL. IT shows the good position of company in cash. Due to the operating activities, the UNL has not amortization of differed revenue expenditure and cash outflows. Current assets are increase in both companies. It is higher in UNL than DNPL. Current liabilities are. decreased in DNPL and increased in UNL. Interest paid and advance taxes paid are also higher in UNL and DNPL.

4.7.2 Cash Flow from Investing Activities (CF1A)

Cash flow from investing activities of DNPL and UNL are Rs. (80563000) and Rs. 22148185 respectively. It is negative in DNPL and positive in UNL. Inside the investing activities the DNPL has many items like purchases of fixed assets, sale of investment, sale of fixed assets, interest received, rent received whereas UNL has only three items, they are purchase of fixed assets, interest received and fixed deposit. In comparison of fixed asset DNPL has more amount than UNL. Other items are not same to compare.

4.7.3 Cash Flow from Financing Activities (CFFA)

Cash flow from financing activities of DNPL and UNL are Rs. (17434000) and Rs. (230175000) respectively for the year 2066/67. It is negative in DNPL and UNL. The cash flow from financing activities of DNPL include only one item i.e. differed fiance from supplier which are not in UNL whereas dividend distribution only in UNL, which are not in DNPL. The items of financing activities are not same in both companies.

4.7.4 Net Cash Flow for the Year

Net cash flow for the year is Rs. 8574000 and UNL both have positive cash flow. It shows that the both companies have good cash status.

4.8 Major Findings

4.8.1 Dabur Nepal Private Limited

After studying all aspects of it we can find the following facts:

- a. All years of CFOA are positive. Positive cash flow shows the excess cash inflow than cash outflow.
- b. Total cash flow from separating activities is not stable. It is decrease, increase and decrease trend.
- c. Interest expenses and income both are volatile in nature.
- d. The DNPL is increasing its effectiveness day by day.
- e. Overall performance of the DNPL is satisfactory from the viewpoint of operating activities.
- f. CFIA of DNPL is negative in each year.
- g. It seems the company has purchase more fixed asset in each year.
- h. IN the FY 2065/66, the company had invested the highest amount.
- i. A purchase of fixed assets is highest in the year 2063/64.
- j. Increase in deferred revenue expenditure is only one year 2062/63.
- k. Sale of fixed assets is in all year but it is volatile in nature.
- l. CFFA is positive in the FY 2062/63 and 2065/66 and negative in the FY 2063/64, 2064/65 and 2066/67.
- m. CFFA shows rising fund in first and fourth year.
- n. CFFA shows only one items i.e. deferred finance from supplier in FY 2066/67.
- o. CFFA is not stable increasing or decreasing.
- p. Net cashflow was not positive in all years. IN the FY 2062/63, 2064/65 and 2065/66, there are negative cashflows and other remaining two years was positive.

4.8.2 Unilever Nepal Limited

- a. CFOA was positive in all years.
- b. CFOA of UNL is the highest in the FY 2062/63. It shows the higher cash inflow in this year.
- c. Comparative with FY 2062/63 it was declined if not comparison with FY 2062/63 it was increasing in latest two years. So, it is possible to increase incoming future.
- d. Net profit was increasing trend in volatile. So, it is also possible to increasing in coming future.
- e. CFOA was positive in all years. IT shows that the company can invest by its own fund.
- f. It has fluctuating CFOA during the study period.
- g. CFIA of UNL is positive in two years FY 2062/63 and 2066/67 and negative in 2063/64 to 2065/66 respectively.
- h. Negative FFIA express the investment in fixed assets.
- i. It seems the company has sold fixed assets more in FY 2062/63 and 20665/67 and had not purchases more fixed assets.
- j. In the FY 2065/65, the company had invest the highest amount.
- k. It is unstable trend in increasing and decreasing.
- l. CFFA of UNL is negative in all years.
- m. In CFFA of UNL there is only one item include i.e. dividend distribution. It shows company has achieve more benefits.
- n. In comparison with FY 2062/63 it was increasing trend.
- o. CFFA is not stable increasing or decreasing.
- p. Net cash flow was positive in all years except the FY 2065/66.
- q. It was increasing in FY 2064/65 and 2066/67, so it is possible to increasing in future years.

CHAPTER - V

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Summary

In this present era, privatization has taken momentum for the development of every country. Many western countries are more developed due to privatization. The manufacturing company plays vital roles in the development of the country. Due to unlimited want and desires of people, the manufacturing sectors are involved to fulfill the demands by creating new goods and exporting quality products to other countries. For the development and growth of a country, private enterprises need to work in trading and manufacturing sectors. In this context DNPL and UNL was established to provide qualitative product. Now DNPL and UNL have become a manufacturing company which has played a significant role for the economic development of the country. For the effective performance, it needs to generate sufficient amount of cash, which is considered as the lifeblood of business enterprises. Without cash no activities can take place. So, a business must have an equate amount of cash to operate. To know the actual cash position of a company, assessment of cash inflows and outflows from different activities during a fiscal year is essential for this purpose "An analytical and comparative study on cash flow" has been chosen as a topic.

To research in any field, there must be available necessary data. Data may be primary as well as secondary. For the research in this subject, researchers have used only secondary data. Secondary data contain annual report of selected manufacturing companies. For secondary data the trend of cash flow, profit and loss account and balance sheet were used. The selected companies are:

1. Dabur Nepal Private Limited
2. Unilever Nepal Limited

The trend of cash flow was analyzed properly. It was compared among cash flows of different years of same company and preparing this thesis, researcher have used cash flow statement, annual report of the selected companies and their annex are studied. Basically profit and loss a/c, balance sheet and cash

flow statement presented by the manufacturing companies are viewed for the analysis purpose. Nepal Accounting Standard, Company Act, Journals related to manufacturing companies and international accounting standard are studied throughout the periods of research articles and reports previous thesis related with cash flow written and produced by Nepalese as well as foreign this thesis. Several website (www.cashflows.com.bpc.com) related with our subject matter and visited. The research analyzes and compares about five fiscal years cash flow position of selected manufacturing companies with showing the details view of different activities. Five years mean started from 2059/2060 to 2066/67.

Cash Flow from Operating Activities (CFOA):

- a. Cash flow from operating activities of DNPL was positive in all year. It was decrease in 2nd year but it was highly increased in 3^r and 4th year then decreased in final year (final means the final according to thesis) with compare FY 2062/63. It shows the unstable cash flows. Due to the volatile trend of cash flow, it is difficult to forecast future cash flow. But, after studying all aspect of it, researcher came to conclude that this company's cash flow will increase in future.

The cash flow of UNL from operating activities are also positive in all years with compare of FY 2062/63 it was decreasing trend. But, after studying all aspect of it, researcher came to conclude that this company's cash flow will increase in future.

- b. Profit and loss before appropriation seems to be main inflow item of operating profit to both manufacturing companies.
- c. Written off items are appears in only DNPL but not appear in UNL.
- d. Comparing of all years cash flow from operating activities, UNL's CFOA is higher than DNPL.

In the present competition age, every business face with different competitors. Manufacturing companies are facing such type of competition. After comparing both companies, it is found that both are in profit, but in cash position UNL is strong.

Cash Flow from Investing Activities (CF1A)

- a. Cash flow from investing activities of DNPL is negative in all years. It means DNPL are investing in fixed assets continuously. But cash flow from investing activities of UNL was positive in beginning year then negative in after three years then positive in final year. (Final year means the final according to thesis) It means UNL are investing in fixed assets in FY 2063/64 to 2066/67 and also sale of government securities in FY 2066/67.
- b. The investment in fixed assets or cash outflow of UNL has changed slightly. But the cash outflow of DNPL is changed highly, it is in volatile trend.
- c. In total, DNPL has invested more in fixed assets than UNL. Because of quality of product is high, so the DNPL has invested much money in fixed assets than UNL.

Cash Flow from Financing Activities (CFFA)

- a. The main items of CFFA of UNL are only dividend distribution. But for DNPL, interest in borrowings for working capital, amount received, decrease in other long term loans, differed finance from supplier, decrease in unsecured loan, dividend paid, loan repaid, Interest received are main items.
- b. CFFA of DNPL is positive in FY 2062/63, 2065/66 but negative in FY 2063/64, 2064/65 and 2066/67. But in UNL, it is negative for all year.
- c. The main cash outflow of UNL is dividend distribution but deferred finance from supplier in for the DNPL. DNPL has not stable trend of cash inflow and out flow from financing activities but UNL is highly increasing trend.

Net Cash Flow for the Year

Net cash flow of both companies is not stable. It is negative in all years except the FY 2063/64 and 2066/67 in DNPL. But it is positive in UNL except the FY 2065/66. To, it seems to be in volatile nature in increase or decrease in cash flow.

5.2 Conclusion

In the context of scarcity of business, DNPL and UNL has played vital role to produce health care and family products. Both are the leading manufacturing company in the Nepalese context. It shows the financial strengthens of both companies.

As per the objectives and analysis of the study following conclusions have been drawn.

a) About Cash flow:

i. Cash flow from operating activities of DNPL is positive in all year and highest in the FY 2064/65 DNPL is satisfactory for the operational point of view. As well as UNL is also positive in all year and highest in the FY 2062/63. UNL is increasing its effectively in day by day. After comparing it is found that cash position of UNL is Strong then DNPL.

ii Cash flow from investing activities of DNPL is negative in all year it means purchase of Fixed Assets. As well as CFIA of UNL is positive in the FY 2062/63 and 2066/67. In total DNPL has invested much money in fixed assets in each year than UNL.

iii. Cash flow from financing activities of DNPL is positive in FY 2062/63 and 2065/66. As well as UNL Cash flow from financing activities is decreasing all year. DNPL shows rising fund is the two years and repayment of loan in three years. But UNL is highly increasing trend.

b) To compare cash flow performance Net cash flow of DNPL is positive in FY 2063/64 and 2066/67. Where as UNL is positive in all year except the FY 2065/66. It seems to be in Volatile nature in cash flow of both companies; according to the cash position UNL is better than DNPL.

5.3 Recommendation

A. For Dabur Nepal Private Limited:

- a. The company should emphasize to maintain stable cash flow from operation.
- b. Because of increasing demand of manufacturing business the company should invest in new product to expand product supply.
- c. The company should not invest to other companies. It should not emphasize on its own sector.
- d. To raise fund for future investment the company should be able to collect huge amount of und from equity shares and debenture.
- e. The company should be able to collect the unproductive public saving of Nepalese.

B. For Unilever Nepal Limited

- a. This company seems to be success to maintain cash flow from operating activities. But is in unstable trend. It should be maintained.
- b. The company should invest as much as possible in this sector to produce much product than now because of rapidly increasing demand of product.
- c. The company has raised its capital from long-term loan. It is better to maximize the net profit for the existence shareholders.
- d. To invest in other large plant, the company should issue equality share for public to collect unproductive Nepalese saving.

BIBLIOGRAPHY

a. Books:

- Atkinson, Banaker, Kaplan and Young (1997). *Management Accounting*. 2nd Ed., New York: Prentice Hall of International.
- Bernsteion, Loe Fold (1993). *Analysis of Financial Statement*. 4^{1st} Ed., London: TRWIN Professional Publishing.
- Bradley, Joseph F. (1964). *Administrative Financial Management*. USA: Holt, Richard & Wiston, Inc.
- Dahal, Rewan Kumar & Keshab Nath Wagle (2004). *Management Accounting*. Revised Edition, Kathmandu: Khanal Books & Stationary.
- Dangol, Ratna Man (2058). *Management Accounting*. Kathmandu Taleju Prakashan.
- Durry, Colin (1992). *Management & Cost Accounting*. 5th Ed., ELBS with Chapman and Hall.
- Durry, Colin (2058). *Management & Cost Accounting*. Business Press, Thomson Learning.
- Joshi, R. N. (1997). *Cash Management Perspectives Principles, Practices*. New Delhi: New Age International P. Ltd.
- Lynch, R. M. and Williamson, R.W. (1999). *Accounting for Management*. New Delhi: Tata McGraw Hill Publishing Co. Ltd.
- Munankarmi, S.P. (2003). *Management Accounting*. 3rd Ed., Kathmandu: Buddha Academic Enterprises Pvt. Ltd.
- Pandey, I.M. (1999). *Management Accounting*. New Delhi: Vikash Publishing House Pvt. Ltd.
- Panta, P.R. (2005). *Field Work Assignment and Report Writing*. Kathmandu: Buddha Academic Enterprises Pvt. Ltd.

Shrestha, B.P. (1981). *An Introduction of Nepal Economy*. Kathmandu: Ratna Pustak Bhandar.

Welsch, Glenn A., Ronald W. Hilton and Paul M. Gordon (2001). *Budgeting: Profit Planning Control*. New Delhi: Prentice Hall of India.

Weston, J. Fred and Copeland, Thomase (1989). *Management Finance: Financial Planning and Control*. Florida: The Dryden Press.

Wolf, H.K. and Pant, P.R. (2005). *A Hand Book of Social and Thesis Writing*. Kathmandu: Buddha Academic Enterprises Pvt. Ltd.

b. Thesis, Journal and Reports

Adhikari, Niraj (2007). *A Comparative Study on Cash Flow with Reference to NFC, LUFIL. HISE"*, An Unpublished Master's Degree Thesis, Submitted to Nepal Commerce Campus, TU, New Baneshwor.

Bhandari, Suman (2006), " *A Study of Cash Flow analysis in Nepalese public Enterprise"*. An Unpublished Thesis. Shanker Dev Campus.

Bohora, Krishana (2005). *A Comparative Study of the Financial Performance of Nepal Arab Bank Ltd. and Nepal Investment Bank Ltd.*, An Unpublished Master's Degree Thesis, Submitted to Central Department of Management, TU, Kirtipur.

Joshi, Bhagwan (2006). *A Study of Financial Performance of Commercial Banks*, An Unpublished Master's Degree Thesis, Submitted to Central Department of Management, TU, Kirtipur.

Kafle, Babu Ram (2007). *An Analytical and Comparative Study on Cash Flow: with Reference to SBI, SCB, and NABIL Banks*, An Unpublished Master's Degree Thesis, Submitted to Central Department of Management, TU, Kirtipur.

Neupane, Kiran (2004). " *A Study of Cash Management of Nepalese Public Enterprises.*" An Unpublished Master Level Thesis. Shanker Dev

Campus

Pradhan, Ram Babu (2004). *Working Capital Policy of Manufacturing Public Enterprises (MPE)*, An Unpublished Master's Degree Thesis, Submitted to Central Department of Management, TU, Kirtipur.

Sainju, Sabin Prakash (2003), "*Cash Management in Public Manufacturing Enterprises*:" Unpublished Thesis, Faculty of Management Tribhuvan University

Shrestha, Amit (2005). *A Study on Cash Management with Respect to National Trading Limited (NTC) and Salt Trading Corporation Limited (STCL)*, An Unpublished Master's Degree Thesis, Submitted to Central Department of Management, TU, Kirtipur.

DNPL (2062/63 to 2066/67). *Annual Report*, Dabur Nepal Private Limited.

UNL (2062/63 to 2066/67). *Annual Report*, Unilever Nepal Limited. MoF (2006). *Economic Survey*, Government of Nepal, Ministry of Finance.

Journal & Reports Published from Office of the (2000-2007). "Chartered Accountant Association", Related with Cash flow.

Nepal Commerce Campus (2004). "Society for Development Welfare Nepal", *A Journal of Management & Development Review*. Vol. 1, No. 1.

c. Website:

www.cashflow.com

Appendix-I

Cash Flow Statement of Dabur Nepal Pvt. Ltd.

Particular		2062/63	2063/64	2064/65	2065/66	2066/67
A.	Cash Flows from operating Act:					
1.	Profit/loss before taxation and extra ordinary items	115085000	174222000	61942000	25628000	22264000
	Add, Depreciation	107788000	102495000	104176000	125979000	128913000
	Mis. Expenses written off	1896000	-			-
	Amortization of differed rev. expenditure		1241000	1508000	1509000	1509000
	Stock written off		2875000		-	-
	Assets not in use written off	9177000	9177000	2210000		
	Interest expenses	105442000	67278000	50473000	49393000	55767000
	Loss on sales of bonds	6985000		-		204000
	Loss on sales of assets	581000		-		-
	Provision for doubtful claims & other	-	3473000	150000		-
	Exchange loss on account of loan from Dabur Intl.	-	-		1223000	
	Less, Interest Received	(1333000)	(951000)	(760000)	(771000)	(287000)
	Rent Received	(31000)	(292000)	(257000)	(376000)	(1119000)
	Profit on sales of fixed assets	-	(211000)	(77000)	(181000)	(72000)
	Other misc. gain	-	-	(973000)		
2.	C.F. from operation before WC charge	345590000	359307000	218392000	212404000	207179000
	(Increase)/decrease in c. assets	(118943000)	(26582000)	23209000	(87270000)	(595000)
	Increase/(decrease) in c. liabilities	23928000	(101511000)	94482000	156548000	(25686000)
	Cash flow from operation	25057000	231214000	336083000	281682000	180898000
	Interest paid	(104702000)	(74170000)	(52106000)	(49319000)	(55612000)
	Advance income tax paid	(27572000)	(38446000)	(15137000)	(7411000)	(7166000)
	Income tax adjusted from previous year	(952000)	(3767000)	(1417000)	(6424000)	(11549000)
	Cash flows before exceptional items	117349000	114831000	267423000	218528000	106571000

	Loss on apiculture business	-	(9441000)			
	Loss on sales of Govt. bonds		(5063000)	(1462000)		-
	Net cash flows from operating activities	117349000	100327000	265961000	218528000	106571000
B.	Cash Flow from Investing Activities					
	Purchases of fixed assets	(112666000)	(101000000)	(242464000)	(241882000)	(84188000)
	Sales/(purchase) of investment	(15462000)	6768000	1930000	(1998000)	1794000
	Sales of fixed assets	738000	49582000	2998000	1018000	425000
	Interest received		951000	760000	771000	287000
	Increased in Deferred revenue expenditure		(7280000)		-	
	Rent received	31000	292000	257000	376000	1119000
	Net cash flows from investing activities	(127359000)	(50687000)	(236519000)	(241715000)	(80563000)
C.	Cash Flow from Financing Act.					
	Increase in Borrowings for working capital	235808000		-	-	
	Amount received from Dabur Intl as loan	-	-		320915000	
	Decrease in other long-term loans	(11883000)	-			
	Differed finance from supplier	(4720000)	(11247000)	(703000)	28831000	(17434000)
	Decrease in unsecured loan	(180000000)	-	-		-
	Dividend paid	(31941000)	(31941000)	(31941000)		
	Loan repaid to Dabur Intl				(332138000)	-
	Interest received	1333000	-		-	
	Net cash flow from financing activities	8597000	(43188000)	(32644000)	17608000	(17434000)
	Net change in cash & cash equivalents (A+B+C)	(1413000)	6452000	(3202000)	(5579000)	8574000
	Opening cash & bank balance	5648000	4234000	10686000	7484000	1905000
	Closing cash & bank balance	4235000	10686000	7484000	1905000	10479000

Appendix-II

Unilever Nepal Limited Cash Flow Statement

S.N	Particular	2062/63	2063/64	2064/65	2065/66	2066/67
A.	Cash Flows from Operating Act: Net Profit					
	Adjustment Add:	93167104	140782744	189199474	238156507	263064838
	Depreciation	24038196	19761682	17430497	19581408	19517262
	Interest	2602127	1787341	1765167	1789825	1059458
	Provisions (Increase)	36790775	55961244	92166244	81527835	50992951
	Loss in Sale of Fixed Assets	253095	771767	5203181	933478	4940773
	Cash Flow Prior to Change in Working Capital	156851297	219064778	305764563	341989053	339575282
	Change in Working Capital: Decrease (Increase) in C. Assets	15484149	(91160083)	(115390338)	(50831073)	(22133323)
	Increase (Decrease) in C. Liabilities	150414454	88707924	34521290	(16928343)	15175048
	Interest Payments	(2602127)	(1787341)	(1 765 167)	(1789825)	(1059458)
	Provisions (Decrease)			-		
	Advance Income Tax Paid	(30000000)	(47749000)	(64580765)	(66285242)	(80980000)
	Net Change in Working Capital	133296476	(51988500)	(147214980)	(135834483)	(88967732)
	Net Cash Flow from Operation	290147773	167076277	158549582	206154571	250607550
B.	Cash Flow from Investment Interest/dividend receipt					
	Sales/(Purchases) of fixed Assets/Investment	1749429	(10085767)	(14700057)	(38514050)	(27616000)

	Fixed Deposit					(30000000)
	Sflla of Ciovt Securities	-		-		79764185
	Not Cash Flow from Investment	1749429	(10085767)	(14700057)	(38514050)	22148185
C.	Cash Flow from Financial Activities:					
	Dividend Distribution	(36828000)	(82863000)	(92070000)	(368280000)	(230175000)
	Net Cash from Financing Activities	(36828000)	(82863000)	(92070000)	(368280000)	(230175000)
	Gross Increase in Cash/(Decrease) (A+B+C)	255069202	74127510	51779526	(200639479)	42580735
	Opening Cash and Bank Balance	62334979	317404181	391531692	443311288	59021739
	Closing Cash and Bank Balance	317404181	391531691	443311218	242671739	101602475